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JINGRUI HOLDINGS LIMITED

景瑞控股有限公司*

（於開曼群島註冊成立的有限公司）

（股份代號：01862）

（「本公司」）

2024年到期的165,000,000美元12.0厘綠色優先票據
（「該等票據」，股份代號：40866）

刊發發售備忘錄

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承董事會命
Jingrui Holdings Limited
景瑞控股有限公司*
聯席主席
閻浩 陳新戈

香港，2021年9月29日

於本公告日期，本公司董事會由執行董事閻浩、陳新戈、徐海峰及陳超；獨立非執行董事韓炯、錢世政及盧永仁組成。

* 僅供識別

IMPORTANT NOTICE

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

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THE FOLLOWING DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

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

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The 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 retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the United Kingdom’s Financial Services and Markets Act 2000, as amended (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 securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

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

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. This document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited and Vision Capital International Holdings Limited, as the initial purchasers (the “**Initial Purchasers**”), or any person who controls them or any director, officer, employee, associate, advisor, representative, or agent of any of them or affiliate of any such person 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 available to you on request from the Initial Purchasers.

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JINGRUI HOLDINGS LIMITED

景瑞控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

US\$165,000,000 12.0% Green Senior Notes due 2024

Issue Price: 100.0%

Our Green Senior Notes due 2024 (the “Notes”) will bear interest from and including September 28, 2021 at the rate of 12.0% per annum payable semi-annually in arrears on March 28 and September 28 of each year, commencing March 28, 2022, except that the last payment of interest, to be made on January 28, 2024, will be in respect of the period from and including September 28, 2023 to but excluding January 28, 2024. The Notes will mature on January 28, 2024.

The Notes are senior obligations of Jingrui Holdings Limited (the “Company”), guaranteed by our existing subsidiaries (the “Subsidiary Guarantors”), other than those subsidiaries organized under the laws of the PRC and certain other subsidiaries specified in the section entitled “Description of the Notes”. We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee (a “JV Subsidiary Guarantee”). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

At any time and from time to time prior to January 28, 2024, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 112.0% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions. In addition, we may at our option redeem the Notes, in whole but not in part, at any time prior to January 28, 2024, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus a premium as set forth in this offering memorandum, and accrued and unpaid interest, if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined in the section entitled “Description of the Notes”), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to but excluding the date of repurchase. Subject to certain exceptions, we may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to but excluding the redemption date, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws.

The Notes will be (1) general obligations of the Company, (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (3) at least *pari passu* in right of payment with the October 2021 Notes, the July 2022 Notes and the March 2022 Notes, the September 2022 Notes, the February 2023 Notes, the October 2023 Notes (each as defined below) and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law), (4) guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to certain limitations, (5) effectively subordinated to the other secured obligations (if any, other than the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022, the February 2023 Notes, the October 2023 Notes and the Permitted *Pari Passu* Secured Indebtedness, as defined in the section entitled “Description of the Notes”) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor (other than the Collateral, as defined below), and (6) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in the section entitled “Description of the Notes”). The Notes and the Subsidiary Guarantees will be secured by first priority liens over the capital stock of all Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) owned by the Company and the Subsidiary Guarantor Pledgors (as defined in the section entitled “Description of the Notes”). Applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and the pledge of any collateral. See “Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.” For a more detailed description of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees, see “Description of the Notes” beginning on page 219.

We have made an application for the pre-issuance registration (the “Pre-Issuance Registration”) of the offering of the Notes with the National Development and Reform Commission (the “NDRC”) in accordance with the Notice on Accelerating Reform on the Administration of Filing and Registration of Foreign Debts Issued by Enterprises (Fa Gai Wai Zi [2015] No. 2044) (the “NDRC Notice”) (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) issued by the NDRC which took effect on September 16, 2015. We have received an Enterprise Foreign Debt Pre-Issuance Registration Certificate dated July 20, 2021, from the NDRC with respect to the pre-issuance registration. Pursuant to the requirements of the NDRC Notice, we will be required to submit a further application for the filing of the issue of the Notes within 10 PRC business days from the issue date of the Notes.

For a more detailed description of the Notes, see “Description of the Notes” beginning on page 219. The Notes are being issued as “Green Financing Instruments” under our Green Finance Framework. See the section entitled “Notes Being Issued as Green Notes”.

Investing in the Notes involves certain risks. See “Risk Factors” beginning on page 29.

Investing in the Notes involves risks. Furthermore, investors should be aware that the Notes are guaranteed by Subsidiary Guarantors which do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees and that there are various other risks relating to the Notes, the Company and its subsidiaries, their business and their jurisdictions of operations which investors should familiarize themselves with before making an investment in the Notes. See “Risk Factors” beginning on page 29 and particularly pages 61 and 62 for risks relating to the Notes, Subsidiary Guarantees and JV Subsidiary Guarantees in this offering memorandum.

Application will be made to the The Stock Exchange of Hong Kong Limited (the “SEHK”) for the listing of, and permission to deal in the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) (“Professional Investors”) only. This offering memorandum 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 Notes are intended for purchase by Professional Investors only and will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.**

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

The Notes are expected to be rated “B-” by Standard & Poor’s Ratings Services (“S&P”). Each such rating does not constitute a recommendation to purchase, hold or sell the Notes and may be subject to suspension, reduction or withdrawal at any time by the relevant rating organization.

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

The Notes will be evidenced by a global note (the “Global Note”) in registered form, which will be 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”). Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set out herein, individual certificates for the Notes will not be issued in exchange for beneficial interests in the Global Note. It is expected that delivery of the Global Note will be made on September 28, 2021 or such later date as may be agreed by the Company and the Joint Bookrunners.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Guotai Junan International

Haitong International

Vision Capital International

Sole Green Finance Structuring Advisor

Haitong International

Offering memorandum dated September 23, 2021

* For identification purpose only

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IMPORTANT NOTICE

The Company, having made all reasonable enquiries, confirms that (i) this offering memorandum contains all information with respect to the Company and its subsidiaries (the “Group”), the Notes and the Subsidiary Guarantees and JV Subsidiary Guarantees (if any), which is material in the context of the issue and offering of the Notes; (ii) the statements contained in this offering memorandum relating to the Company are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to the Company are honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Company, the Notes or the Subsidiary Guarantees and JV Subsidiary Guarantees (if any), the omission of which would, in the context of the issue and offering of the Notes, make any statement, opinion or intention expressed in this offering memorandum misleading in any material respect; and (v) all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.

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

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The 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 retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the United Kingdom’s Financial Services and Markets Act 2000, as amended (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 securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

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

This offering memorandum has been prepared by the Company solely for use in connection with the proposed offering of the Notes described in this offering memorandum. The distribution of this offering memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes are required by the Company, the Joint Bookrunners and Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this offering memorandum in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the People's Republic of China, the Cayman Islands, the British Virgin Islands, Hong Kong, Japan and Singapore, to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this offering memorandum, see "Plan of Distribution."

No person has been or is authorized to give any information or to make any representation concerning the Group, the Notes or the Subsidiary Guarantees and JV Subsidiary Guarantees (if any) other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Company, the Joint Lead Managers, the Trustee or the Agents (each as defined herein) or any person who controls any of them or any director, officer, employee, associate, advisor, representative, or agent of any of them. Neither the delivery of this offering memorandum nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Company, the Group or any of them since the date hereof or create any implication that the information contained herein is correct

at any date subsequent to the date hereof. This offering memorandum does not constitute an offer of, or an invitation by or on behalf of the Company, the Joint Lead Managers, the Trustee or the Agents or any person who controls any of them or any director, officer, employee, associate, advisor, representative, or agent of any of them to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful.

This offering memorandum is highly confidential. The Company has submitted this offering memorandum confidentially to a limited number of investors so that they can consider a purchase of the Notes. The Company has not authorized its use for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this offering memorandum, each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by any of the Joint Lead Managers, the Trustee, the Agents or any person who controls any of them or any director, officer, employee, associate, advisor, representative, or agent of any of them as to the accuracy, completeness or sufficiency of the information contained in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee, the Agents or any person who controls any of them or any director, officer, employee, associate, advisor, representative, or agent of any of them, whether as to the past or the future. None of the Joint Lead Managers, the Trustee, the Agents or any person who controls any of them or any director, officer, employee, associate, advisor, representative, or agent of any of them, has independently verified any of the information contained in this offering memorandum and can give any assurance that this information is accurate, truthful or complete. This offering memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Company, the Joint Lead Managers, the Trustee or the Agents or any person who controls any of them or any director, officer, employee, associate, advisor, representative, or agent of any of them that any recipient of this offering memorandum should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this offering memorandum and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

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

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

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

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY ONE OF THE INITIAL PURCHASERS APPOINTED AND ACTING IN ITS CAPACITY, AS THE STABILIZING MANAGER (THE “STABILIZING MANAGER”) (OR PERSONS ACTING ON ITS BEHALF) MAY, SUBJECT TO ALL APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT AND EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

In making an investment decision, investors must rely on their own examination of the Company and the structure and the terms of the offering, including the merits and risks involved. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Notes. The contents of this offering memorandum are not to be construed as legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the Notes.

Each person receiving this offering memorandum acknowledges that such person has not relied on any of the Joint Lead Managers, the Trustee or the Agents or any person who controls any of them or any director, officer, employee, associate, advisor, representative, or agent of any of them in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee and the Agents and any person who controls any of them and any director, officer, employee, associate, advisor, representative, and agent of any of them accepts any responsibility whatsoever for the contents of this offering memorandum or for any other statement, made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or on its or their behalf in connection with the Company, the Group or the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee and the Agents and any person who controls any of them or any director, officer, employee, associate, advisor, representative, or agent of any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement.

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

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

Unless otherwise indicated, all references in this offering memorandum to “China” or the “PRC” are to the People’s Republic of China and, for the purpose of this offering memorandum only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, and all references to “Hong Kong” are to the Hong Kong Special Administrative Region of China.

Unless otherwise specified or the context requires, all references in this offering memorandum to “Renminbi”, “RMB” or “CNY” are to the lawful currency of the PRC and all references to “US dollars” or “US\$” are to the lawful currency of the United States of America.

Solely for the sake of convenience, this offering memorandum contains translations of certain Renminbi amounts into US dollar amounts. Unless indicated otherwise, the translation of Renminbi amounts into US dollar amounts has been made at the rate of RMB6.5250 to US\$1.00, the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on December 31, 2020. These translations should not be construed as representations that the Renminbi amounts could actually be converted into any US dollar amounts at the rates indicated or at all.

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

Market data and certain industry forecasts and statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Company, the Joint Lead Managers, the Trustee, the Agents or any person who controls any of them nor any director, officer, employee, associate, advisor, representative, nor agent of any of them, and none of the Company, the Joint Lead Managers, the Trustee, the Agents or any person who controls any of them nor any director, officer, employee, associate, advisor, representative, nor agent of any of them makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards, or HKFRSs, which may differ in material respects from generally accepted accounting principles in the United States (“U.S. GAAP”).

Unless the context otherwise requires reference to “2018”, “2019” and “2020” in this offering memorandum are to our financial years ended December 31, 2018, 2019 and 2020, respectively.

References to “contracted sales” refer to purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information through our internal records, and such information has not been audited or reviewed by PricewaterhouseCoopers, our independent Certified Public Accountants. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. You should in no event treat such contracted sales information as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, you should not unduly rely upon our disclosure on contracted sales contained in this presentation as a measure or indication of our current or future operating performance.

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 this offering memorandum, unless the context otherwise requires, the following terms shall have the meanings set out below.

“April 2021 Notes”	the 9.45% senior notes due 2021 issued by the Company on April 23, 2018. As of the date of this offering memorandum, we had redeemed in full the April 2021 Notes
“ASP”	average selling price
“asset turnover ratio”	calculated by dividing revenue during a given period by the average of total assets at the beginning and the end of the period, unless otherwise specified
“Beijing Jingxiu”	Beijing Jingxiu Business Management Center (Limited Partnership) (北京景秀商業管理中心(有限合夥)), a limited partnership established in the PRC in January 2017
“CAGR”	compound annual growth rate
“CBRC”	China Banking Regulatory Commission
“CSRC”	China Securities Regulatory Commission
“February 2023 Notes”	the 14.5% senior notes due 2023 issued by the Company on November 19, 2020 and March 19, 2021
“FIREE”	Foreign Invested Real Estate Enterprises established pursuant to the Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market (關於規範房地產市場外資准入和管理的意見) issued by the Ministry of Construction, MOFCOM, NDRC, PBOC, the SAIC and SAFE on July 11, 2006
“GDP”	gross domestic product

“GFA”	gross floor area
“July 2020 Notes”	the 13.0% senior notes due 2020 issued by the Company on January 31, 2019. As of the date of this offering memorandum, we had redeemed in full the July 2020 Notes
“Jingrui Properties (Group)”	Jingrui Properties (Group) Co. Ltd. (景瑞地產(集團)有限公司), a company established in the PRC on September 8, 1993 and our wholly owned subsidiary
“Jingshen Culture”	Shanghai Jingshen Culture Development Co., Ltd. (上海景申文化發展有限公司), a company established in the PRC on July 15, 2013 and our wholly owned subsidiary
“July 2022 Notes”	the 12.0% senior notes due 2022 issued by the Company on July 25, 2019
“LAT”	land appreciation tax, as defined in the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax and the Detailed Implementation Rules on the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax
“March 2022 Notes”	the 12.75% senior notes due 2022 issued by the Company on March 11, 2020
“MLR”	Ministry of Land and Resources of the People’s Republic of China
“MOF”	Ministry of Finance of the People’s Republic of China
“MOFCOM”	Ministry of Commerce of the People’s Republic of China
“NDRC”	National Development and Reform Commission of the People’s Republic of China
“October 2021 Notes”	the 10.875% senior notes due 2021 issued by the Company on April 4, 2019
“October 2023 Notes”	the 12.5% senior notes due 2021 issued by the Company on April 26, 2021, May 17, 2021 and August 17, 2021
“PBOC”	People’s Bank of China
“SAFE”	State Administration of Foreign Exchange of the People’s Republic of China
“SAIC”	State Administration for Industry and Commerce of the People’s Republic of China
“SAT”	State Administration of Taxation of the People’s Republic of China

“September 2022 Notes”	the 12.0% senior notes due 2022 issued by the Company on June 26, 2020
“Shanghai Jingrui Property Management”	Shanghai Jingrui Property Management Co., Ltd. (上海景瑞物業管理有限公司), a company established in the PRC on December 31, 1996 and our wholly owned subsidiary
“Shanghai Ruice”	Shanghai Ruice Investment Co., Ltd. (上海瑞策投資有限公司), a company established in the PRC on April 16, 2013 in which we own 51% of the equity interest as a joint venture and became our wholly owned subsidiary on 29 June 2018
“State Council”	the PRC State Council

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this offering memorandum.

These forward-looking statements include, but are not limited to, statements relating to:

- our business prospects;
- future developments, expected growth, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- future trends and our expectations regarding our results of operations and financial condition;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

In some cases we use words such as “aim,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “going forward,” “intend,” “likely,” “may,” “plan,” “potential,” “project,” “seek,” “should,” “will,” “would” and negative of those terms and other similar expressions to identify forward-looking statements. All statements other than statements of historical facts included in this offering memorandum, including statements regarding our unaudited or future financial interests, strategy, projected plans and objectives of management for future operations, are forward-looking statements. We can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements.

Furthermore, these forward-looking statements merely reflect our current views with respect to the relevant events and are not a guarantee of actual future performance. Our business financial condition and results of operations may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, factors disclosed under “Risk Factors” and elsewhere in this offering memorandum.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this offering memorandum, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this offering memorandum might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this offering memorandum are qualified by reference to this cautionary statement.

ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

We have been advised by our Cayman Islands legal advisor, Walkers (Hong Kong), that there is uncertainty as to whether the courts of the Cayman Islands would (i) recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any state and (ii) in original actions brought in the Cayman Islands, impose liabilities against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any State. However, a judgment obtained in a foreign court (other than certain judgments of a superior court of any state of the Commonwealth of Australia) will be recognized and enforced in the courts of the Cayman Islands without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the

Grand Court of the Cayman Islands, where the judgment: (a) is final and conclusive; (b) is one in respect of which the foreign court had jurisdiction over the defendant according to Cayman Islands conflict of law rules; (c) is either for a liquidated sum not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations or, in certain circumstances, for in personam and non-money relief (following *Bandone Sdn Bhd v Soi Properties Inc.* [2008] CILR 301); and (d) was neither obtained in a manner, nor is of a kind enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

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

We have been advised by our Hong Kong legal advisor, Sidley Austin, that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court, and then seeking summary or default judgment without re-examination of the merits of the foreign judgment, provided that the foreign judgment is for a debt or definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

- (a) was obtained by fraud;
- (b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time;
- (c) is contrary to public policy or substantial justice;
- (d) is for a tax, fine or penalty or for multiple damages (as defined by the Protection of Trading Interests Ordinance (Cap. 471) of Hong Kong; or
- (e) is inconsistent with a Hong Kong judgment in respect of the same points at issue between the same parties.

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

SUMMARY

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

OUR BUSINESS

Overview

We are one of the leading regional property developers in the Yangtze River Delta. We ranked as one of the top 100 real estate companies in China for 10 consecutive years since 2011 and ranked 51st among the top 100 real estate companies in China in 2020, according to the data from Enterprise Research Institute under the Development Research Center of the State Council, Property Research Institute of Tsinghua University and China Index Academy. We were also awarded 2020 top 10 China real estate companies in terms of efficiency and top 10 China listed real estate companies in terms of financing capacity by China Real Estate Association. Headquartered in Shanghai, as of December 31, 2020, we have established operations in 22 cities across China. According to the National Bureau of Statistics and Wind, the overall economic statistics of Yangtze River Delta Region generally outperform the national statistics. In addition, we have successfully expanded our footprints to Beijing and Tianjin, the economic centers of Bohai Economic Rim, and Chongqing, a major economic center in Southwest China, all of which are centrally direct-controlled municipalities in the PRC. We are actively seeking additional opportunities in other cities in the PRC.

We have established a rapid-asset-turnover model focusing on achieving higher growth rates and investment returns while maintaining healthy margin for each of our projects. We believe the application of rapid-asset-turnover approach to our property development enhances the investment return and efficiency of our development processes. Our rapid-asset-turnover model seeks to successfully drive our projects from land acquisition, planning and construction to sales and delivery in a short period of time. Our rapid-asset-turnover model is implemented through the systematic management approach to our business. Such approach includes formulating and practicing standardized procedures divided into different business functions covering our entire operation, including procedures to ensure a disciplined and prudent land acquisition strategy and modularized project schedule management system that specifies the timeframe and quality standards for each milestone to be achieved during the development process. We centralized many critical aspects of our project development processes at our headquarters level, which we believe enables our local project companies to focus on their key business functions, such as ensuring our projects are constructed in a timely manner according to our strict quality standards and optimizing pre-sales/sales efforts. We have also built an extensive collection of standardized product portfolio that are constantly refined and updated pursuant to customer feedback and need, as well as established strategic relationships with over 500 contractors and suppliers. These efforts have enabled us to deliver high quality residential real estate projects that are replicable by us in a cost efficient manner, reducing the overall development timeframe and costs which enables us to optimize our investment returns and cash position.

During the years ended December 31, 2018, 2019 and 2020, our asset turnover ratio was 0.26, 0.27 and 0.21, respectively. We are a customer-driven residential property developer that focuses on developing properties catering to the demand of our target customers. Our products are designed to meet the need of first-time home purchasers and customers who are purchasing to upgrade their existing living conditions. These customers that currently constitute a significant portion of all property purchasers in the PRC. As a result, our products are positioned in accordance with current market trends and government policies, and are less subjected to the restrictive government measures targeted towards the real estate industry in the PRC to curb speculative real estate investments. We have introduced and implemented the “customer insights” strategy to understand the needs of our customers. We provide our customers with a customized and one-stop product solution to help them reshape their life styles. We also introduced the customized brand Space^{mce} for our residential properties, which connects core modules in our property development process and aims to improve our operation efficiency. We believe our strategic product positioning and the continuous expanding potential customer base as a result of rapid economic growth and accelerating urbanization in the Yangtze River Delta region, together with our rapid-asset-turnover model, had and will continue to contribute to our revenue growth and scalability.

We usually identify and pursue medium-sized land parcels with an aggregate site area of approximately 100,000 to 400,000 sq.m., which are well suited for our rapid-asset-turnover model and targeted return. We particularly focus on sites in target cities that are suitable for our standardized products and located in areas that will attract our target customers. These land sites enable us to effectively leverage our standardized operating procedures, resulting in shortened development cycle and effective control of our development costs and cash position.

As of December 31, 2020, we had property projects or project phases under development, with an aggregate GFA of approximately 4.6 million sq.m. We also held an aggregate GFA of approximately 0.4 million sq.m. for future development. As of December 31, 2020, we had a land bank with an aggregate GFA of approximately 4,957,541 sq.m. or 2,625,143 sq.m. on an attributable basis. We have obtained the relevant land use rights for such land parcels as of the date of this offering memorandum. We believe we have accumulated a high quality land bank, which, together with new land acquisition opportunities we may identify on a rolling basis, will continue to support our sustainable growth in the long run.

We also engage in property management services through our subsidiary, Shanghai Jingrui Property Management, which provides services for all of our own development projects. Our property management services enhance the value of our projects and facilitate to further establish our reputation and brand image while improving customer loyalty and satisfaction.

We are also in the transition from a traditional real estate developer to an asset-light operator. In 2017, we established five major business platforms, namely Jingrui Properties, Yan Capital, Co-Fortune Capital, Office Platform and Apartment Platform. Since their establishment, the five major business platforms have reinforced our comprehensive capacity while laying a solid foundation for our core business. In March 2020, we have updated the original platforms to Jingrui Properties, Yan Capital Management, Co-Fortune Capital, Jingrui Capital and Jingrui Service. See “Business — Asset Light Initiatives.” We believe that the diversification of our business will help us expand our revenue streams, shift our profit structure and avoid undue reliance on real estate development.

Our Strengths

We are a customer-driven residential real estate developer in the PRC focused on creating value for our shareholders. We believe the following strengths have contributed to the success of our business operations and leading position in the real estate industry:

- leading position in the residential property development industry in the Yangtze River Delta region with strategic national footprint;
- “rapid-asset-turnover” model with systematic management approach aiming at maximizing economic returns and optimizing cash position;
- customer-driven focus targeting first time home purchasers or home upgraders;
- high quality land bank led by discipline land acquisition and prudent business expansion strategies; and
- experienced management team committed to high corporate governance standard.

Our Strategies

We aim to be a leading brand name for residential properties in the Yangtze River Delta region as well as in the PRC move generally and will continue to deepen our penetration in existing markets and explore new markets in selected target areas. We strive to become, in the next five years, one of the top three regional property developers in terms of revenue in the Yangtze River Delta region. We intend to achieve our goal by pursuing the following strategies:

- continue to implement our rapid-asset-turnover model to strengthen our market leading position in the Yangtze River Delta region;
- continue to enhance our customer-driven product offerings;
- continue to increase our land bank by utilizing prudent land acquisition and evaluation procedures;
- further enhance our systematic management approach to optimize resource allocation;
- further enhance our reputation and brand premium and strengthen customer loyalty;
- continue to attract, retain and motivate skilled and talented employees; and
- transition into an asset-light operator to our expand revenue streams and expand into the entire real estate industry industrial chain.

General Information

The Company completed its initial public offering in October 2013 and its shares were listed on the main board of the Hong Kong Stock Exchange (Stock Code: 01862). Our principal place of business in the PRC is at 8th Floor, B, BenQ Plaza, 207 Songhong Road, Shanghai, People’s Republic of China. Our registered office is located at Intertrust Corporate Services (Cayman) Limited, One Nexus Way, Camana Bay, Grand Cayman, KY1-9005 Cayman Islands.

THE OFFERING

Terms used in this summary and not otherwise defined shall have the meanings given to them in “Description of the Notes.”

Issuer	Jingrui Holdings Limited (the “Company”).
Notes Offered	US\$165,000,000 aggregate principal amount of 12.0% Green Senior Notes due 2024 (the “Notes”).
Offering Price	100.0% of the principal amount of the Notes.
Maturity Date	January 28, 2024.
Interest	The Notes will bear interest from and including September 28, 2021 at the rate of 12.0% per annum, payable semi-annually in arrears, except that the last payment of interest, to be made on January 28, 2024, will be in respect of the period from and including September 28, 2023 to but excluding January 28, 2024.
Interest Payment Dates	March 28 and September 28 of each year, commencing March 28, 2022, except that the last payment of interest, to be made on January 28, 2024, will be in respect of the period from and including September 28, 2023 to but excluding January 28, 2024.
Ranking of the Notes	<p>The Notes are:</p> <ul style="list-style-type: none"> • general obligations of the Company; • senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; • at least <i>pari passu</i> in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); • guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described herein under “Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral;” • effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor (other than the Collateral); and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

After the extension of the security interests over the Collateral by the Company to secure the Notes and subject to certain limitations described under “Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral” and “Description of the Notes — Security,” the Notes will:

- be secured by a lien on the Collateral (subject to any Permitted Liens) shared on a *pari passu* basis pursuant to the Intercreditor Agreement with the holders of the October 2021 Notes, the holders of the July 2022 Notes, the holders of the March 2022 Notes, the holders of the September 2022 Notes, the holders of the February 2023 Notes, the holder of the October 2023 Notes and the holders of Permitted *Pari Passu* Secured Indebtedness); and
- rank effectively senior in right of payment to unsecured obligations of the Company and the Subsidiary Guarantor Pledgors to the extent of the value of the Collateral securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

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

The initial Subsidiary Guarantors as of the Original Issue Date were Natural Apex Limited, Faithful Gem Limited, Gladly Sheen Limited, Joyful Dawn Limited, Model Sheen Limited, Model Wealth Limited, Sound Pillar Limited, Sheeny Blaze Limited, Sheeny Bright Limited, Dragon Braveness Holdings Limited, Gainful Harmony International Limited, Gainful Hero Holdings Limited, Luxuriant Ocean Limited, Mega Harmony Development Limited, Wise Rainbow Holdings Limited, Strong Pioneer Investment Limited, Wise Amber Limited, Sincere Paragon Limited and Jingrui HK Holdings Limited. Other than the initial Subsidiary Guarantors, none of the Company’s other Restricted Subsidiaries organized outside of the PRC or the Restricted Subsidiaries organized under the laws of the PRC will be a Subsidiary Guarantor on the Original Issue Date.

Any future Restricted Subsidiary (other than subsidiaries organized under the laws of the PRC), will provide a guarantee of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor promptly upon becoming a Restricted Subsidiary, subject to certain exception.

A Subsidiary Guarantee and a JV Subsidiary Guarantee may be released in certain circumstances. See “Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Ranking of Subsidiary

Guarantees The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets (other than the Collateral) serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* with the subsidiary guarantee of such Subsidiary Guarantor for all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined under “Description of the Notes — Definitions”).

After the extension of the security interests over the Collateral (as described below) by the Company and the Subsidiary Guarantor Pledgors, the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor will:

- be secured by a lien on the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor shared on a *pari passu* basis pursuant to the Intercreditor Agreement with the holders of the holders of the October 2021 Notes, the holders of the July 2022 Notes, the holders of the March 2022 Notes, the holders of the September 2022 Notes, the holders of the February 2023 Notes, the holders of the October 2023 Notes and the holders of Permitted *Pari Passu* Secured Indebtedness, as described under “Description of the Notes — Security”; and
- rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor to the extent of the value of the Collateral pledged by the Subsidiary Guarantor Pledgor securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

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

Ranking of JV Subsidiary

Guarantees In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary (x) in the case of a Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% of the Capital Stock of such Restricted Subsidiary, or (y) in the case of any other entity is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries) to provide a JV Subsidiary Guarantee instead of a Subsidiary Guarantee, subject to certain conditions. No JV Subsidiary Guarantee exists as of the Original Issue Date.

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor (if any):

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

See “Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees may be replaced by JV Subsidiary Guarantees which are limited recourse obligations of such JV Subsidiary Guarantors.”

Security to be Granted The Company has pledged, and caused each initial Subsidiary Guarantor Pledgor to pledge, the Capital Stock of all Subsidiary Guarantors owned by the Company or such initial Subsidiary Guarantor Pledgor (the “Collateral”) on a first priority basis (subject to Permitted Liens and the Intercreditor Agreement) in order to secure the obligations of the Company under the Notes and the Indenture and the obligations of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee.

The Company has also agreed, for the benefit of the Holders, to pledge, and cause each Subsidiary Guarantor to pledge, the Capital Stock owned by the Company or such Subsidiary Guarantor of any Person that becomes a Subsidiary Guarantor or JV Subsidiary Guarantor or additional shares of Capital Stock acquired or otherwise received by the Company or such Subsidiary Guarantor of any Subsidiary Guarantor or JV Subsidiary Guarantor after the Original Issue Date, as soon as practicable (and in any event within 30 days) after such Person becoming a Subsidiary Guarantor or JV Subsidiary Guarantor or upon such additional shares of Capital Stock being acquired or received, as the case may be, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

The Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each Subsidiary Guarantor Pledgor may incur Permitted Pari Passu Secured Indebtedness which would be secured by the Collateral on a *pari passu* basis pursuant to the Intercreditor Agreement entered into by and among (i) the Company, (ii) the initial Subsidiary Guarantor Pledgors, (iii) the Collateral Agent, (iv) the trustee of the October 2021 Notes, (v) the trustee of the July 2022 Notes, (vi) the trustee of the March 2022 Notes, (vii) the trustee of the September 2022 Notes, (viii) the trustee for the February 2023 Notes and (ix) the trustee for the October 2023 Notes to which the Trustee has acceded on the date the Notes are issued. The Intercreditor Agreement provides (1) that the Collateral will be shared on a basis of equal priority and pro rata entitlement among the secured parties thereto and the holders of any future Permitted Pari Passu Secured Indebtedness (or their trustee, representative or agent); (2) the conditions that are applicable to the substitution or release of, and granting of Liens on, such Collateral; and (3) the conditions under which the Collateral Agent shall enforce the rights of the secured parties thereto with respect to the Collateral and the Indebtedness secured thereby. See “Description of the Notes — Security — Intercreditor Agreement.”

Use of Proceeds The Company intends to use the net proceeds of the offering of the Notes to refinance its existing indebtedness and in accordance with our Green Finance Framework.

The Company may adjust the foregoing stated use of proceeds in response to changing market conditions. Pending application of this offering, we intend to invest such net proceeds in demand deposits, time deposits or money market instruments. See “Use of Proceeds.”

Green Notes. The Notes are being issued as “Green Financing Instruments” under our Green Finance Framework. Pursuant to our Green Finance Framework, we will allocate an amount equal to the net proceeds received from the Offering to refinance eligible green projects in accordance with the Green Finance Framework. See the section entitled “Notes Being Issued as Green Notes.”

Optional Redemption At any time prior to January 28, 2024, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in “Description of the Notes — Optional Redemption.”

At any time and from time to time prior to January 28, 2024, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 112.0% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

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

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

Asset Sale Proceeds	If the Company or any Restricted Subsidiary engages in certain asset sales, the Company will be required, under certain circumstances, to make an offer to purchase the Notes at 100% of the principal amount thereof plus accrued and unpaid interest to but excluding the date of purchase. See “Description of the Notes — Certain Covenants — Limitation on Asset Sales.”
Additional Amounts	All payments made under or with respect to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee 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 Relevant Jurisdiction (as defined in “Description of the Notes — Additional Amounts”) unless required by law. Subject to certain exceptions, in the event such a withholding or deduction is required, the Company, a Surviving Person (as defined in “Description of the Notes — Consolidation, Merger and Sale of Assets”) or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts as will result in the receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required. See “Description of the Notes — Additional Amounts.”
Covenants	<p>The Notes, the Indenture governing the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • declare or pay dividends on, or make other distributions in respect of its capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • engage in any business other than permitted business; • enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;

- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger or transfer all or substantially all of their assets.

These covenants are subject to a number of important qualifications and exceptions described in “Description of the Notes — Certain Covenants” and “Description of the Notes — Consolidation, Merger and Sale of Assets.”

In addition, if and for so long as the Notes are assigned an investment grade rating by the Rating Agency and no default or event of default has occurred and is continuing, certain covenants will be suspended. See “Description of the Notes — Certain Covenants — Suspension of Certain Covenants.”

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

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

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

Delivery of the Notes The Company expects to make delivery of the Notes on or about September 28, 2021 which the Company expects will be the third business day following the date of this offering memorandum referred to as “T+3.” You should note that initial trading of the Notes may be affected by the T+3 settlement. See “Plan of Distribution.”

Trustee and Collateral Agent Citicorp International Limited

Paying and Transfer Agent Citibank, N.A., London Branch

Registrar Citibank, N.A., London Branch

Listings	Application will be made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only as described in this offering memorandum. If the application to the Hong Kong Stock Exchange to list the Notes is approved, such Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).	
Ratings	The Notes are expected to be rated “B-” by S&P. The rating does not constitute recommendations to purchase, hold or sell the Notes and there can be no assurance that these ratings will be confirmed or that they will not be adversely revised or withdrawn either before or after delivery of the Notes.	
Security Codes	ISIN	Common Code
	XS2386506310	238650631
Governing Law	The Notes, the Subsidiary Guarantees and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York.	
Risk Factors	You should carefully consider all information in this offering memorandum before investing in the Notes. In particular, for a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors.”	

SELECTED FINANCIAL INFORMATION OF THE COMPANY

The selected consolidated income statement data for the years ended December 31, 2018, 2019 and 2020, respectively, and the selected consolidated balance sheet data at December 31, 2018, 2019 and 2020, respectively, as set out below, have been derived from our audited consolidated financial statements for the years ended December 31, 2019 and 2020, which have been audited by PricewaterhouseCoopers, and are included elsewhere in this offering memorandum. You should read the selected financial data below in conjunction with our consolidated financial statements and the related notes included elsewhere in this offering memorandum. Historical results are not necessarily indicative of results that may be achieved in any future period. Our consolidated financial statements have been prepared and presented in accordance with HKFRSs. We have adopted HKFRS 16 “Leases” with effect from January 1, 2019 with the specific transition approach and do not restate comparative amounts for the year ended December 31, 2018. As such, the corresponding consolidated financial information as of and for the year ended December 31, 2018 may not be comparable against the corresponding consolidated financial information after January 1, 2019. For details of the adoption of HKFRS 16, please refer to Note 3 to our audited consolidated financial statements for the year ended December 31, 2019.

Selected Consolidated Income Statement Items

	For the Year Ended December 31,						
	2018		2019		2020		
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	US\$'000 (unaudited)	% of revenue
Revenue	11,268,203	100.0	13,285,127	100.0	12,782,429	1,958,993	100.0
Gross profit	2,547,193	22.6	2,685,178	20.2	2,504,047	383,762	19.6
Appreciation/(depreciation) of investment properties under office and apartment platform	388,051	3.4	(21,474)	(0.2)	56,687	8,688	0.4
Fair value gains/(losses) on investment properties under other platforms	54,708	0.5	96,022	0.7	(17,000)	(2,605)	(0.1)
Profit attributable to equity holders of the Company	1,031,919		903,591		958,092	146,834	7.5

Selected Consolidated Balance Sheet Items

	As of December 31,			
	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000 (unaudited)
Non-current assets	9,933,699	11,831,982	12,108,187	1,855,661
Current assets	37,948,896	40,531,207	56,211,056	8,614,721
Total assets	47,882,595	52,363,189	68,319,243	10,470,382
Total liabilities	39,069,448	43,256,439	57,022,377	8,739,062
Total equity	8,813,147	9,106,750	11,296,866	1,731,320
Total equity and liabilities	47,882,595	52,363,189	68,319,243	10,470,382

RECENT DEVELOPMENTS

EXTRACTED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2021

The following unaudited consolidated results for the six months ended June 30, 2021, prepared in accordance with the HKAS, together with comparative figures for the six months ended June 30, 2020, are extracted from the announcement of interim results for the six months ended June 30, 2021 filed with the Hong Kong Stock Exchange on August 23, 2021.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	
Revenue	5,099,478	3,154,371
Cost of sales	(3,872,174)	(2,164,635)
Gross profit	1,227,304	989,736
Fair value (losses)/gains on investment properties under capital platform	(2,514)	48,959
Fair value gains/(losses) on investment properties under other platforms	2,000	(25,000)
Selling and marketing costs	(273,321)	(203,564)
Administrative expenses	(289,010)	(303,586)
Other income	13,245	15,982
Other gains – net	237,504	355,800
Operating profit	915,208	878,327
Finance income	196,335	151,435
Finance costs	(408,253)	(399,847)
Finance costs – net	(211,918)	(248,412)
Share of results of joint ventures	(25,615)	23,553
Share of results of associates	4,859	17,473
	(20,756)	41,026
Profit before income tax	682,534	670,941
Income tax expense	(316,769)	(326,059)
Profit for the period	365,765	344,882
Attributable to:		
Equity holders of the Company	295,306	293,630
Non-controlling interests	70,459	51,252
	365,765	344,882
Earnings per share for profit attributable to equity holders of the Company		
– Basic earnings per share	RMB0.19	RMB0.21
– Diluted earnings per share	RMB0.19	RMB0.21

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2021

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	
Profit for the period	<u>365,765</u>	<u>344,882</u>
Other comprehensive losses that will not be reclassified to profit or loss		
Changes in fair value of equity investment at fair value through other comprehensive income, net of tax	<u>(5,117)</u>	<u>(69,985)</u>
Total comprehensive income for the period, net of tax	<u>360,648</u>	<u>274,897</u>
Attributable to:		
Equity holders of the Company	290,189	223,645
Non-controlling interests	<u>70,459</u>	<u>51,252</u>
	<u>360,648</u>	<u>274,897</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As of June 30, 2021

	As of June 30, 2021	As of December 31, 2020
	RMB'000 (unaudited)	RMB'000 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	107,045	101,330
Right-of-use assets	128,318	129,614
Investment properties	5,958,900	5,950,300
Intangible assets	75,437	75,556
Investments in joint ventures	1,507,704	1,534,959
Investments in associates	948,439	1,635,556
Deferred income tax assets	443,336	295,886
Financial assets at fair value through profit or loss	1,258,319	1,144,684
Financial assets at fair value through other comprehensive income	503,924	486,650
Trade and other receivables and prepayments	1,103,451	753,652
	<u>12,034,873</u>	<u>12,108,187</u>
Current assets		
Prepayments for leasehold land	150,000	1,239,780
Properties held or under development for sale	29,987,872	28,755,174
Trade and other receivables and prepayments	8,697,588	10,795,590
Prepaid income taxes	501,433	444,130
Cash at bank and on hand	14,229,825	13,646,489
Contract acquisition costs	160,107	152,707
Financial assets at fair value through profit or loss	990,090	1,161,929
Financial assets at fair value through other comprehensive income	—	15,257
	<u>54,716,915</u>	<u>56,211,056</u>
Total assets	<u>66,751,788</u>	<u>68,319,243</u>
OWNERS' EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	87,813	87,813
Reserves	6,030,978	6,078,734
	<u>6,118,791</u>	<u>6,166,547</u>
Non-controlling interests	<u>4,988,158</u>	<u>5,130,319</u>
Total equity	<u>11,106,949</u>	<u>11,296,866</u>

	As of June 30, 2021 RMB'000 (unaudited)	As of December 31, 2020 RMB'000 (audited)
LIABILITIES		
Non-current liabilities		
Borrowings	14,739,951	12,304,938
Deferred income tax liabilities	1,311,781	1,421,053
Lease liabilities	134,420	132,597
	<u>16,186,152</u>	<u>13,858,588</u>
Current liabilities		
Trade and other payables	16,796,525	18,905,889
Amounts due to non-controlling interests of subsidiaries	1,129,371	1,414,043
Contract liabilities	10,977,932	11,639,042
Current income tax liabilities	2,020,608	2,018,143
Borrowings	8,495,159	9,139,870
Lease liabilities	20,892	21,202
Derivative financial instruments	18,200	25,600
	<u>39,458,687</u>	<u>43,163,789</u>
Total liabilities	<u>55,644,839</u>	<u>57,022,377</u>
Total equity and liabilities	<u>66,751,788</u>	<u>68,319,243</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the six months ended June 30, 2021, we recorded revenue of RMB5,099.5 million, representing an increase of 61.7% as compared to RMB3,154.4 million for the corresponding period last year. Our revenue consists of revenue from (i) sales of properties, (ii) property management services, (iii) rental income and (iv) others.

Revenue by business segments

	Six months ended June 30,				
	2021		2020		
		Percentage of the total revenue		Percentage of the total revenue	Year-on-year change
	RMB'000	%	RMB'000	%	%
Revenue from contract with customers recognised at a point in time.					
– Sales of properties	4,636,072	90.9	2,808,611	89.1	65.1
– Others	5,291	0.1	4,485	0.1	18.0
	<u>4,641,363</u>	<u>91.0</u>	<u>2,813,096</u>	<u>89.2</u>	<u>65.0</u>
Revenue from contract with customers recognised over time. .					
– Property management service. .	350,470	6.9	224,780	7.1	55.9
– Decoration of properties	–	–	1,174	0.0	(100.0)
	<u>350,470</u>	<u>6.9</u>	<u>225,954</u>	<u>7.1</u>	<u>55.1</u>
Rental income	<u>107,645</u>	<u>2.1</u>	<u>115,321</u>	<u>3.7</u>	<u>(6.7)</u>
Total	<u><u>5,099,478</u></u>	<u><u>100.0</u></u>	<u><u>3,154,371</u></u>	<u><u>100.0</u></u>	<u><u>61.7</u></u>

Revenue from the sales of properties has contributed, and is expected to continue to contribute to, a substantial majority of our total revenue. For the six months ended June 30, 2021, it accounted for 90.9% of our total revenue.

Our operating results for any given period are dependent upon the GFA and the selling prices of the properties we deliver during such period and the market demand for our properties. Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with the PRC laws and regulations. In general, there is typically at least one year between the time we commence the pre-sales of properties under development and the completion of the construction of such properties. We do not recognize any revenue from the pre-sales of the properties until such properties are completed and the possession of such properties has been delivered to the customers.

During the six months ended June 30, 2021, the properties delivered by us were mainly Ningbo Jingrui Shuiyin Jiangshan and Nanchang Jingrui Hongxing Plaza. Revenue from sales of properties was RMB4,636.1 million for the six months ended June 30, 2021, representing an increase of 65.1% as compared to RMB2,808.6 million in the six months ended June 30, 2020, mainly due to the increase in the GFA of properties delivered during the six months ended June 30, 2021.

Revenue from property management represents revenue generated from property management services we provide through our wholly owned subsidiary, Shanghai Jingrui Property Management Co., Ltd., to owners of all our properties and certain properties developed by third parties. Property management revenue is recognized over the period when our property management services are rendered. In the six months ended June 30, 2021, our property management revenue was approximately RMB350.5 million, representing an increase of approximately 55.9% as compared to approximately RMB224.8 million in the six months ended June 30, 2020. The increase in revenue from property management was primarily due to the significant increase in the contracted GFA from third parties.

Rental income mainly includes operating revenue from leasing our investment properties and certain other completed properties and is recognized on a straight line basis over the relevant lease terms. In the six months ended June 30, 2021, our rental income was approximately RMB107.6 million, representing a decrease of approximately 6.7% as compared to approximately RMB115.3 million in the six months ended June 30, 2020. The slight decrease in rental income was mainly due to the decrease of the rental period as a result of the upgrading and renovation of some properties during the six months ended June 30, 2021.

Cost of Sales

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

In the six months ended June 30, 2021, our cost of sales amounted to RMB3,872.2 million, representing an increase of 78.9% as compared with RMB2,164.6 million in the six months ended June 30, 2020, which was in line with the increase in revenue.

The table below sets forth information relating to our cost of sales and as a percentage of total cost of sales:

	Six months ended June 30,			
	2021		2020	
	RMB'000	%	RMB'000	%
Construction costs	1,187,986	30.7	850,984	39.3
Land use right costs	2,073,019	53.5	782,394	36.1
Capitalized interest	297,934	7.7	341,624	15.8
Sub-total: Total cost of properties	3,558,939	91.9	1,975,002	91.2
Surcharges	22,133	0.6	13,620	0.7
Provision for impairment of properties held or under development for sale, net.	26,427	0.7	4,915	0.2
Other costs ⁽¹⁾	264,675	6.8	171,098	7.9
Total	3,872,174	100.0	2,164,635	100.0

Note:

(1) Includes costs associated with property management, leasing, decoration and other operations.

Gross Profit and Gross Profit Margin

For the six months ended June 30, 2021, our gross profit was RMB1,227.3 million, as compared to RMB989.7 million for the six months ended June 30, 2020. We recorded a gross profit margin of 24.1% for the six months ended June 30, 2021, compared to approximately 31.4% for the six months ended June 30, 2020. The decrease in our gross profit margin in the six months ended June 30, 2021 was primarily due to the increase in land costs of property projects carried forward during the six months ended June 30, 2021.

Fair Value (Losses)/Gains on Investment Properties under Capital Platform

For the six months ended June 30, 2021, the fair value losses on investment properties under capital platform was RMB2.5 million, as compared to gains of RMB49.0 million in the six months ended June 30, 2020.

Fair Value Gains/(Losses) on Investment Properties under Other Platforms

For the six months ended June 30, 2021, the fair value gains on investment properties under other platforms were RMB2.0 million, as compared to losses of RMB25.0 million in the six months ended June 30, 2020.

Selling and Marketing Costs

Our selling and marketing costs increased by 34.2%, from RMB203.6 million in the six months ended June 30, 2020 to RMB273.3 in the six months ended June 30, 2021, mainly due to our increased sales and marketing efforts to promote our properties in new cities and regions where we operates.

Administrative Expenses

Our administrative expenses decreased by 4.8% from RMB303.6 million in the six months ended June 30, 2020 to RMB289.0 million in the six months ended June 30, 2021, mainly due to the strengthening of intensive and refined management of various platforms, which has effectively reduced administrative expenses.

Other Income and Other Gains, Net

For the six months ended June 30, 2021, our other income recorded a gain of RMB13.2 million which was mainly government grants, as compared to RMB16.0 million for the six months ended June 30, 2020. For the six months ended June 30, 2021, we recorded other gains of RMB237.5 million, as compared to RMB355.8 million for the six months ended June 30, 2020. Other gains recorded in the six months ended June 30, 2021, mainly derived from the gains on the disposal of equity interest in projects and the fair value gains from financial assets at fair value through profit or loss.

Finance Costs, Net

For the six months ended June 30, 2021, our finance income was RMB196.3 million, as compared to RMB151.4 million in the six months ended June 30, 2020. Our finance costs was RMB408.3 million in the six months ended June 30, 2021, as compared to RMB399.8 million in the six months ended June 30, 2020. As a result, our net finance cost was RMB211.9 million in the six months ended June 30, 2020, representing a decrease of RMB36.5 million as compared to the corresponding period last year, primarily due to the increase in exchange gains on overseas financing arising from the appreciation of RMB in the six months ended June 30, 2020.

Share of Results of Joint Ventures/Associates

For the six months ended June 30, 2021, our share of results of joint ventures/associates was a loss of RMB20.8 million, compared to a gain of RMB41.0 million for the six months ended June 30, 2020, mainly due to the fact that some of the joint ventures/associates did not deliver any projects or commence operations during the six months ended June 30, 2021, but expenses were incurred.

Income Tax Expense

For the six months ended June 30, 2021, our income tax expense was RMB316.8 million, as compared to RMB326.1 million for the six months ended June 30, 2020, flat with the corresponding period last year.

Profit for the Period

For the six months ended June 30, 2021, we recorded the profit for the period of RMB365.8 million, as compared to RMB344.9 million for the six months ended June 30, 2020. For the six months ended June 30, 2021, our profit attributable to our equity holders was RMB295.3 million, as compared to RMB293.6 million for the six months ended June 30, 2020.

Liquidity and Capital Resources

The industry in which we operates is a capital-intensive industry. We have been and are expected to continue satisfying our needs of operating capital, capital expenditure and other capital needs with proceeds from pre-sale and sale of properties, loans from commercial banks and other individuals, capital injections from shareholders and issuance of new shares. Our need for short-term liquid capital is associated with loan repayment and capital need for operation, our short-term liquid capital comes from cash balance, proceeds from pre-sale and sale of properties and new loans. Our need for long-term liquid capital is associated with capital allocated for new property development projects and repayment of long-term loan, and our sources of long-term liquid capital include loans, capital injections from shareholders and issuance of new shares.

Cash Positions

As of June 30, 2021, our cash at bank and on hand (including restricted cash) increased by approximately 4.3% to approximately RMB14,229.8 million from approximately RMB13,646.5 million as of December 31, 2020. Our cash at bank and on hand are mainly denominated in RMB and US dollars. Our restricted cash mainly comprised deposits pledged for borrowings and guarantees in respect of mortgage facilities provided for certain purchasers of our properties.

Borrowings

Our total outstanding borrowings increased from RMB21,444.8 million as of December 31, 2020 to RMB23,235.1 million as of June 30, 2021. As of June 30, 2021, we had approximately RMB25,409.0 million in unutilized banking facilities. All of our secured borrowings were secured or guaranteed by one or a combination of the following methods: land use rights, properties under development, investment properties, properties held for sale, shares of the Company's subsidiaries, bank deposits and/or guarantees granted by the Company's subsidiaries. Our borrowings are mainly denominated in RMB and US dollars.

Borrowings

	As of June 30, 2021	As of December 31, 2020	Change
	RMB'000	RMB'000	%
Current Borrowings:			
Bank loans, secured	2,189,090	1,908,565	14.7
Other loans, secured	–	322,000	(100.0)
Add: current portion of long-term borrowings	6,306,069	6,909,305	(8.7)
Total Current Borrowings	8,495,159	9,139,870	(7.1)
Non-Current Borrowings:			
Bank loans, secured	7,503,914	6,418,178	16.9
Other loans, secured	1,137,722	2,190,498	(48.1)
Trust financing arrangements, secured	2,287,700	1,046,500	118.6
Senior notes due 2021, issued in April 2018, secured	–	1,348,822	(100.0)
Senior notes due 2021, issued in April 2019, secured	1,162,317	1,260,924	(7.8)
Senior notes due 2022, issued in July 2019, secured	1,672,842	1,688,076	(0.9)
Senior notes due 2022, issued in March 2020, secured	1,224,165	1,234,231	(0.8)
Senior notes due 2022, issued in June 2020, secured	964,232	972,150	(0.8)
Senior notes due 2023, issued in November 2020, secured	1,539,448	1,551,964	(0.8)
Senior notes due 2023, issued in March 2021, secured	714,410	–	100.0
Senior notes due 2023, issued in April 2021, secured	1,003,743	–	100.0
Senior notes due 2023, issued in May 2021, secured	214,485	–	100.0
Corporate bonds due 2021	–	1,221,712	(100.0)
Corporate bonds due 2022	281,374	281,188	0.1
Corporate bonds due 2024	1,339,668	–	100.0
Less: current portion of long-term borrowings	(6,306,069)	(6,909,305)	(8.7)
Total Non-Current Borrowings	14,739,951	12,304,938	19.8
Total	23,235,110	21,444,808	8.3

Breakdown of our borrowings by maturity profiles

	June 30, 2021		December 31, 2020	
	RMB'000	%	RMB'000	%
Within 1 year	8,495,159	36.6	9,139,870	42.6
Between 1 and 2 years	8,801,780	37.9	7,056,245	32.9
Between 2 and 5 years	5,542,743	23.8	4,841,365	22.6
Above 5 years	395,428	1.7	407,328	1.9
Total	<u>23,235,110</u>	<u>100.0</u>	<u>21,444,808</u>	<u>100.0</u>

The proportion of our long-term borrowings in the total borrowings was 63.4% as of June 30, 2021, ensuring our healthy and stable cash flow in the future.

Interest and foreign exchange losses generated from bank loans, senior notes, corporate bonds and trust financing arrangements and other loans

	Six months ended June 30,		
	2021	2020	Change
	RMB'000	RMB'000	%
Finance costs			
– Interest expensed	402,525	314,018	28.2
– Net foreign exchange losses on financing activities	–	79,272	(100.0)
– Interest on lease liabilities	5,728	6,557	(12.6)
– Amounts capitalised	<u>799,252</u>	<u>623,829</u>	<u>28.1</u>
Total	<u>1,207,505</u>	<u>1,023,676</u>	<u>18.0</u>

Net Debt-to-Adjusted Capital Ratio

As of June 30, 2021, our net debt-to-adjusted capital ratio was 74%. Net debt-to-adjusted capital ratio is calculated as net debt at the end of the six months ended June 30, 2021 divided by the sum of total equity and amounts due to non-controlling interests of subsidiaries and multiplied by 100%. Net debt is calculated as total borrowings minus cash at bank and on hand.

Contingent Liabilities

We provide mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificate to the customer, or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on a mortgage loan, we may be required to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgage bank may auction the underlying property and recover any additional amount outstanding from us, as the guarantor of the mortgage loans.

As of June 30, 2021, our provision of guarantees to financial institutions in respect of the mortgage loans they provided to our property purchasers were approximately RMB2,629.3 million, as compared to approximately RMB5,416.5 million as of December 31, 2020. In addition, we provided guarantee for certain bank loans amounting to RMB616.5 million which were granted to our joint ventures/associates, as compared to RMB872.2 million as of December 31, 2020. We provided guarantee for certain bank loans amounting to RMB143.5 million which were granted to related parties of joint ventures, as compared to nil as of December 31, 2020.

Our Directors confirm that we have not encountered defaults by purchasers in which we provided mortgage guarantees that, in aggregate, had a material adverse effect on our financial condition and results of operations.

Off-Balance Sheet Commitments And Arrangements

Except for the guarantees disclosed above, as of June 30, 2021, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings and other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits bearing stable interest rates, we have no other significant interest bearing assets.

Our exposure to changes in interest rates is mainly attributable to our borrowings from bank and trust financing providers, senior notes and corporate bonds. Borrowings at floating rates expose us to cash flow interest rate risk, while borrowings at fixed rates expose us to fair value interest rate risk. We have not hedged our cash flow or fair value interest rate risk.

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

Foreign Exchange Risk

We are engaged in the development, sale and management of properties solely in the PRC with almost all transactions denominated in RMB. In addition, the majority of our assets and liabilities are denominated in RMB. Accordingly, we are not exposed to significant foreign currency risks, except for bank deposits and our senior notes which were issued in 2019 to 2021, which were denominated in US dollars.

Nonetheless, as we expand our operations, we may incur a certain portion of our cash flows in currencies other than RMB, which may increase our exposure to fluctuations on exchange rates. We currently do not have a foreign currency hedging policy but our Directors will manage our exposure through constant monitoring to limit as much as possible the amount of our foreign currency exposures.

Financial Assets at Fair Value through Profit or Loss/Other Comprehensive Income

As of June 30, 2021, the balance of our financial assets at fair value through profit or loss mainly represented the investments in liquid opportunity fund, wealth management products purchased, and other investments in private funds. The balance of our financial assets at fair value through other comprehensive income mainly represented the investments in unlisted equity securities.

Material Acquisitions And Disposals

We had no major acquisitions and disposals for the six months ended June 30, 2021.

Future Plans For Material Investment

The Directors confirmed that as of the date of this interim results announcement, there is no current plan for any material investment other than that in the our ordinary business of property development and the identification of potential independent third party investors for respective project companies.

Interim Dividend

The Board has resolved not to declare any interim dividend in respect of the six months ended June 30, 2021, as compared to nil for the six months ended June 30, 2020.

OUR LAND BANK

As of June 30, 2021, our total land bank was approximately 5,292,545 sq.m. or approximately 2,934,791 sq.m. on an attributable basis. In the six months ended June 30, 2021, we secured 4 land parcels and property projects in Ningbo, Shanghai, Wuhan and Jinhua.

Breakdown of our land bank by cities for the six months ended June 30, 2021

City	Total GFA	Percentage of the Group's Total GFA	GFA Attributable to the Group's Interests	Percentage of GFA Attributable to the Group's Interests
	sq.m.	%	sq.m.	%
Municipalities directly under the central government				
Shanghai	320,629	6.1	194,036	6.6
Beijing	33,931	0.6	31,800	1.1
Tianjin	666,737	12.6	429,783	14.6
Chongqing	243,995	4.6	196,551	6.7
Sub-total	<u>1,265,292</u>	<u>23.9</u>	<u>852,170</u>	<u>29.0</u>
Zhejiang Province				
Hangzhou	212,958	4.0	152,698	5.2
Ningbo	269,994	5.1	244,574	8.3
Shaoxing	53,605	1.0	53,605	1.8
Zhoushan	1,997	0.0	1,997	0.1
Jinhua	84,093	1.6	84,093	2.9
Jiaxing	130,387	2.5	52,155	1.8
Sub-total	<u>753,034</u>	<u>14.2</u>	<u>589,122</u>	<u>20.1</u>
Jiangsu Province				
Suzhou	873,622	16.5	330,861	11.3
Nanjing	411,548	7.8	132,466	4.5
Wuxi	57,115	1.1	24,063	0.8
Changzhou	199,296	3.8	199,296	6.8
Yangzhou	259,925	4.9	115,763	3.9
Sub-total	<u>1,801,506</u>	<u>34.1</u>	<u>802,449</u>	<u>27.3</u>
Other provinces				
Nanchang	251,298	4.7	128,162	4.4
Chengdu	151,923	2.9	111,294	3.8
Wuhan	1,069,492	20.2	451,594	15.4
Sub-total	<u>1,472,713</u>	<u>27.8</u>	<u>691,050</u>	<u>23.6</u>
Total	<u><u>5,292,545</u></u>	<u><u>100.0</u></u>	<u><u>2,934,791</u></u>	<u><u>100.0</u></u>

Details of land and property acquisition for the six months ended June 30, 2021

City	Project/Land Parcel	Land Use	Attributable Interest	Site Area	Expected Total GFA	Expected	Total Investment	Average Land/Property Cost	Average Land/Property Cost
						Above Ground		(based on the expected total GFA)	(based on the expected total GFA above ground)
			%	sq.m.	sq.m.	sq.m.	RMB million	RMB/sq.m.	RMB/sq.m.
Ningbo . . .	Land lot 19-72, Xidian Town, Ninghai County	Residential	100	24,703	84,417	62,103	209	2,476	3,365
Wuhan . . .	No. 145 Jiangxia Wulijie P(2020)	Residential	54	67,854	187,943	146,702	540	2,873	3,681
Jinhua . . .	Land lot on the east side of the civil square of Wuyi County	Residential	100	41,687	80,270	50,024	780	9,717	15,593
Shanghai . .	Hongqiao Lianghua Project	Commercial integrated	25	16,702	64,938	37,575	438	6,745	11,657
Total . . .				<u>150,946</u>	<u>417,568</u>	<u>296,404</u>	<u>1,967</u>	<u>4,711</u>	<u>6,636</u>

OTHER INFORMATION

Issuance of Additional February 2023 Notes

On March 19, 2021, we issued an additional February 2023 Notes in the aggregate principal amount of US\$110.0 million. Upon the issuance of additional February 2023 Notes, the aggregate principal amount of the February 2023 Notes is US\$350.0 million.

Issuance of October 2023 Notes

On April 26, 2021, we issued the October 2023 Notes in the aggregate principal amount of US\$157.0 million. The October 2023 Notes bear an interest rate of 12.5%. The October 2023 Notes will mature on October 26, 2023.

Issuance of Additional October 2023 Notes

On May 17 and August 17, 2021, we issued US\$33,000,000 12.5% senior notes due 2023 and US\$50,000,000 12.5% senior notes due 2023, respectively (to be consolidated and form a single series with the US\$157,000,000 12.5% senior notes due 2023 issued on 26 April 2021), the offering price of the notes will be 100% and 99.98% of the principal amount of the notes, respectively, and the proceeds will be used to refinance our existing indebtedness. Upon the issuance of additional October 2023 Notes, the aggregate principal amount of the October 2023 Notes is US\$240.0 million.

Resignation of Joint Company Secretary and Change of Agent for the Acceptance of Service of Process and Notices in Hong Kong

Effective from May 7, 2021, Ms. So Lai Shan resigned as a joint company secretary (the “Joint Company Secretary”) and the agent for the acceptance of service of process and notices on behalf of the Company in Hong Kong. Following the resignation, Ms. Jiang Bingxian, the other Joint Company Secretary, will remain in office and act as the sole company secretary of the Company. Ms. Jiang has also been appointed to replace Ms. So as the Process Agent with effect from 7 May 2021.

Repurchase and Redemption of Senior Notes

We made repurchase of the October 2021 Notes in the aggregate principal amount of US\$14,000,000 with a total consideration of US\$14,212,000 (including unpaid interests accrued). The repurchased notes were canceled in June 2021, together with the aggregate principal amount of US\$700,000 of October 2021 Notes purchased in 2020.

On April 22, 2021, the Company redeemed the April 2021 Notes in the aggregate principal amount of US\$206,985,000 with a total consideration of US\$216,765,000 (including unpaid interests accrued) upon maturity of the Notes Due April 2021 in accordance with the terms of the April 2021 Notes. The April 2021 Notes were cancelled after the redemption.

The Recent Coronavirus Epidemic Outbreak

Toward the end of 2019, public health officials of the PRC informed the World Health Organization, or WHO, that a highly infectious novel coronavirus was detected. WHO later named the novel coronavirus as COVID-19. In March 2020, the WHO characterized the outbreak of COVID-19 a pandemic. The COVID-19 pandemic has resulted in an adverse impact on the livelihood of the people in and the economy of the PRC. The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. The PRC real estate market is under pressure in the short term as the COVID-19 pandemic has curbed demand and pre-sales. As a result of the timely and effective implementation of these measures, the PRC government has subsequently lowered emergency response levels to the COVID-19 pandemic since late March 2020, allowing businesses and factories to gradually reopen. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected.

Affected by the COVID-19 pandemic, our property sales were delayed and our construction were temporarily suspended in early 2020. Our property sales and construction activities had resumed in March 2020. We expect that the real estate industry will benefit from economic stimulus measures launched by the government. See “Risk Factors — Risks Relating to Doing Business in the PRC — The COVID-19 pandemic may adversely affect the PRC economy, the PRC real estate industry and our business operations.”

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

Our business and prospects are heavily dependent on and may be adversely affected by the performance of the PRC property markets, particularly in the various major cities in the Yangtze River Delta region and Chengdu Chongqing region

A majority of our current properties are located in the Yangtze River Delta region and Chengdu Chongqing region. As of December 31, 2020, we had 109 property projects completed or in various stages of development, with an aggregate GFA of approximately 2.7 million sq.m. of these projects are located in the Yangtze River Delta region and Chengdu Chongqing region in terms of GFA. Since we expect to continue to deepen our market presence in Shanghai and other major cities in the Yangtze River Delta and Chengdu Chongqing region, our business continues to be heavily dependent on the performance of property markets in these areas. These property markets may be affected by local, regional, national and global factors, including economic and financial conditions, speculative activities in local markets, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital. Any market downturn in China generally, or in cities in which we have or expect to have operations, may materially and adversely affect our business, financial condition and operation results.

In addition, any over-supply of properties or any potential decline in demand or prices for properties in the cities in which we operate could have a material and adverse impact on our cash flows, financial position and results of operations. In particular, property prices and demand for properties in Shanghai and other major cities in the Yangtze River Delta region have and Chengdu Chongqing region fluctuated significantly in recent years. Further, policies implemented by the PRC government on bank loans and trust financing arrangements for real estate development projects have had, and may continue to have, a dampening effect on the property markets in which we operate.

Our financing costs may increase as a result of changes in interest rates

We have incurred and expect to continue to incur a significant interest expense relating to our borrowings from commercial banks and trust financing providers. Accordingly, changes in interest rates have affected and will continue to affect our financing costs, which in turn may affect our profitability and operating results. The interest rates on our borrowings are primarily affected by the benchmark interest rates set by the PBOC, which have fluctuated significantly in recent years. Our interest costs incurred in the years ended December 31, 2018, 2019 and 2020 were RMB1,535.3 million, RMB2,004.8 million and RMB2,029.9 million (US\$311.1 million), respectively. Part of the interest costs incurred were capitalized. Capitalized interest in the years ended December 31, 2018,

2019 and 2020 were RMB1,387.1 million, RMB1,550.2 million and RMB1,290.6 million (US\$197.8 million), respectively. The changes in the average effective interest rate on our borrowings are consistent with the changes in macro-financial markets.

The differentiated housing mortgage and interest rate policies indicate the government's intention to continue to control the growth of the real estate market. As such, any future increases in the PBOC benchmark interest rate as a result of government policies may lead to higher lending rates, which may increase our financing costs and thereby adversely affect our business, financial condition and results of operations.

Any recurrence of the global financial crisis and any fluctuation in the global economy may have a material adverse effect on our ability to service our indebtedness and may materially and adversely affect our business, financial position and operating results

The global capital and credit markets have in the past decade experienced periods of extreme volatility and disruption. The global financial crisis has in the past decade caused banks and other credit providers to restrict the availability of new credit facilities and to require more collateral and higher pricing upon the renewal of existing credit facilities. The recurrence of the global financial crisis or prolonged disruptions to the credit market may further slowdown the growth of the PRC economy and sales of property, limit our ability to raise funds from current or other funding sources, or cause our access to funds to be more expensive, which may materially and adversely affect our business, financial position and operating results. In the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. At the end of the transition period, December 31, 2020, the United Kingdom was no longer a part of the European Union. While the United Kingdom has for the most part chosen to retain existing European Union law and have recently reached a trade deal to allow the United Kingdom to continue to trade with the European Union without tariffs or quotas, there are still many unanswered questions. The effects of Brexit remain uncertain and may cause a negative economic impact and increase volatility in the global market.

Moreover, the outlook for the world economy and financial markets remains uncertain. China's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade-war with the United States. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US\$550 billion worth of Chinese products. In retaliation, the PRC government responded with tariffs on cumulatively US\$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The PRC government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "Phase I Agreement"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Subsequent to the entering of Phase I Agreement, the PRC government and the U.S. government adopted specific measures to exclude imports from the other country from additional tariffs. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be

abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China's economy and the real estate industry remains uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected, which would have a material and adverse impact on our business, financial condition and results of operations.

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

Our business is subject to extensive governmental regulations and, in particular, we are sensitive to policy changes in the PRC property sector. The PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise the benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector.

During the period from 2011 to 2015 and since late 2016, the PRC government had implemented a series of regulations and policies to slow down the property market and inflation of property prices, as well as to dampen property speculation. These policies may limit our ability to obtain financing, acquire land for future developments, sell our properties at a profit or generate sufficient operating cash flows from contracted sales. In addition, as a result of the various measures implemented by the PRC government from time to time during these periods, including but not limited to, increasing the down payment requirements and mortgage rates for repeated residential property purchasers, and imposing limits on the number of residential properties local residents may purchase, the growth rate of the total transaction volumes for properties in most cities in which we operate, such as Shanghai, Hangzhou and Suzhou, as a result declined slightly. We also strategically adjusted our internal pre-sale schedules of some of our projects in response to the fluctuation in the property market.

In addition, the PRC government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. In April 2010, the State Council issued the Notice on Strict Control of the Escalation of Property Prices 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》) to further increase the minimum down payment with respect to mortgage loans on purchases of second residential properties by individuals to 50% of the purchase price and provide that the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate published by the PBOC. The minimum down payment with respect to mortgage loans on purchases of third or more residential properties by individuals may be substantially increased at the commercial bank's discretion and based on its risk control policies. The notice also specifies that the minimum amount of down payment for the purchase of properties with a GFA of more than 90 sq.m. by first-time purchasers must be at least 30% of the purchase price. In September 2010, the PBOC and the CBRC issued the Notice on Issues

Concerning the Improvement of Differential Housing Credit Policies (《中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知》), requiring commercial banks to suspend extending mortgage loans to buyers purchasing their third or subsequent residential properties or to those non-local residents who cannot provide documentation evidencing their payment for over one year of tax or social security payments in the locality. In January 2011, the General Office of the State Council issued the Notice on Issues in Further Well Controlling the Property Market (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》), which further increased the minimum down payment with respect to mortgage loans on purchases of second residential properties by individuals to 60% of the purchase price and provided that the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate published by the PBOC. The PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property (《關於進一步做好住房金融服務工作的通知》) on September 29, 2014. In order to implement the central government's requirement, many cities in China, including those where our property projects are located, have also issued their respective measures on the purchase of residential properties in recent years. On August 27, 2015, the MOHURD, the MOF and PBOC jointly issued the "Notice on the Adjustment of the Rate of the Minimum Down Payment for Personal Housing Loans from Housing Provident Fund" (關於調整住房公積金個人住房貸款購房最低首付款比例的通知) to further improve the policies on the personal housing loans from a housing provident fund and support the needs of depositing workers, under which, from September 1, 2015, with regard to families which have already owned one house and settled the housing payment, when applying for loans from the housing provident fund for a second housing so as to improve living conditions, the lowest down payment rate will be reduced from 30% to 20%. On February 1, 2016, the PBOC and CBRC jointly issued the "Notice on the Adjustment of Individual Housing Loans Policies" (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. More recently, there were reports that the PRC government may start to restrict financing available to property developers by reference to leverage ratios such as liabilities to assets ratio, net gearing ratio and cash to short-term borrowings ratio. On January 1, 2021, the PBOC, together with CBRC, set forth the capped ratios of the amount of outstanding real estate loans to the total outstanding amount of RMB denominated loans of a PRC financial institution. This ratio currently ranges from 12.5% to 40.0%. On March 26, 2021, the General Office of CBIRC, the General Office of MOHURD and the General Office of PBOC jointly issued the Notice on Preventing the Illegal Flow of Loans for Business Purposes into the Real Estate Sector (關於防止經營用途貸款違規流入房地產領域的通知), pursuant to which, in order to prevent business-use loans from illegally flowing into the real estate sector, and to support the development of the real economy, some measures, such as strengthening borrower qualification verification, strengthening credit demand review, strengthening loan term management, strengthening loan collateral management, strengthening post-loan management and etc, will be adopted and implemented. All banking and insurance regulatory bureaus, local housing and urban-rural construction departments, and branches of the PBOC shall jointly carry out a special investigation on the illegal flow of business-use loans into real estate, complete the investigation before May 31, 2021, and increase supervision and rectification of illegal problems and penalties. See "PRC Regulations" for further details.

We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future. It is also impossible to ascertain the extent of the impact of any such measures or to accurately estimate our sales volume and turnover had such measures been introduced. If we fail to adapt our operations to new policies, regulations or measures that may come into effect from time to time with respect to the property industry, or if our marketing and pricing strategies are ineffective in promoting our contracted sales in response, such policy and market condition changes may dampen our contracted sales, result in the defer of our pre-sale schedules, and cause us to lower our ASPs and/or incur additional costs, in which case our operating cash flows, gross profit margin, business prospects, results of operations and financial condition may be materially adversely affected.

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

The sustainable growth and success of our business significantly depend on our ability to continue acquiring additional land reserves in desirable locations at commercially reasonable prices that are suitable for our residential projects. Our ability to acquire land depends on a variety of factors that are beyond our control, such as overall economic conditions, the availability of land parcels provided by the government, our effectiveness in identifying and acquiring land parcels suitable for development and competition for such land parcels. During the years ended December 31, 2018, 2019 and 2020, except for the 22 projects in Shanghai, Wuxi, Changzhou, Yangzhou, Chengdu, Tianjin, Hefei, Nanchang, Suzhou, Hangzhou, Wuhan, Taizhou and Chongqing which we acquired through equity acquisition, most of our land reserves were acquired in land auctions held by local governments. The availability and price of land sold at auctions also depend on factors beyond our control, including government land policies and competition. The PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in the PRC. Furthermore, the rapid development in Shanghai and other major cities in the Yangtze River Delta region in recent decades has resulted in a limited supply of undeveloped land in desirable locations and at reasonable acquisition costs, which constitutes one of the major components of our cost of sales. To the extent that we are unable to acquire suitable land parcels at commercially acceptable prices for our future development in a timely manner or at prices that enable reasonable economic returns to us, our business, financial condition, operating results and prospects may be materially and adversely affected.

We have substantial indebtedness, including the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022 Notes, the February 2023 Notes and the October 2023 Notes, and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations, including the Notes

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness, including the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022 Notes, the February 2023 Notes and the October 2023 Notes. Our total borrowings, including both current and non-current borrowings, as of December 31, 2018, 2019 and 2020 were RMB18,700.8 million, RMB19,005.3 million and RMB21,444.8 million (US\$3,286.6 million), respectively. Our gearing ratio⁽¹⁾ as of December 31, 2018, 2019 and 2020 were 41%, 40% and 43%, respectively. The table below sets forth certain other indicators of our indebtedness position:

	As of December 31,			
	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000 (unaudited)
Borrowings included in current liabilities	6,683,404	9,398,013	9,139,870	1,400,746
Net debt ⁽²⁾	6,089,985	5,981,642	8,356,475	1,280,686
	For the year ended December 31,			
	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000 (unaudited)
Interest expense ⁽³⁾	1,535,272	2,004,793	2,029,932	311,101
Net profit	1,302,891	1,285,010	1,273,504	195,173

(1) equal to net debt (which represents total borrowings less cash and cash equivalents and restricted cash-deposits pledged for borrowings) divided by total capital (which represents total equity plus net debt) as of the end of the respective period and multiplied by 100%

(2) equal to total borrowings less cash and cash equivalents and deposits pledged for borrowings

(3) interest on bank loans, trust financing arrangements, senior notes, corporate bonds and other loans, including capitalized interest

In addition, we have and in the future may continue to enter into certain trust financing arrangements under which we undertake mandatory repurchase obligations. In some circumstances these investments may need to be accounted for as indebtedness, resulting in a significant increase to our liabilities as reported in our statement of financial position. We may also be required to account for refundable pre-sale deposits owed to customers as debt, to the extent that they have requested a refund of these deposits.

As our operations require substantial capital requirements for land acquisition and construction costs, we may continue to incur additional indebtedness in the future and our gearing may increase. Our substantial indebtedness and high gearing ratio could have important consequences. For example, it could:

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

Our business may be adversely affected if we fail to obtain, or experience material delays in obtaining, requisite government approvals or licenses in carrying out our property development and management operations

The property industry in the PRC is heavily regulated. Property developers must abide by various laws and regulations, including rules stipulated by national and local governments to enforce these laws and regulations. To engage in property development and management operations, we must apply to the relevant government authorities to obtain (and renew for those relating to on-going operations) various licenses, permits, certificates and approvals, including but not limited to, qualification certificates, land use rights certificates, construction work commencement permits, construction work planning permits, construction land planning permits, pre-sale permits and completion certificates. We must meet specific conditions in order for the government authorities to issue or renew any certificate or permit. If they fail to renew the certificates in a timely manner, their operations may be adversely affected. Please see the section “PRC Regulations” for details.

We cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. As of the date of this offering memorandum, Nantong Jingrui Property Co., Ltd. (南通景瑞置業有限公司) was in the process of renewing real estate development enterprise qualification certificates (房地產開發企業資質證書). Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our major property projects, we will not be able to continue with our development plans, and our business, financial condition and results of operations may be adversely affected.

We may not be successful in managing our growth and expansion into new cities or regions or the cities/regions that we wish to target on

In the past, in our course of expansion, we have entered a number of tier three and tier four cities in China. We had encountered challenges in these cities, and our performances not meet as ideal as we planned to, in particular during market down-cycle. Our performances, including contracted sales, revenue and profit margins, had been adversely impacted. In the recent years, we decided to strategically transfer our focus back to the tier one and tier two cities, including those where we already had previous establishments, such as Shanghai, Hangzhou, Suzhou.

However, expanding into tier one and tier two cities requires a significant amount of capital and management resources. It also depends on our ability to continue acquiring additional land reserves in desirable locations at commercially reasonable prices that are suitable for our residential projects in these cities. The rapid development in Shanghai and other major cities in the Yangtze River Delta region in recent decades has resulted in a limited supply of undeveloped land in desirable locations and at reasonable acquisition costs, which constitutes one of the major components of our cost of sales. In addition, expanding our business into these cities would entail competition with developers locally. We will also need to manage the growth in our workforce to match the expansion of our business. We cannot guarantee we can successfully execute our strategy to focus on tier one and tier two cities, and if we cannot achieve our target as fast as we hoped or at all, it could have a material and adverse effect on our business, financial conditions, results of operations and prospects, and we may continue to experience downward trends in profitability.

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

Completion of property development projects requires substantial capital expenditures for, among other things, land acquisition and construction. The construction of property projects may take over a year or longer before they could generate positive net cash flow through pre-sales, sales and leasing. Furthermore, depending on the type of properties and the revenue generated, it may take a year or more after the completion of these properties before we recognize revenue from such projects. Therefore, there may be financial periods when we may have property development projects in active construction and development stages, or may have achieved good pre-sales, but still record less revenue or even losses compared to previous financial periods. As a result, our cash flows and results of operations may be significantly affected by our project development schedules and any changes to those schedules and that our developments are completed within the planned budget. The schedules of our project developments and whether the project can be completed within the planned budgets depend on a number of factors, including the performance and efficiency of our third-party contractors and our ability to finance construction and the associated financing costs. Other specific factors that could adversely affect our project development schedules and budgets include:

- changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
- changes in relevant regulations and government policies;
- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials, equipment, contractors and skilled labor;

- labor disputes;
- construction accidents;
- in judgment on the selection and acquisition criteria for potential sites; and
- natural catastrophes and adverse weather conditions.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm our reputation as a property developer, lead to loss of or delay in recognizing revenues and lower returns. If a property project is not completed on time, the purchasers of pre-sold units may be entitled to compensation for late delivery or may be able to terminate the pre-sale agreements and claim damages. See “— We face risks related to the pre-sale of properties from any potential limitation and restriction imposed by the PRC government as to such activities and claims from customers in the event the pre-sold properties are not delivered on time or completed.” We cannot assure you that we will not experience any significant delays in completion or delivery of our projects in the future or that we will not be subject to any liabilities for any such delays.

We rely on third-party contractors and if any of these contractors fails to deliver quality service or product in a timely manner, or if our relationships with any of them deteriorates, our reputation or business operations may be adversely affected

We engage third-party contractors to carry out various services relating to our property development projects, including design, pile setting, foundation building, construction, equipment installation, electromechanical and pipeline engineering, elevator installation and landscaping. We currently engage third-party contractors in which we have entered into strategic relationships with, as selected through a tender process. We currently retain strategic relationships with 19 third-party general construction contractors. We reevaluate the contracts with such strategic contractors based on their performance and will reassess whether to renew the contracts on an annual basis. We endeavor to engage companies with a strong reputation and track record, high performance reliability and adequate financial resources. However, any such third-party contractor may still fail to provide satisfactory services at the level of quality or within the timeline required by us. In addition, completion of our property developments may be delayed, and we may incur additional costs, due to a contractor’s financial or other difficulties. If the performance of any third-party contractor is not satisfactory, we may need to replace such contractor or take other remedial actions, which could adversely affect the cost structure and development schedule of our projects and could have a negative impact on our reputation, credibility, financial position and business operations. In addition, as we are expanding our business into other geographical locations in the PRC, there may be a shortage of third-party contractors that meet our quality standards and other selection criteria in such locations and, as a result, we may not be able to engage a sufficient number of high-quality third-party contractors in a timely manner, which may adversely affect the construction schedules and development costs of our property development projects.

Furthermore, our relationships with third party contractors may deteriorate and we may, from time to time, become involved in legal proceedings with such contractors. Although we have not experienced any material legal proceedings with our contractors in the years ended December 31, 2018, 2019 and 2020, there are no assurances that our projects may be completed and delivered on time if there any disputes with contractors that may arise in the future.

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

PRC law allows property developers to pre-sell properties prior to their completion upon satisfaction of certain requirements. We depend on cash flows from pre-sale of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of properties and may use pre-sale proceeds only to finance the development project where the pre-sold properties are located. On September 21, 2018, Guangdong Real Estate Association issued an “Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses” (關於請提供商品房預售許可有關意見的緊急通知), asking for opinions on the cancelation of the pre-sale system of commodity residential properties. We cannot assure you that PRC governments will continue to allow pre-sale of properties or will not impose additional or more stringent requirements on pre-sale. In the event that the PRC governments prohibit pre-sale of properties or impose additional or more stringent requirements, the property developers like us may not have sufficient cash flow for property development projects and have liquidity problems. If we do not have sufficient cash flow from pre-sale to fund our future liquidity, pay our trade and bills payables and repay the outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

In addition, the pre-sale of our properties carries certain risks. For example, we may fail to complete a fully or partially pre-sold property development, in which case we may be liable to purchasers for losses suffered by them. We cannot assure you that these losses will not exceed any deposits that may have been paid in respect of the pre-sold properties. Furthermore, if a pre-sold property development is not delivered on time, the purchaser may be entitled to damages. If the delay extends beyond the contractually specified period, or if the actual GFA of a completed property delivered to a purchaser deviates by more than 3.0% from the GFA originally indicated in the property sale and purchase contract, the purchaser may terminate the property sale and purchase contract, reclaim the payment and claim damages.

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

We are subject to certain restrictive covenants in the loan contracts between us and certain banks. For instance, some of our operating subsidiaries are subject to covenants that restrict them from carrying out distribution of dividend, any merger, restructuring, spin-off, reduction of registered share capital, material asset transfer, liquidation, change in shareholding or management structure, increase of debt, or establishment of any joint venture without the lenders’ written consents. In addition, borrowings provided under certain loan agreements between our operating subsidiaries with banks are not allowed to be used for purposes other than the specific project development as provided in the agreement. Our subsidiaries may also be subject to certain financial ratios as provided in the loan agreements. Furthermore, as long as such loans are outstanding, some of our relevant operating subsidiaries may not be able to provide guarantees to any third parties that would impair their ability to repay the relevant loans.

We cannot assure you that we will be able to abide by all restrictive covenants of any of our loan agreements in the future or obtain lenders' consents or waivers in a timely manner or at all. Should we fail to abide by these provisions, our lenders may be entitled to accelerate repayment of our loans or we may be prevented from repurchasing the transferred equity interests in our project companies from the relevant trust financing providers, in which case our business, financial condition and results of operations will be adversely affected.

In addition, we entered into several trust financing arrangements to obtain additional borrowings for our property developments. To provide enhanced security to some of the trust financing providers in respect of such covenants, we had given up a minority of the board seats in some of the relevant project companies to the respective trust financing providers or provided them with veto rights relating to matters that may materially affect the relevant trust financing providers' interest as to their fixed interest income. These trust financing providers are entitled to convene meetings of the board and/or shareholders and cast dissenting vote(s) through their representatives at these assemblies to frustrate or veto any material decisions we may propose in the interest of our Group but in deviation from the relevant pre-determined financial and operating policies, or in breach of the restrictive covenants in the relevant trust agreements. We cannot assure you that such disagreements will not occur in the future, in which case our business, financial condition and results of operations may be adversely affected.

Some of our operating subsidiaries in the PRC have not received waivers from the restrictions that prohibit or limit these subsidiaries from paying dividends to their parent company or other group entities

Some of our subsidiaries that operate in the PRC are subject to financing arrangements that provide the creditors the right to require the subsidiaries to make payments to the creditors before paying dividends to their parent companies or other group entities until the arrangements are fully repaid. As a result, our ability to access cash generated by these subsidiaries may be limited if the creditors enforce their rights. Unless the subsidiaries are able to service such financings, repay such financings or otherwise cause the creditors to waive such rights, our ability to fund its liquidity needs, including interest and principal payments due under the Notes, may be limited. As of the date of offering memorandum, we have applied for but are yet to receive such waivers from the creditors of certain subsidiaries. As long as the payment of dividends from such subsidiaries are subject to restrictions, the income generated by such subsidiaries will not contribute to our Consolidated Net Income (as defined under "Description of the Notes — Definitions"). As a result, we may not be able to incur debt under the first paragraph of the "Limitation on Indebtedness and Preferred Stock" covenant in the "Description of the Notes" section, which will further restrict our ability to operate within the confines of certain other covenants in the "Description of the Notes" and will force us to operate in a more constrained manner.

We have mortgaged certain properties and pledged shares of certain of our subsidiaries to secure our borrowings

We have mortgaged certain of our properties and pledged shares in certain subsidiaries to secure some of our general banking facilities or trust financing arrangements. If we default on such banking facilities or trust financing arrangements, the lenders may foreclose such properties we mortgage and such shares we pledge. Although the terms of our indebtedness limits our ability to do so, we cannot assure you that we will not mortgage our properties or pledge shares to secure our borrowings in the future. Nor can we assure you that we will not default on any of our borrowings in the future.

We also cannot assure you that the equity interests that we have pledged or which may be pledged to our lenders or trust institutions will not be subject to enforcement actions, in which case we may lose control and ownership of our subsidiaries and our business, results of operations, financial condition and prospects may be materially and adversely affected.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations which could adversely affect our financial results

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. For the years ended December 31, 2018, 2019 and 2020, the approximate amount of LAT we paid was RMB95.8 million, RMB435.6 million and RMB151.9 million (US\$23.3 million), respectively. Pursuant to a circular issued by the State Administration of Taxation, effective February 1, 2007, LAT obligations must be settled with the relevant tax bureaus within a specified time frame after the completion of a property project. Please refer to “PRC Regulations” for a detailed description of PRC regulations on LAT.

We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement of the same with the relevant tax authorities. As we often develop our projects in several phases, deductible items for calculation of LAT, such as land costs, are apportioned amongst such different phases of development. Provisions for LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which are subject to final confirmation by the relevant tax authorities upon settlement of the LAT. However, given the time gap between the point at which we make provision for and the point at which we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other bases on which we calculate LAT. Hence, our LAT expenses as recorded in a particular period may require subsequent adjustments. For the years ended December 31, 2018, 2019 and 2020, we recorded approximately RMB275.7 million, RMB428.3 million and RMB551.6 million (US\$84.5 million), respectively, as LAT expenses. See “Financial Information — Taxation — LAT” for more information. If we substantially underestimated LAT for a particular period, a payment of the actual LAT assessed and leased on us by the tax authorities could adversely affect our financial results for a subsequent period.

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

Pursuant to the Administration of the Measures for Commodity House Leasing in Urban Areas (商品房屋租賃管理辦法) promulgated on December 1, 2010 and became effective on February 1, 2011, both landlords and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. We leased offices and dormitories from several third parties and rented out certain of our properties to third parties but had not filed for registration or obtained property leasing certificates for the relevant leases. We may be required by relevant government authorities to file the lease agreements for registration and may be subject to a fine for non-registration, which may range from RMB1,000 to RMB10,000 per lease agreement. The registration of these lease agreements to which we are the lessees, requires additional steps to be taken by the respective landlords which are beyond our control. We cannot assure you that our landlords will be cooperative and that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future.

Our property development business is subject to customer claims

Under Regulations on the Administration of Quality of Construction Works, which became effective on August 6, 2005, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. Generally, we receive quality warranties from our third-party contractors we hire with respect to our property projects to cover claims that may be brought against us under our warranties. In addition, we may be subject to other types of customer claims from time to time during our ordinary course of business, such as claims in relation to the delay in delivery of property title documents due to various reasons, including longer time required for completing the relevant procedures than expected or delay in commencing the relevant procedures, including but not limited to the examining procedure by the relevant land use right authorities and the registration, approval and certificate production procedures by the relevant property right authorities. From time to time, we receive customer complaints about the quality of our properties, which typically relate to minor construction and installation defects or claims relating to the late delivery of property title documents. Although we believe that each of these claims is immaterial by nature or amount, we cannot assure you that we will not face any significant customer claims in the future, which may result in significant expenses to resolve such claims or if we face delays in remedying the related defects, harm our reputation and adversely affect our business, financial condition and results of operations. Furthermore, although we receive quality warranties from our third-party contractors we hire, we may not be able to fully cover our liabilities by enforcing such quality warranties or at all, and the money retained by us from third-party contractors to cover our payment obligations under the quality warranties may also be insufficient, which will further increase our liabilities under such customer claims.

The regulatory authorities in China may impose fines on us or reclaim our land if we fail to comply with the terms of the land grant contracts

Under PRC laws and regulations, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premiums and other fees, the specified use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, or reclaim our land. Specifically, under current PRC laws and regulations, if we fail to pay any outstanding land premiums by the stipulated deadline, we may be subject to a late payment penalty at the rate of 0.1% of the unpaid land premium per day. If we fail to fully pay the land premiums within 60 days after the land grant contract became effective, the assignor is entitled to terminate the land grant contract and claim for indemnities. Furthermore, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the land authorities may serve a decision on levy of idle land fee on us and impose an idle land fee of up to 20% of the land premium. If we fail to commence development for more than two years, the land is subject to the risk of forfeiture unless the delay in development is caused by government actions or by force majeure. Moreover, even if we commence development of the land in accordance with the land grant contract, if the area of the developed land is less than one-third of the area of the total site area of the land, or if the total capital expenditure is less than one-fourth of the total investment of the project, and the development of the land is suspended for over one year without government approval, the land will still have a potential to be treated as idle land. In the Notice on Promoting the Saving and Intensification of Use of Land (《國務院關於促進節約集約用地的通知》) promulgated by the State Council in January 2008, the aforesaid policy was reinforced. This notice states, among other things, that the MLR and other authorities are required to conduct research on and commence drafting of implementation rules

concerning the levy of land appreciation fees on idle land. Furthermore, the MLR issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (《關於嚴格建設用地管理促進批而未用土地利用的通知》) in August 2009, which reiterates the current rules regarding idle land. In September 2010, the MLR and MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (《關於進一步加強房地產用地和建設管理調控的通知》), which provides that a property developer and its shareholders will be prohibited from participating in land bidding before any noncompliance or illegal behaviors in which it engages, such as (1) land idle for more than one year on its own reasons, (2) illegal transfer of land use rights, (3) noncompliance with the land development requirements specified in a land grant contract, and (4) crimes such as taking land by forging official documents and illegal land speculation, have been completely rectified. We cannot assure you that circumstances leading to imposition of penalties, liquidated damages or forfeiture of our land will not arise in the future. If we are deemed as holding land idle for more than one year without cause or are required to forfeit land, we may lose the opportunity to develop the relevant land, our investments in the land, including land premiums paid and development costs incurred, and our ability to bid for other land in the future, any of which could materially and adversely affect our business prospects, results of operations and financial condition.

We cannot assure you that regulations relating to idle land in China will not become more restrictive in the future. If we fail to comply with the terms of land grant contracts due to delays in our developments, or as a result of factors out of our control, we may not only lose the opportunity to develop the projects on such land, but may also lose all of our past investments in the land, which would materially and adversely affect our business, financial condition and results of operations.

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

Certain building construction materials, such as steel and concrete, are procured by the third-party construction contractors we engage. The cost of construction materials, such as steel and concrete, may fluctuate from period to period. As such, each of these major construction material represented a minor percentage of our total cost and we had not been negatively affected by the fluctuations in the prices of steel or concrete in the past. However, any future increase in the cost of any significant construction materials may adversely impact our overall construction costs, which constitutes one of the largest components of our cost of sales. Moreover, labor cost has also been increasing significantly. If we fail to pass any or all of the increased costs on to our customers, our profitability will be adversely affected. See “Financial Information — Description of Certain Major Components of Our Combined Income Statement — Cost of Sales” for more information.

We had negative net operating cash flow for the years ended December 31, 2018 and 2020

For the years ended December 31, 2018 and 2020, we recorded negative net cash flow from operating activities of approximately RMB944.4 million and RMB1,524.1 million (US\$233.6 million), respectively. Our negative net operating cash flow was principally attributable to the long-term and capital-intensive nature of property development, our land acquisitions and business expansion during the relevant periods. We funded our capital expenditure with cash received from pre-sales and sales of our properties and borrowings from financial institutions comprising CBRC-licensed commercial banks and trust financing providers. For further information, please refer to the section “Management’s Discussion and Analysis of Financial Condition and Results of

Operations — Liquidity and Capital Resources — Cash Flows Analysis” in this offering memorandum. We cannot assure you that we will not continue to experience negative net operating cash flow in the future. Negative net operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we will be in default of our payment obligations and may not be able to develop our projects as planned. As a result, our business, financial condition and results of operations may be materially adversely affected.

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

Our results of operations may vary significantly from period to period and such fluctuations make it difficult to predict our future performance or the market price of the Notes

We derive the majority of our revenue from the sale of properties that we develop. Our results of operations may fluctuate from period to period due to a combination of various factors, including the overall schedule of our property development projects, the level of acceptance of our properties by prospective customers, the timing and the amount of GFA for pre-sale or sale, our revenue recognition policies and any changes in costs and expenses, such as land acquisition and construction costs. In addition, our property developments are often developed in multiple phases over the course of several years. Typically, as the overall development approaches completion, the sale prices of the properties in such developments tend to increase because a more marketable property is available to purchasers. Furthermore, according to our accounting policy for revenue recognition, we recognize revenue from the pre-sales and sales of our properties upon delivery to purchasers. Generally, there is a time difference, typically at least one year, between the time we commence pre-sale of properties under development and completion of properties. Because the timing of completion of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA sold or pre-sold and the timing of completion of the properties we sell. Periods in which we pre-sell a large amount of aggregate GFA, however, may not necessarily be the periods in which we generate a correspondingly high level of revenue, if the properties pre-sold are not completed and delivered within such period. The effect of timing of delivery on our operational results is further accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to substantial capital requirements for land acquisition and construction costs as well as the limited supply of land.

Our gross profit margin was 22.6%, 20.2% and 19.6% in 2018, 2019 and 2020, respectively. Our gross profit margin is and will continue to be affected by the change in the product mix delivered during the relevant period, such as the portion between mid- to high-rise apartments, which have lower gross profit margin, as compared to houses and townhouses. Our gross profit margin is and will also continue to be affected by the change in real estate property condition, which will affect our construction costs and land use right costs. Any increase in construction and land costs could reduce our gross profit margins to the extent that we are unable to pass these increased costs on to our

customers and, therefore, could materially and adversely affect our results of operations, financial condition and business prospects. We cannot assure you that we will not continue to experience decreasing trend in the future, which could adversely affect our business and financial performance. See also “— Fluctuations in the price of construction materials and labor costs could adversely affect our business and financial performance.” Our core net profit margin (including non-controlling interests) was 11.2%, 9.7% and 10.1% in 2018, 2019 and 2020, respectively. From 2018 to 2020, our core net profit margin was consistent with gross profit margin.

In addition, the period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with a greater proportion of recurring revenues. If our operating results in one or more periods do not meet the market’s expectations, the market price of the Notes could be materially adversely affected.

Our business performance is affected by a variety of factors and we may not be able to meet our business targets

We may periodically or at times announce contracted sales targets, or other performance targets, during or prior to certain financial periods. These business performance targets are set by our board of directors based on the preliminary internal operating information of the Group and the management’s assessment of our potential performance, as well as the market condition at the time of setting such targets and our operation plans of such period. These business performance targets may differ significantly from the Group’s actual performance, or from the figures to be disclosed in the audited or unaudited consolidated financial statements to be published by the Company on an annual or half-yearly basis. This could be due to a variety of factors, such as by future general economic conditions, the general property market and the policies implemented by the regulatory authorities, which are often not within our control. In addition, in the case of contracted sales targets, the actual contracted sales in a certain period may vary substantially due to uncertainties during the process of collating such sales information. Contracted sales targets, or other performance targets, if announced by us, are solely for investor’s reference only, and we cannot guarantee that we will always be able to meet the targets as expected or announced.

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

As of December 31, 2020, our investment properties were mainly comprised of Shanghai Jingrui Life Square, Ningbo Jingrui Harbour City, Shanghai Keyuan Tower, Shanghai Elite Residence, Beijing Sanquan Apartment, Suzhou Guangyun Gusu Building, Shanghai Zhongshan Building, Shanghai North Zhongshan Road Project and Shanghai Yinqiao Apartment. The fair value gains on investment properties under other platforms for the years ended December 31, 2018 and 2019 were RMB54.7 million, RMB96.0 million respectively. The fair value losses on investment properties under other platforms for the year ended December 31, 2020 were RMB17.0 million (US\$2.6 million). Moreover, our office and apartment platform commenced operation in 2017. Appreciation arising from appreciation of investment properties under office and apartment platform for the years ended December 31, 2018 and 2020 amounted to RMB388.1 million and RMB56.7 million (US\$8.7 million), respectively. Depreciation of investment properties under office and apartment platform for the year ended December 31, 2019 amounted to RMB21.5 million. In addition, any such fair value gains will not have any impact on our cash flow until we dispose of such investment properties. Although we currently focus on the development of residential properties for sale, we may in the future decide to increase our investment property portfolio in response to changing market condition and customer demand.

Any form of real estate investment is illiquid and, as a result, our ability to sell our investment properties in response to changing economic, financial and investment conditions is limited. We also cannot predict the length of time needed to find purchasers for such investment properties. In addition, we may need to incur capital expenditure to manage and maintain our properties, or to correct defects or make improvements to these properties before selling them. We cannot assure you that financings for such expenditures would be available when needed, or at all.

Furthermore, aging of investment properties, changes in economic and financial condition or changes in the competitive landscape in the property market in the PRC may adversely affect the amount of rentals and revenue we generate from, as well as the fair value of, our investment properties. However, our ability to convert any of our investment properties to alternative uses is limited as such conversion requires extensive governmental approvals in the PRC and involves substantial capital expenditures for the purpose of renovation, reconfiguration and refurbishment. We cannot assure you that such approvals and financing can be obtained when needed. These and other factors that impact our ability to respond to adverse changes in the performance of our investment in properties may adversely affect our business, financial condition and results of operations.

Property owners may not retain us as the provider of property management services which may have an adverse effect on our reputation and brand

We currently provide property management services to properties developed by us and certain residential properties developed by third parties through our property management subsidiary, Shanghai Jingrui Property Management. Shanghai Jingrui Property Management also provides property management services to several other properties that are developed by third parties. Under PRC laws and regulations, property owners of a residential development have the right to change the property management service provider upon the approval of a certain percentage of the property owners of that residential development. If owners of the properties that we have developed are not satisfied with our property management services, they may terminate our property management services or negatively comment on our property management services. In such case, our reputation and brand may be harmed, and the reputation of such properties may decline as a result. Furthermore, if subsequent property management companies appointed by such properties do not maintain the properties pursuant to our usual standards, the condition of our properties may decline, which may result in further damage to our reputation and brand. Damage to our reputation may also have an adverse impact on the future sales of our other properties, which may negatively affect our results of operations.

A deterioration in our brand image may materially and adversely affect our business, financial condition and results of operations

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

If we were unable to successfully retain the services of our current key personnel and hire, train and retain senior executives and other skilled employees, our ability to develop and successfully market our properties could be harmed

The growth and success of our business has depended significantly on certain members of our senior management, in particular, Mr. Yan, our executive director, co-chairman and chief executive officer. For details of our Directors and senior management, please refer to the section “Directors and Senior Management” in this offering memorandum. In addition, several other members of our management have served us for many years and have played, and are expected to continue to play, key roles in making major business decisions. If we were to lose the services of Mr. Yan or any of our senior management for any reason, we may not be able to find suitable replacements for them in the short time. As competition in the PRC for senior management and key personnel with experience in property development is intense and the pool of qualified candidates is limited, we may not be able to retain the services of key personnel, or hire, train and retain high quality senior executives or other skilled employees in the future. In addition, if any Director or any member of our senior management team or any of our other key personnel were to join a competitor or carry on a competing business, we may lose customers and key professionals and staff members. Furthermore, as our business continues to grow, we will need to recruit and train additional qualified persons. If we are unable to successfully retain the services of our current key personnel and hire, train and retain senior executives and other skilled employees, our ability to develop and successfully market our products could be harmed and our business and prospects could be adversely affected.

Potential liability for health and environmental problems could result in substantial costs

We are subject to a variety of laws and regulations concerning the protection of health and the environment. Environmental laws can prohibit or severely restrict property development activities in environmentally sensitive regions or areas. Compliance with health and environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can severely restrict project development activities in environmentally sensitive regions or areas. Please refer to “Business — Environmental Matters” for details.

As required by PRC laws, independent environmental consultants have conducted environmental impact assessments at all of our construction projects and environmental impact assessment documents were submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request a developer to submit the environmental impact documents, issue orders to suspend the construction and impose a penalty for a project with respect of which environmental impact assessment documents have not been approved before commencement of construction. It is possible that there may be material environmental liabilities of which we are unaware, and which may have a material adverse impact on our business.

We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our contractors or suppliers or employees or involving land use rights and, may face significant liabilities as a result

We may from time to time be involved in disputes with various parties arising out of our operations, including contractors, suppliers, construction companies, business partners, purchasers and employees or in matters that involve our land use rights. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention from our core business activities.

Furthermore, we carry out some of our projects through joint ventures or cooperation arrangements. Such joint ventures and cooperation arrangements involve a number of risks, including, without limitation:

- disputes with our business partners in connection with the scope or performance of their obligations under the relevant joint venture or cooperation arrangements;
- financial difficulties encountered by a business partner affecting its ability to perform its obligations under the relevant joint venture or cooperation arrangements; and
- conflicts between the policies or objectives adopted by our business partners and those adopted by us.

In addition, purchasers of our properties may take legal action against us if our developed properties are perceived to be inconsistent with our representations and warranties made to such purchasers. In addition, we may have compliance issues with regulatory bodies in the course of our operations, in respect of which we may face administrative proceedings and unfavorable decisions that may result in liabilities and cause delays to our property developments. We may also be involved in disputes or legal proceedings relating to delays in the completion and delivery of our projects. Furthermore, we may be involved in disputes with our contractors, suppliers or employees. We may be involved in other proceedings or disputes in the future that may have a material adverse effect on our business, financial condition, results of operations or cash flows. If we, our executive officers or other agents fail to comply with any applicable laws or regulations, including the PRC or other applicable anti-corruption laws or regulations, our reputation and our business, results of operations and financial condition may be materially and adversely affected.

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

Under PRC laws, construction companies bear the primary civil liability for personal injuries arising out of their construction work. The owner of a property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are caused by the fault of such owner.

We hold certain portion of our properties, such as ancillary retail space or car parks, for investment purposes. Whilst some of our properties are covered by property all-risk, equipment damage and public liability insurance, each of our subsidiaries holding an interest in and/or managing such properties held for future investment is at liberty to adopt its own insurance policy from different insurance companies with different coverage. The level of insurance coverage acquired for each of the properties held for future investment may not be adequate to cover all losses. In addition, as of the date of this offering memorandum, none of the properties held and/or managed by our Group for investment were covered by loss of profits insurance. Furthermore, there are certain types of losses, such as losses due to earthquakes, war and civil disorder, for which insurance is not available on what we believe to be commercially reasonable terms in China. As a result, we have not purchased insurance to cover any such losses. If we suffer any losses, damages or liabilities in the course of our business operations, we may not have adequate insurance coverage to provide sufficient funds to cover any such losses, damages or liabilities or to replace any property that has been destroyed. Therefore, there may be instances when we may sustain losses, damages and liabilities because of our lack of insurance coverage, which may in turn materially adversely affect our financial condition and results of operations.

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

We derive the substantial portion of our revenue from sales of our properties and most of our purchasers apply for bank borrowings and mortgages to fund their purchases. Therefore, the availability of mortgages to our prospective purchasers would significantly affect our results of operations and financial conditions. In accordance with industry practice, commercial banks require us to guarantee mortgage loans offered to purchasers of the properties that we develop. Typically, we guarantee mortgage loans for purchasers up until (i) we complete the relevant properties and the property ownership certificates and the mortgage are registered in favor of the mortgagee bank, or (ii) the settlement of mortgage loans between the mortgagee bank and the purchaser, whichever is earlier. If a purchaser defaults on a mortgage loan, we may be required to repurchase the underlying property by paying off the mortgage. 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. In line with industry practice, we do not conduct any independent credit checks on our customers and rely on the credit evaluation conducted by the mortgagee banks on such customers. These are contingent liabilities not reflected on our balance sheets.

As of December 31, 2020, our outstanding guarantees in respect of the residential mortgages of our customers amounted to RMB5,416.5 million (US\$830.1 million). During the years ended December 31, 2018, 2019 and 2020 and up to the date of this offering memorandum, our Directors confirm that we have not encountered defaults by purchasers that, in aggregate, had a material adverse effect on our financial condition and results of operations. However, there is no assurance that we will not be subject to guarantee-related risks. Should any material default occur and if we were called upon to honor our guarantees, our financial condition and results of operations could be adversely affected.

Our controlling shareholders have substantial control over our Company and their interests may not be aligned with the interests of our creditors, including the holders of the Notes

Our controlling shareholders have substantial control over our business. By virtue of their ownership of our share capital as well as their positions on our Board, they are able to exert significant influence over our business and other matters of significance to us and other Shareholders by voting at general meetings of our Shareholders or, through their Director nominees, our Board meetings, including:

- election of our Directors;
- selection of senior management members;
- amount and timing of dividend payments and other distributions;
- acquisition of or merger with another entity;
- overall strategic and investment decisions;
- issuance of securities and adjustment to our capital structure; and
- amendments to our Articles of Association.

The interests of our controlling shareholders may differ from the interests of us and our creditors, including the holders of the Notes, and they are free to exercise their votes according to their own interests. For example, our controlling shareholders may choose to cause our business to pursue strategic objectives that conflict with the interests of us or our creditors. In the event that the interests of our controlling shareholders conflict with those of us or our creditors, our creditors may be disadvantaged as a result.

RISKS RELATING TO OUR INDUSTRY

The PRC property market is heavily regulated and subject to frequent introduction of new regulations, including further measures by the PRC government to slow down the growth of the property sector, which may adversely affect property developers

The PRC government exerts considerable direct and indirect influence on the growth and development of the PRC property market through industry policies and other economic measures such as setting the benchmark interest rates of commercial banks, increasing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers, imposing foreign investment and currency exchange restrictions, restricting foreign investment in the PRC property sector and restricting or reducing the supply of land for property development. In particular, from 2003, the PRC government introduced a series of regulations and policies designed to generally control the growth of the property market, including, among others:

- strictly enforcing the idle land related laws and regulations;
- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;

- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio of less than certain prescribed percentage; and
- restricting PRC commercial banks from granting loans to property developers for the purpose of paying land grant premiums.

In particular, the PRC government also introduced the following policies, among others, to specifically control the growth of the residential property market:

- limiting the maximum amount of monthly mortgage and the maximum amount of total monthly debt service payments of an individual borrower;
- imposing a business tax levy on the sales proceeds, which was replaced with value-added tax levy on the sales proceeds after a tax reform in 2016 for second-hand transfers subject to the length of holding period and type of properties and a 20% tax on profits from the individual sale of second-hand homes;
- increasing the minimum amount of down payment of the purchase price of the residential property of a family;
- tightening the availability of individual housing loans in the property market to individuals and their family members with more than one residential property; and
- limiting the availability of individual housing provident fund loans for the purchase of second (or more) residential properties by laborers and their family members.

Please see the section “PRC Regulations” for details.

We cannot assure you that the PRC government will not implement further tightening measures to restrain the PRC property market at the national, provincial, municipal and/or local levels, in which case the declining trends in transaction volume and selling prices of properties in the PRC may continue or further intensify, result in weaker contracted sales outlook and as a result, our financial condition and results of operations may be, and or may continue to be, adversely affected. In addition, measures implemented by local governments, in particular in cities where we operate in, to stabilize the growth of the relevant local property market, may have a material adverse effect on our financial condition and results of operations. See “PRC Regulations — Recent Developments in Related Local Government Regulations.”

Our ability to secure new projects and related investments may be restricted by policies and regulations introduced by the PRC government with respect to overseas investment

The PRC government has introduced a number of policies and regulations aimed at regulating overseas investment in the property industry in the past few years. On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE issued the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》), which was revised on August 19, 2015. On May 23, 2007, the MOFCOM and SAFE issued the Circular on the Reinforcement and Regulation of Approval and Supervision of Foreign Direct Investment in the Real Estate Section (《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”) which was amended on October 28, 2015. For further information, please refer to the section “PRC Regulations.”

Pursuant to the requirements in the above-mentioned circulars we must apply to the relevant examination and approval authorities if we plan to expand the scope of our business or the scale of our operations, engage in new project developments or operations or increase the registered capital of our PRC foreign-invested subsidiaries in the future. If the PRC government promulgates further policies or regulations to further regulate or restrict foreign investment in the PRC property industry, and if these policies or regulations have a direct application to our Group's business and operations, our ability to secure new projects may suffer and our business, financial condition, results of operations and prospects could be materially adversely affected.

The PRC property market industry is highly competitive

The property market in Shanghai and other major cities in the Yangtze River Delta region has been highly competitive. Domestic and overseas property developers have entered the property development markets in these cities where we have operations. We may seek to further enhance our market presence in these cities amid intense competition. Many of our competitors, including overseas listed foreign developers and top-tier domestic developers, may have more financial or other resources than us. Competition among property developers may cause an increase in land costs and raw material costs, shortages in quality construction contractors, surplus in property supply leading to property price decline, further delays in issuance of governmental approvals, and higher costs to attract or retain talented employees. If we fail to compete effectively, our business operations and financial condition will suffer.

RISKS RELATING TO THE PRC

PRC economic, political, social conditions as well as government policies could adversely affect our business, prospects, financial condition and financial results

We conduct our business operations in the PRC. The PRC economy differs from the economies of most of the developed countries in many aspects, including:

- political structure;
- level of the PRC government involvement and control;
- growth rate and level of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. We cannot predict whether changes in the PRC's economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to curtail certain segments of the economy, including the real estate industry, which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition.

A slowdown of the PRC economy may slow down our growth and may affect our business

The PRC economy has recorded one of the world's fastest growth rates in terms of GDP. However, we cannot assure you that such growth will be sustained and continue in the future. In addition, a slowdown in the economies of the United States, the European Union and certain Asian nations with which the PRC has important trade relationships or any future calamities may materially and adversely affect the economic growth of the PRC. If the PRC economy experiences a significant downturn, our business, results of operations, financial condition and prospects may be materially and adversely affected.

In addition, rapid economic growth can lead to growth in money supply and inflation. If prices of our properties rise at a rate that is insufficient to compensate for the rise in our costs, our business, financial condition and operating results may be materially and adversely affected. To control inflation in the past, the PRC government has imposed control on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such austerity measures can lead to a slowdown in the economic growth and may materially and adversely affect our business, results of operation and financial condition.

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 cities in China may be under the threat of flood, earthquake, rainstorm or 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. A recurrence of SARS, H5N1 avian flu, H1N1 influenza or an outbreak of any other epidemics in China, including, for example, the ongoing COVID-19 epidemic, especially in the cities in which we operate, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in the PRC, which in turn may have an adverse impact on domestic consumption and, possibly, the overall GDP growth of the PRC. As a large proportion of our revenue is currently derived from its PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the GDP growth of the PRC may materially and adversely affect our financial condition, results of operations and future growth. In addition, if the Group's employees are affected by severe communicable disease, we may be required to close its facilities or institute other measures to prevent the spread of the disease, which may materially and adversely affect or disrupt its production, resulting in an adverse effect on its results of operations. The spread of any severe communicable disease in the PRC may also affect the operations of our customers and suppliers, which may have an adverse effect on our financial condition and results of operations.

The COVID-19 pandemic may adversely affect the PRC economy, the PRC real estate industry and our business operations.

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

The outbreak of COVID-19 pandemic caused the delay in resumption of local business in the PRC after the Chinese New Year holiday in 2020 and, as the outbreak extended, several countries introduced new restrictions on international travel. The COVID-19 pandemic temporarily suspended our construction and sales activities in the first quarter of 2020. Given the high uncertainties associated with the COVID-19 pandemic at the moment, it is difficult to predict how long these conditions will last and the extent to which we may be affected. Should the disruption to our operations continue, we may experience delays in completion and delivery of our projects, which may materially and adversely affect our results of operations and financial condition and may also cause reputation damage. In addition, any further disruption to our sales activities may negatively affect our liquidity and access to capital. The 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. 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. However, there can be no assurance that this recovery momentum will continue in the future.

Fluctuations in foreign exchange rates and changes in foreign exchange regulations may have a material adverse impact on our business

Substantially all of our revenues and expenditures are denominated in Renminbi, which is currently not a freely convertible currency. We do not have a formal hedging policy and have not entered into any foreign currency exchange contracts or derivative transactions to hedge our currency risk. In addition, we will require foreign currencies for dividend payment (if any) to our shareholders. As a result, we are exposed to foreign currency fluctuations.

In the PRC, since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% in March 17, 2014. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9% from July 21, 2005 to December 31, 2017. On March 17, 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0%. Further, in August 2015, the midpoint price of Renminbi against U.S. dollar decreased by 4.78% from August 10 to August 27, 2015, and further fluctuated in January 2016 after the PBOC announced an adjustment to the mechanism of determining the midpoint price of Renminbi against the U.S. dollar to make the exchange rate of Renminbi more market-based. 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. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollars, our financial condition and results of operations could be adversely affected. Any appreciation of Renminbi may result in the decrease in the value of foreign currency-denominated assets. Conversely, any depreciation of Renminbi may adversely affect our business, results of operations and financial condition.

Capital account transactions in foreign currencies are subject to significant exchange controls and generally require the approval of PRC government authorities, including SAFE. Under the existing PRC foreign exchange regulations, by complying with certain procedural requirements, we will be able to pay dividends (if any) in foreign currencies without prior approval from SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account transactions under certain circumstances. In this case, we may not be able to pay dividends in foreign currencies to our shareholders.

Adverse changes in the PRC's economic, political and social conditions, as well as governmental policies could have a material adverse effect on the PRC's overall economic growth, which in turn could materially and adversely affect our business, results of operations and financial condition

Substantially all of our business assets and operations are located in the PRC. As a result, our business, results of operations and financial condition are subject to the political, economic, legal and social conditions, laws, regulations and policies in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to structure, level of government involvement, level of development, growth rate, level and control of capital reinvestment, allocation of resources, rate of inflation and control of foreign exchange.

Before its adoption of reform and open-door policies beginning in 1978, the PRC was primarily a planned economy. Since that time, the PRC government has been reforming the PRC economic system and has also begun reforming the government structure in recent years. These reforms have resulted in significant economic growth and social progress. Although the PRC government still owns a significant portion of the productive assets in the PRC, economic reform policies since the late 1970s have emphasised autonomy in business management and the importance of market forces, especially where these policies apply to privately owned businesses such as ours. Although we believe these reforms will have a positive effect on our overall and long-term development, there can be no assurance that any changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have any material adverse effect on our current or future business, results of operations or financial condition. In response to concerns regarding the PRC's high growth rate in industrial production, bank credit, fixed investment and money supply, the PRC government has, from time to time, taken measures to slow down economic growth to a more sustainable level. These measures and any additional tightening measures could contribute to a slowdown in the PRC economy, which would materially and adversely affect our business, results of operations and financial condition.

We may not have adequate financing, whether through bank loans, trust financing or other arrangements, to fund our property developments, and such capital resources may not be available on commercially reasonable terms, or at all

Property development is capital-intensive and we expect to continue to incur a high level of capital expenditures in the foreseeable future. We finance our property projects primarily through proceeds from the pre-sales and sales of our properties and borrowings from financial institutions including CBRC-licensed commercial banks and trust financing companies. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including:

- requirements to obtain PRC government approvals necessary for obtaining financing in the domestic or international markets;
- our future results of operations, financial condition and cash flows;

- the condition of the international and domestic financial markets and financing availability;
- changes in the monetary policies of the PRC government with respect to bank interest rates and lending practices; and
- changes in policies regarding regulation and control of the real estate market.

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

- the PBOC has adjusted the Renminbi deposit reserve ratio for joint-stock commercial banks several times since 2010, first upward to a peak of 21.5% and more recently downward to the level of 16.5% as of the date of this offering memorandum;
- the PBOC has adjusted the benchmark one-year bank lending rate many times since 2008;
- commercial banks and trust financing companies may not grant loans to property developers to pay land premiums;
- the CBRC has issued guidelines that require at least 30% of the total investment in a property project to be funded by the developer's own capital; and
- the CBRC has issued rules governing the establishment, operation and financing activities of trust financing companies in 2007, including the provision of such financing to property developers.

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

The above measures and other similar government actions and policy initiatives have limited our ability and flexibility in using bank loans and trust financing arrangements to finance our property projects. For example, we are limited as to the development activities in which such financing can be used. In addition, the amount, timing and cost of funding available to us are also adversely affected, as well as the collaterals that are used to secure such financing. We cannot assure you that the PRC government will not introduce other initiatives, which may further limit our access to capital and the ways we finance our property projects, or that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms, or at all. Furthermore, given the growth in trust financing arrangements provided to PRC property developers, the PRC government may implement more stringent measures to control risks in loan growth, which may include more stringent review procedures that trust financing companies are required to adopt when considering applications for trust financing and remedial actions that trust financing companies are required to take in the event of any non-compliance with applicable laws and regulations. Any such further measures that the PRC government may implement could limit the amount that trust financing companies can make available for the PRC property development industry

or significantly increase the cost of our trust financing arrangements. If the cost of trust financing arrangements significantly increases or availability of trust financing arrangements are adversely affected, there could be an adverse effect on the anticipated growth of our business in the future and prospects.

Our operations and financial performance could be adversely affected by labour shortage, increase in labour costs and changes to the PRC labour-related law and regulations

The PRC Labor Contract Law became effective on January 1, 2008 and was amended on December 28, 2012, which took effect on July 1, 2013. The current PRC Labor Contract Law has imposed greater liabilities on employers and significantly increased the cost of an employer's decision to reduce its workforce. Further, it requires certain terminations to be based upon seniority instead of merit. In the event that we decide to significantly change or decrease our workforce, the PRC Labor Contract Law could adversely affect our financial condition and results of operations. In addition, the PRC government has continued to introduce various new labour-related regulations after the promulgation of the PRC Labor Contract Law. Among other things, the paid annual leave provisions require that the paid annual leaves ranging from five to fifteen days be available to nearly all employees and further require that employers compensate an employee for any annual leave days the employee is unable to take in the amount of three times of such employee's daily salary, subject to certain exceptions. On October 28, 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law. According to the PRC Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay for the social insurance premiums for such employees.

As a result of the implementation of these and any future rules and regulations designed to enhance the standard for labour protection, our labour costs may continue to increase. Furthermore, as the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed fully in compliance, which may cause us to face labour disputes or governmental investigation. If we are deemed in violation of such labour law and regulations, we could be subject to penalties, compensations to the employees and loss of reputation, and as a result our business, financial condition and results of operations could be materially and adversely affected.

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

Our business is conducted in the PRC and is governed by PRC laws and regulations. All of our operating subsidiaries are located in the PRC and are subject to PRC laws and regulations. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development.

However, due to the fact that these laws and regulations have not been fully developed, and because of the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. The interpretation of statutes, regulations and rules may also be subject to government policies which can change to reflect domestic political factors. Depending on the government agency or how or by whom an application or case is presented to such agency, we may receive less favorable interpretation of laws and regulations than our competitors. For example, on September 14, 2015, the NDRC issued 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”), which came into effect on the same date. According to the NDRC Circular, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue debt securities outside of the PRC with a maturity of more than one year, such enterprise must, in advance of issuing such debt securities, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issuance (the “Pre-Issuance Registration Certificate”). In addition, the enterprise must also provide information on the issuance of the debt securities to the NDRC within 10 working days of the completion of the issue (the “Post-Issuance Filing”). The NDRC Circular is a recent regulation and its interpretation may involve significant uncertainty. In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC. However, there is no assurance that the Company will be able to comply with the NDRC requirements to provide the notification of the particulars of the issue of the Notes to the NDRC within the prescribed timeframe. The NDRC Circular does not expressly state the legal consequences of non-compliance with such post-issue notification requirements, therefore there is no assurance that the failure to comply with the NDRC requirements would not result in any adverse consequences for the Company, the Notes or the investors in the Notes. There is also no assurance that the registration with the NDRC will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Notes in the PRC. Potential investors of the Notes are advised to exercise due caution when making their investment decisions. We cannot predict the effect of future legal developments in China, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

In addition, the PRC legal system is based, in part, on governmental policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. We may also be deemed to have violated certain policies or rules for the actions of our counterparties in various transactions even if we are not aware of whether our counterparties are acting in compliance with applicable PRC laws and regulations. Accordingly, we may not be aware of any actual or deemed violations of such policies and rules until some time after such violations have taken place. Furthermore, any litigation we undertake in the PRC, regardless of its outcome, may be protracted and result in substantial costs to us and diversion of both our resources and management attention.

You may experience difficulties in effecting service of process, enforcing foreign judgments or bringing original actions in the PRC against us or our directors or officers

We are an exempted company incorporated under the laws of the Cayman Islands, but substantially all of our operations and assets are located in the PRC. As a result, it may not be possible for you to effect service of process within the PRC on, or to enforce any judgments obtained from non-PRC courts against us, our PRC subsidiaries or our management who reside in the PRC. The PRC does not have treaties or arrangements providing for the recognition or enforcement of civil judgments made by the courts in many other jurisdictions (including, but not limited to, the courts in the Cayman Islands and most other western countries). Therefore, the recognition and enforcement in the PRC of judgments obtained in such jurisdictions may be difficult or even impossible. In addition, there are doubts as to the enforceability in original actions brought in the PRC of actions predicated on the laws of other jurisdictions.

Failure to comply with the SAFE regulations relating to special purpose vehicles by our beneficial owners may materially and adversely affect our business operations, limit our ability to inject capital into our PRC subsidiaries, limit the ability of our PRC subsidiaries to distribute profit to us or subject us to fines

On October 21, 2005, SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Return Investment via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (“Notice 75”) which became effective on November 1, 2005. The notice requires PRC residents (境內居民) to register with the local SAFE branch in the following circumstances: (i) before establishing or controlling any company outside the PRC for the purpose of equity financing, (ii) after contributing their assets or shares of a domestic enterprise into overseas special purpose vehicles, or raising funds overseas after such contributions, and (iii) after any major change in the share capital of the special purpose vehicles without any return investment being made. On July 4, 2014, SAFE promulgated Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Onshore and Offshore Financing, Investment and Return Investment via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外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》) (“Notice 37”), which supersedes Notice 75. Under Notice 37, amendment of prior registration with the relevant SAFE branch is required where there are changes in basic information of the registered special purpose company or other material changes such as increase or decrease in individual PRC resident’s capital, share transfer or swap, merger or split.

If our beneficial owners fail to comply with such procedures, our PRC subsidiaries may not be able to remit foreign currency payments out of China, which may affect our ability to service our offshore indebtedness, including the Notes, and may materially and adversely affect our business operations.

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

Under the PRC Enterprise Income Tax Law, or EIT Law, which came into effect on January 1, 2008, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and their global income will generally be subject to the uniform 25% Enterprise Income Tax (“EIT”) rate. Under the Implementation Rules for the PRC EIT Law, or the EIT Implementation Rules, “de facto management bodies” is defined as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise.

Substantially all of our management is currently based in China and may remain in China. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents, as in our case. Therefore, while we are not a PRC resident enterprise, we may be treated as a PRC resident enterprise for PRC EIT purposes. The tax consequences to us of such treatment are currently unclear as they will depend on how PRC finance and tax authorities apply or enforce the PRC EIT Law and the Implementation Rules. If we are treated as a PRC resident enterprise, we may be subject to PRC tax at a rate of 25% on our worldwide income, which could materially and adversely affect our financial condition.

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

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

Furthermore, on March 23, 2016, the Ministry of Finance and the SAT issued the Circular of Full Implementation of Business Tax to VAT Reform Caishui [2016] No. 36 (“Circular 36”), which introduced a new VAT from May 1, 2016. VAT is applicable where the entities or individuals provide services within the PRC. VAT is unlikely to apply to any transfer of bonds between entities or

individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or buyer of bonds, such as the Notes, is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and the PRC real estate industry contained in this offering memorandum

Facts, forecasts and other statistics in this offering memorandum relating to China, the PRC economy and the PRC real estate industry have not been prepared or independently verified by us, the Joint Bookrunners or any of our or their affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside China. We have, however, taken reasonable care in the reproduction and/or extraction of the official government publications for the purpose of disclosure in this offering memorandum. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this offering memorandum may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy and the PRC real estate industry contained in this offering memorandum.

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

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

In connection with the issue of the Notes, the Issuer has requested the Hong Kong Quality Assurance Agency (the “HKQAA”) to issue independent certification (a “HKQAA Pre-issuance Stage Certificate”) confirming that the Notes are in compliance with the requirements of the Green Finance Certification Scheme operated by the HKQAA (the “HKQAA Green Finance Certification Scheme”). The HKQAA Green Finance Certification Scheme is a set of voluntary guidelines that aims to facilitate the development of green finance and the green industry. The HKQAA Pre-issuance Stage Certificate has been obtained for the Notes. See the section headed “The HKQAA Green Finance Certification Scheme” of this Offering Memorandum for more details.

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. Although applicable green projects are expected to be selected in accordance with the categories recognized by the HKQAA Green Finance Certification Scheme and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects. Where any negative impacts are insufficiently mitigated, green projects may become controversial, and/or may be criticized by activist groups or other stakeholders. The HKQAA Pre-issuance Stage Certificate is not incorporated into, and does not form part of this Offering Memorandum. The HKQAA Pre-issuance Stage Certificate may not reflect the potential impact of all risks related to the Notes, their marketability, trading price or liquidity or any other factors that may affect the price or value of the Notes. The HKQAA Pre-issuance Stage Certificate is not a recommendation to buy, sell or hold securities and is only current as of its date of issue.

While it is the Company's intention to allocate an amount equal to the net proceeds received from the Offering to refinance eligible green projects in accordance with the Green Finance Framework, it would not be an Event of Default under the Description of the Notes if it were to fail to comply with such intention. Any failure to use the net proceeds in connection with such eligible projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental and/or social concerns with respect to the Notes, may affect the value and/or trading price of the Notes, and/or may have consequences for certain investors with portfolio mandates to invest in green projects. In the event that the Notes 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.

We have substantial indebtedness and may still incur substantially more debt in the future, which could adversely affect our financial condition and prevent us from fulfilling our obligations under the Notes

We have a substantial amount of indebtedness. Subject to the limits contained in the credit agreement governing our other debt instruments, the indenture governing the October 2021 Notes, the indenture governing the July 2022 Notes, the indenture governing the March 2022 Notes, the indenture governing the September 2022 Notes, the indenture governing the February 2023 Notes, the indenture governing the October 2023 Notes and the indenture that will govern the Notes, we and our subsidiaries may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes in the future. Under the Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated EBITDA includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenant, could be substantially larger when compared to other similarly situated PRC-based issuers of high-yield bonds whose covenant does not typically include unrealized gains in the calculation of their respective consolidated EBITDA. In addition, because our definition of Consolidated Interest Expense for the Notes excludes (i) the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense has become payable by us) and (ii) any distributions incurred, accrued or payment on any Perpetual Securities Obligation that is accounted for as equity in accordance with the relevant generally accepted accounting principles, of which the aggregate outstanding principal amount does not exceed 20% of Total Assets, once our October 2021 Notes, July 2022 Notes, March 2022 Notes, September 2022 Notes, our February 2023 Notes and our October 2023 Notes are fully redeemed or their terms are similarly amended, our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. Although the indenture that will govern the Notes, the indentures governing the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022 Notes, the February 2023 Notes, the October 2023 Notes and the credit agreement that will govern our other credit instruments will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness. In addition, if we incur any additional indebtedness secured by liens that rank equally with those securing the Notes, the holders of that indebtedness will be entitled

to share ratably with you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of our company. If new debt is added to our currently anticipated debt levels, the related risks that we and the Subsidiary Guarantors now face could intensify. See “Description of Material Indebtedness and Other Obligations” and “Description of the Notes.”

If we incur substantially more debt in the future, the risks related to our high level of debt could intensify. Specifically, our high level of debt could have important consequences to the holders of the Notes, including the following:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under the Notes and our other debt instruments, are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors; and
- increasing our cost of borrowing.

In addition, the indenture that will govern the Notes and our other debt instruments contain restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of some or all our debt.

The terms of the Notes give us enhanced flexibility to pay dividends and repurchase our shares

We pay dividends to our shareholders or repurchase our common stock from time to time. Under the Indenture, the indenture governing the October 2021 Notes, the indenture governing the July 2022 Notes, the indenture governing the March 2022 Notes, the indenture governing the September 2022 Notes, the indenture governing the February 2023 Notes, the indenture governing the October 2023 Notes and any such dividend payment or repurchase will be a “Restricted Payment,” which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and qualifications. Under the terms of the Notes, we may pay dividends on our common stock or redeem our common stock in an aggregate amount up to 25% of our gross profit for the year without satisfying the Fixed Charge Coverage Ratio. With such an exception, once our October 2021 Notes, July 2022 Notes, March 2022 Notes, September 2022 Notes, the February 2023 Notes or the October 2023 Notes are fully redeemed or their terms are similarly amended, we may be able to pay substantial amount of dividends or repurchase a substantial amount of our common stock even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the Notes.

We may not be able to generate sufficient cash to service all of our indebtedness, including the Notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful

Our ability to make scheduled payments on or refinance our debt obligations, including the Notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the Notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness, including the Notes. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The credit agreement governing our other credit instrument and the indenture that will govern the Notes will restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due. See “Description of Material Indebtedness and Other Obligations” and “Description of the Notes.”

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations under the Notes.

If we cannot make scheduled payments on our debt, we will be in default and holders of the Notes could declare all outstanding principal and interest to be due and payable, the lenders under the other debt instruments could terminate their commitments to loan money, the lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation. All of these events could result in your losing your investment in the Notes.

We and the Subsidiary Guarantors are holding companies and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries

We and the Subsidiary Guarantors are holding companies 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 Notes will not be guaranteed by any current or future PRC subsidiaries and certain of our offshore subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through certain Subsidiary Guarantors and certain Non-Guarantor Subsidiaries and Unrestricted Subsidiaries. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and Unrestricted Subsidiaries and any holders of preferred shares in such entities, would have a claim on these subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries and Unrestricted Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries and Unrestricted Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. In addition, certain of our offshore subsidiaries are permitted to not guarantee the Notes and not have their capital stock pledged to secure the Notes, provided that, the consolidated assets of all these offshore subsidiaries do not exceed 20% of our total assets. The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries and Unrestricted Subsidiaries to incur additional indebtedness (including secured indebtedness) and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes (other than the Collateral).

The Subsidiary Guarantees may be replaced by JV Subsidiary Guarantors which are limited recourse obligations of such JV Subsidiary Guarantors

Under the terms of the Notes, a Subsidiary Guarantee required to be provided by a Subsidiary Guarantor under the terms of the Notes may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to, or a purchase by, a third party of an equity 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. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

The Intercreditor Agreement may impact the ability of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to pay amounts due under the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Intercreditor Agreement may limit the rights of holders of the Notes to the Collateral

The Collateral Agent is required to take action to enforce the Collateral in accordance with the instructions of the holders of the Notes, holders of the October 2021 Notes, the holders of the July 2022 Notes, the holders of the March 2022 Notes, the holders of the September 2022 Notes, the holders of the February 2023 Notes, the holders of the October 2023 Notes and the holders (or representatives or agents) 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 the Company's entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on the Company's ability to fulfill its payment obligations under the Notes. Further, the Subsidiary Guarantors' or the JV Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees or the JV Subsidiary Guarantees will be adversely affected.

The ability of holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Collateral Agent is permitted to take enforcement actions. Upon the occurrence of an event of default that is continuing after any applicable notice requirement has been satisfied and any applicable cure period has expired, the holders of the Notes holding 25% of the outstanding amount of the Notes, the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022 Notes, the February 2023 Notes, the October 2023 Notes and other Permitted Pari Passu Secured Indebtedness may decide whether to take any enforcement action and may thereafter, through their respective trustee, representative or agent, in accordance with the Intercreditor Agreement, instruct the Collateral Agent to take enforcement action against the Collateral. 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 Notes. In such event, the only remedy available to holders of the Notes would be to sue for payment under the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any).

The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Intercreditor Agreement. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the holders of the 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 Notes, the holders of the October 2021 Notes, the holders of the July 2022 Notes, the holders of the March 2022 Notes, the holders of the September 2022 Notes, the holders of the February 2023 Notes, the holders of the October 2023 Notes and the holders of other Permitted Pari Passu Secured Indebtedness unless such holders have offered to the Collateral Agent indemnity and/or security satisfactory to the Collateral against any loss, liability or expense.

Security over the Collateral will not be granted directly to the holders of the Notes, and the Collateral will generally be shared with creditors under certain other financings

Security over the Collateral for the obligations of the Company under the Notes and the Indenture will not be granted directly to the holders of the Notes but will be granted only in favor of the Collateral Agent. As a consequence, holders of the Notes will not have direct security and will not be entitled to take enforcement action in respect of the security for the Notes, except through the Collateral Agent, which has agreed to apply any proceeds of enforcement on such security towards such obligations.

The Indenture also permits us to enter into certain future financings, and creditors under those future financings may share the Collateral *pari passu* with the holders of the Notes. See the section entitled “Description of the Notes — Security — Permitted Pari Passu Secured Indebtedness” for a further discussion of the sharing of the Collateral with future financings. If creditors under future financings opt to share the Collateral under the intercreditor agreement, a smaller portion of the proceeds from the Collateral will be available to satisfy the claims of the holders of the Notes, which could have a material adverse effect on their ability to recover sufficient proceeds to satisfy their claims under the Notes.

The restrictions in the Indenture and our other financing arrangements may affect our ability to react to market conditions

The terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See the section “Description of Material Indebtedness and Other Obligations.”

Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

Certain of our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. Currently, some instruments governing debt for certain of our PRC subsidiaries contain dividend blocking clauses that require such PRC subsidiaries to obtain the lending banks’ approval prior to distributing any dividends. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRSs in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In practice, our PRC project companies may pay dividends when (i) they have completed the project development, or at least have completed a phase of the project or a stand-alone tower or building and its revenue is recognized and (ii) the required government tax clearance and foreign exchange procedures have been completed. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to 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 PRC withholding tax rate may be lowered to 5%, although there exists uncertainty due to a recent PRC governmental circular regarding whether and the extent to which Hong Kong holding companies may be eligible for the benefits under this arrangement. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or to satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, although we currently do not have any offshore shareholder loan to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contribution, to our PRC subsidiaries to finance their operations. In such event, the market interest rates that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident under certain circumstances) withholding tax on our behalf on the interest paid under any shareholder loan from a non-PRC entity. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

Under PRC regulations, we may not be able to transfer to our PRC subsidiaries, proceeds from this offering in the form of a loan, which could impair our ability to make timely payments of interest, or even principal, under the Notes

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities. In addition, in July 2007, SAFE issued a circular indicating that it would not process any foreign debt registration or conversion of foreign debt for foreign-invested enterprises in the real estate sector that was approved by the local office of MOFCOM and was filed with MOFCOM on or after June 1, 2007. According to the above circular and the Guide for Foreign Debt Registration Management (《外債登記管理操作指引》) promulgated in April 2013, for a foreign-invested real estate enterprise that was established prior to June 1, 2007, SAFE could process such enterprise's foreign debt registration in an amount not exceeding the difference between the total investment in such enterprise and its registered capital. Foreign-invested enterprises include joint ventures and wholly foreign-owned enterprises established in China, such as most of our PRC subsidiaries. Therefore, the proceeds of the current offering that will be used for land acquisitions and developments in China may only be transferred to our PRC subsidiaries as equity investments and not as loans. Without having the flexibility to transfer funds to our PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes, or on the maturity date to pay the principal of the outstanding Notes.

According to the Notice of NDRC on Pushing Forth Administrative Reform for Filing and Registration for Issuance of Foreign Debt by Enterprises (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》) promulgated on September 14, 2015, reform policies for foreign debt instruments issued by domestic enterprises or overseas enterprises or branches controlled by them, is being promoted. Quota examination and approval for issuance of foreign debt instruments by enterprises was removed and instead, enterprises issuing foreign debt instruments shall apply beforehand to NDRC to complete filing and registration formalities and submit issuance information to the NDRC within 10 working days from completion of each issue. The filing and registration material shall include the plan of repatriation of raised fund into the PRC and the purpose of use. Our PRC subsidiary, 景瑞地產(集團)有限公司 has made filing with NDRC for the issuance of the Notes and may repatriate the fund raised by the issuance of the Notes into the PRC, subject to the filed repatriation plan and the examination by competent government authorities in respect of the purpose of use.

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar-denominated indebtedness and other obligations. Such a 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 Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. We may enter into such hedging arrangements permitted under the Indenture, and these arrangements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such hedging arrangements.

The terms of the Notes permit us to make certain investments, including in minority owned joint ventures or to sell our shareholdings in current subsidiaries, resulting in minority investments

In light of land prices, sizes of projects, the competitive landscape and other factors, we may from time to time consider developing properties jointly with other property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the Indenture governing the Notes and may not guarantee the Notes. Furthermore, in addition to making investments in new joint ventures, we may also from time to time consider selling part of our shareholdings in a current subsidiary. The entity may no longer be a subsidiary as a result of such shareholding sale and will instead become a minority investment. Although the Indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments, these restrictions are subject to important exceptions and qualifications. See the section “Limitation on Restricted Payments” and the definition of “Permitted Investment” in “Description of the Notes.”

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

In the event, as described in the risk factor above, we are treated as a PRC “resident enterprise” under the PRC EIT Law, we will be required to withhold PRC tax on interest paid to non-resident holders of the Notes. In such case, we will, subject to certain exceptions, be required to pay such additional amounts so that a holder of a Note will receive the same amounts as he would have received had no such withholding been required. As described under “Description of the Notes — Redemption for Taxation Reasons,” in the event we are required to pay additional amounts as a result of certain changes in tax law or interpretations thereof, including any change in, or a statement of, an official position with respect to the interpretation of such laws, which results in our being required to withhold tax on interest payments, we may instead select to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest. A holder of the Notes may therefore be redeemed prior to the maturity of the Notes and without a premium on the Notes.

The Notes are subject to optional redemption by us

As set forth in “Description of the Notes — Optional Redemption,” the Notes may be redeemed at our option in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the Notes. During any period when we may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

We may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. In such case, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. It may therefore cause a negative financial impact on the Noteholders. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

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

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

We may be unable to obtain and remit foreign exchange

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

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

If we are unable to comply with the restrictions and covenants in the Indenture or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. For example, some of the instruments in which the Company is a guarantor require the

lending bank's prior consent before the guarantors can engage in debt financing and equity financing through direct financing markets, and the selling, gifting, leasing, transferring, mortgaging, pledging and other methods of disposal of part or all of its material assets. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture, contain cross-acceleration or cross default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under our other debt agreements, including the Indenture. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the Notes, 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 Indenture governing the Notes includes a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

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

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.

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

The Notes are a new issue of securities for which there is currently no trading market. Although application will be made to the Hong Kong Stock Exchange for the listing of the Notes, we cannot assure you that we will obtain or be able to maintain a listing on the Hong Kong Stock Exchange, or that if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See “Transfer restrictions.” We cannot predict whether an active trading market for the Notes will develop or be sustained.

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

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global note representing the Notes will trade in book-entry form only, and notes in definitive registered form will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes for purposes of the Indenture. The common depository for Euroclear and/or Clearstream will be the sole registered holder of the global notes. Accordingly, you must rely on the procedures of Euroclear or Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture. Upon the occurrence of an Event of Default under the Indenture, unless and until definitive registered notes are issued with respect to all book-entry interests, if you own a book-entry interest, you will be restricted to acting through the relevant clearing system. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See “Description of the Notes — Book-Entry; Delivery and Form.”

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

The Notes are expected to be assigned ratings of “B-” by S&P. The rating addresses our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, we have been assigned a corporate family rating of B2 (Stable) by Moody’s Investors Service (“Moody’s”), a long-term issuer credit rating of “B” with a stable outlook by S&P, and a long-term issuer credit rating of “B+” with a stable outlook by Lianhe Global. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to us, the Notes may adversely affect the liquidity or market price of the Notes.

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

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

The “Limitation on Transactions with Shareholders and Affiliates” covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company; or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they may be connected transactions under the Listing Rules and subject to any requirements under the Listing Rules to obtain approval from independent shareholders. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers’ certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

Certain block sale of properties will not be subject to the “Limitation on Asset Sale” covenant and the gains from such block sale will be included in the calculation of Consolidated Net Income, which may result in a higher Fixed Charge Coverage Ratio and offer us greater flexibility to incur indebtedness

In the ordinary course of our business, we may from time to time sell, transfer or dispose of properties, or incur substantial additional indebtedness and contingent liabilities. Although the indentures governing the Notes, the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022 Notes, the February 2023 Notes and the October 2023 Notes restrict us and our Restricted Subsidiaries from consummating any Asset Sale (as defined in the section entitled “Description of the Notes”) and incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications.

For example, under the terms of the Notes, any block sale of properties under development for sale, completed properties for sale or investment properties in the ordinary course of our business through sales or transfers of the capital stock of our subsidiaries that own, directly or indirectly, such properties would not be deemed an Assets Sale. Accordingly, any such block sale of properties in the manner described above will not be subject to the “Limitation on Asset Sale” covenant under the Notes.

Furthermore, under the terms of the Notes, we may incur additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio (as defined in the section entitled “Description of the Notes”). The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Consolidated EBITDA comprises of Consolidated Net Income plus, to the extent not deducted in calculating such Consolidated Net Income, certain other expenses. Because the definition of Consolidated Net Income under the terms of the Notes include gains from any block sale of properties in the ordinary course of business through sales or transfers of the capital stock of our subsidiaries that own, directly or indirectly, such properties, our Consolidated Net Income and therefore our Consolidated EBITDA and Fixed Charge Coverage Ratio would be higher, and our ability to incur additional debt under such covenant could be larger, when compared to other similarly situated PRC high yield issuers whose covenant does not typically include such gains from block sale of properties in the calculation of their respective consolidated net income.

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

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

For Subsidiary Guarantors incorporated in the British Virgin Islands:

- i. 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;
- ii. received no consideration, or received consideration in money or money’s worth that is significantly less than the consideration supplied by the guarantor; or
- iii. in the case of i. and ii., a guarantee will be only be voidable if (1) it was entered into at a time when the guarantor was insolvent, or if it became insolvent as a consequence of doing so where insolvent in this context under the British Virgin Islands law means that the guarantor is unable to pay its debts as they fall due and the value of its liabilities exceeds its assets and (2) the guarantee was given within the 6 month period preceding the commencement of liquidation, or, if the guarantee and beneficiary are connected entities, two years.

For Subsidiary Guarantors incorporated in other jurisdictions:

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

- was insolvent or rendered insolvent by reason of 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. We cannot assure you that such limitation will be effective in preserving the enforceability of any of the Subsidiary Guarantees or JV Subsidiary Guarantees. 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, and, as a result, such guarantee would be rendered void.

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

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

The pledge of certain Collateral may in some circumstances be voidable or there may be restrictions on the transferability of certain Collateral

The pledge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong, the Cayman Islands or the British Virgin Islands at any time within six months of the creation of the pledge or, under some circumstances, within a longer period. Pledges of 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 of certain Collateral may be voided under applicable insolvency or fraudulent transfer laws, and the memorandum and articles of association of the Subsidiary Guarantors may contain restrictions on the transferability of their shares which may affect the ability of a mortgagee to realize its security in such shares, which could impair their enforceability. If the pledges of the Collateral are voided for any reason, holders of the Notes will have only unsecured claims against us.

The value of the collateral securing the Notes and the Guarantees may not be sufficient to satisfy our obligations under the Notes

The Collateral will initially consist only of the share capital of the Company and certain initial Subsidiary Guarantors and will be subject to certain limitations as described in “Description of the Notes — Security.” No appraisal of the value of the Collateral has been made in connection with this offering, and the fair market value of the collateral is subject to fluctuations based on factors that include, among others, general economic conditions and similar factors. The amount to be received upon a sale of the Collateral would be dependent on numerous factors, including, but not limited to, the actual fair market value of the collateral at such time, the timing and the manner of the sale and the availability of buyers. By its nature, portions of the Collateral may be illiquid and may have no readily ascertainable market value. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the collateral may not be sold in a timely or orderly manner and the proceeds from any sale or liquidation of this Collateral may not be sufficient to pay our obligations under the Notes.

Because we share in the Collateral with the holders of the October 2021 Notes, the holders of the July 2022 Notes, the holders of the March 2022 Notes, the holders of the September 2022 Notes, the holders of the February 2023 Notes, the holders of the October 2023 Notes and holders of other Permitted Pari Passu Secured Indebtedness (including any additional notes we may issue) to the extent permitted by the Indenture, there may not be sufficient collateral to pay off any senior secured indebtedness we may incur in the future or any other pari passu debt (including any additional notes we may issue) together with the Notes offered hereby.

To the extent that pre-existing liens or liens permitted under the indenture governing the Notes encumber any of the collateral securing the Notes and the Guarantees, those parties have or may exercise rights and remedies with respect to the Collateral that could adversely affect the value of the collateral and the ability of the Collateral Agent, the Trustee under the Indenture or the Holders of the Notes to realize or foreclose on the Collateral.

In addition, because the Collateral will consist of pledges of share capital of certain of our subsidiaries, the validity of those pledges under local law and the ability of the holders of the Notes to realize upon that Collateral under local law, to the extent applicable, may be limited by such local law, which limitations may or may not affect the liens securing the Notes. Consequently, liquidating the Collateral securing the Notes and the Guarantees will likely not result in proceeds in an amount sufficient to pay any amounts due under the Notes. If the proceeds of any sale of collateral are not sufficient to repay all amounts due on the Notes, the Holders of the Notes (to the extent not repaid from the proceeds of the sale of the collateral) would have only an unsecured, unsubordinated claim against the Company’s and the Subsidiary Guarantors’ remaining assets.

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and Guarantees will be released automatically, without your consent or the consent of the Trustee

Under various circumstances, all or a portion of the Collateral may be released, including, among others:

- to enable the sale, transfer or other disposal of such Collateral in a transaction not prohibited under the agreement governing any senior secured indebtedness we may incur in the future or the Indenture, including the sale of any entity in its entirety that owns or holds such Collateral;

- with respect to Collateral held by the Subsidiary Guarantor, upon the release of the Subsidiary Guarantor from its Subsidiary Guarantee; and
- in the case of a Subsidiary Guarantee, upon the replacement of such Subsidiary Guarantee with a JV Subsidiary Guarantee.

The Indenture will also permit the Company to designate one or more of our restricted subsidiaries that is a Subsidiary Guarantor or a JV Subsidiary Guarantor of the Notes as an unrestricted subsidiary, subject to certain limitations. If we designate a Subsidiary Guarantor or a JV Subsidiary Guarantor as an unrestricted subsidiary, all of the liens on any Collateral owned by such subsidiary or any of its subsidiaries and any Guarantees of the Notes by such subsidiary or any of its subsidiaries will be released under the Indenture. Designation of an unrestricted subsidiary will reduce the aggregate value of the Collateral securing the Notes to the extent that liens on the assets of the unrestricted subsidiary and its subsidiaries are released. In addition, the creditors of the unrestricted subsidiary and its subsidiaries will have a senior claim on the assets of such unrestricted subsidiary and its subsidiaries. See “Description of the Notes.”

The granting of security in connection with the Notes may create hardening periods for such security in accordance with the law applicable in certain jurisdictions. Any pledge of collateral might be avoidable in bankruptcy

The granting of security in connection with the Notes may create hardening periods for such security in certain jurisdictions. Any pledge of collateral might be avoidable by the pledgor (as debtor in possession) or by its trustee in bankruptcy if certain events or circumstances exist or occur, including if the pledgor is insolvent at the time of the pledge, the pledge permits the holders of the Notes to receive a greater recovery than if the pledge had not been given and a bankruptcy proceeding in respect of the pledgor is commenced within any applicable hardening period. Hardening periods run from the time security has been granted or perfected. If the security granted or extended were to be enforced before the end of the applicable hardening period, it may not be possible to enforce it.

We will in most cases have control over the Collateral

The security documents generally allow us and the Subsidiary Guarantors to remain in possession of, to retain exclusive control over, to freely operate, and to collect, invest and dispose of any income from, the Collateral prior to an event of default under the notes is continuing. In addition, we will retain voting and dividend rights over the pledged capital stock unless a payment default under the notes is continuing. These rights may adversely affect the value of the Collateral at any time.

In the event of a bankruptcy of us or any of the Subsidiary Guarantors, the ability of the holders of the Notes to realize upon the Collateral will be subject to certain bankruptcy law limitations

The ability of holders of the Notes to realize upon the Collateral will be subject to certain bankruptcy law limitations in the event of a bankruptcy of us or the Subsidiary Guarantor. Applicable bankruptcy laws may prohibit a secured creditor such as the Collateral Agent from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from such debtor, without bankruptcy court approval. Moreover, applicable bankruptcy laws may also permit the debtor to continue to retain and to use Collateral even though the debtor is in default under the

applicable debt instruments under certain circumstances. It may not be possible to predict how long payments with respect to the Notes could be delayed following commencement of a bankruptcy case, whether or when the Collateral Agent could repossess or dispose of the Collateral, the value of the Collateral at the time of the bankruptcy petition or whether or to what extent holders of the Notes would be compensated for any delay in payment or loss of value of the Collateral. Furthermore, in the event the bankruptcy court determines the value of the Collateral is not sufficient to repay all amounts due on the Notes, the holders of the Notes would hold claims that are “undersecured.” Applicable bankruptcy laws may not permit the payment and/or accrual of interest, costs and attorney’s fees for such “undersecured” claims during the debtor’s bankruptcy case. Other consequences of a finding of under-collateralization may be, among other things, a lack of entitlement on the part of the unsecured portion of the Notes to receive adequate protection under certain applicable bankruptcy laws. In addition, if any payments of post-petition interest had been made at any time prior to such a finding of undercollateralization, those payments would be re-characterized by the bankruptcy court as a reduction of the principal amount of the secured claim with respect to the Notes.

Any holder, or a group of holders, of a significant percentage of the Notes being offered may be able to exercise certain rights and powers on behalf of all holders of the Notes. Additionally, this may reduce the liquidity of the Notes in the secondary trading market

Any holder, or a group of holders, of a majority in aggregate principal amount of the Notes will have certain rights and powers under the Indenture and related documents. For example, subject to certain exceptions, the holders of a majority in aggregate principal amount of the Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it or direct the Trustee to instruct the Collateral Agent to foreclose on the Collateral. In addition, as described in “Description of the Notes — Amendments and Waivers,” the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be amended with the consent of the holders of a majority in aggregate principal amount of the Notes, and any Default or Event of Default or compliance with any provision of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) may be waived with the consent of the holders of a majority in aggregate principal amount of the outstanding Notes, subject in each case to certain exceptions. Accordingly, any investor that holds a majority in aggregate principal amount of the outstanding Notes will be able to exercise such rights and powers on behalf of all holders of the Notes and control the outcome of votes on such matters.

In addition, any investor that holds a significant percentage of the Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders of the Notes. For example, holders of at least 25% in aggregate principal amount of the Notes may declare all the Notes to be immediately due and payable if certain types of Events of Default have occurred and are continuing.

Additionally, the existence of any such significant holder may reduce the liquidity of the Notes in the secondary trading market. If such investor sells a material portion of the Notes at any one time, it may materially and adversely affect the trading price of the Notes.

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

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

We may not be able, or may not be required, to repurchase the Notes upon a change of control and an accompanying ratings decline

Upon the occurrence of a change of control and an accompanying ratings decline, we will be required to offer to repurchase all of the Notes in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. We may not have sufficient funds at the time of any such event to make the required repurchases. Additionally, a change of control could constitute a prepayment event under our other debt facilities. In the event this results in an event of default hereunder, the lenders may accelerate the relevant debt, which could also cause an event of default under the indenture governing the Notes. In the event of any such acceleration, there can be no assurance that we will have (or have accessed) sufficient cash resources to repay our outstanding indebtedness, including the Notes.

One of the circumstances under which a change of control may occur is upon the sale or disposition of all or substantially all of our assets. However, the phrase “all or substantially all” will likely be interpreted under applicable state law and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or disposition of “all or substantially all” of our assets has occurred, in which case the ability of a holder of the Notes to obtain the benefit of an offer to repurchase all or a portion of the Notes held by such holder may be impaired.

Courts interpreting change of control provisions under New York law (which is the governing law of the Indenture) have not provided clear and consistent meanings of such change of control provisions, which has led to subjective judicial interpretation. In addition, a court case in Delaware has questioned whether an indenture change of control provision, similar to the one contained in the Indenture, related to a change of control as a result of a change in the composition of a board of directors could be unenforceable on public policy grounds. Accordingly, the ability of a holder of Notes to require us to repurchase Notes as a result of a change in the composition of our board of directors is uncertain. Another court may not enforce the change of control provisions in the Indenture as written for the benefit of the holders, and the change of control provisions could be impacted if we become a debtor in a bankruptcy case.

Service of process and bringing of original actions in the United States may be difficult, and enforcement of judgments obtained in the United States may be difficult or impossible to enforce in certain jurisdictions where we or the Subsidiary Guarantors have assets and/or are organized

We are an exempted company incorporated in the Cayman Islands with limited liability, and each Subsidiary Guarantor is also incorporated or may be incorporated, as the case may be, outside the United States in jurisdictions such as the British Virgin Islands and Hong Kong. All of our assets and all of the assets of the Subsidiary Guarantors are located outside the United States. In addition,

all of our directors and officers and the Subsidiary Guarantors' directors and officers are nationals or residents of countries other than the United States (principally, the PRC), and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, any of the Subsidiary Guarantors or such persons or to enforce against us or any of the Subsidiary Guarantors or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. For additional information on the enforcement of judgments obtained in the United States in certain jurisdictions where we and the Subsidiary Guarantors have assets and/or are organized, see "Enforceability of Civil Liabilities."

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions, or other general accepted accounting principles, which may in turn be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial information and our consolidated financial statements and related footnotes between HKFRSs and other general accepted accounting principles. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between HKFRSs and any other general accepted accounting principles and how those differences might affect the financial information contained in this offering memorandum.

We will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, and such standards may be different from those applicable to debt securities listed in certain other countries

We will be subject to reporting obligations in respect of the Notes to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange may be different than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available in these countries may not correspond to what investors in the Notes are accustomed to.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our indebtedness, equity and capitalization as of December 31, 2020, on an actual basis, and as adjusted to give effect to the issuance of the Notes before deducting the estimated underwriting discounts and commissions and other estimated expenses payable by us. The following table should be read in conjunction with the selected financial information of the Company and the consolidated financial statements and related notes thereto included elsewhere in this offering memorandum.

	As of December 31, 2020			
	Actual	Actual	As Adjusted	As Adjusted
	RMB'000	US\$'000	RMB'000	US\$'000
	(Unaudited)			
Cash and cash equivalents	<u>10,895,964</u>	<u>1,669,880</u>	<u>11,972,589</u>	<u>1,834,880</u>
Borrowings				
Current borrowings	9,139,870	1,400,746	9,139,870	1,400,746
Non-current borrowings.	12,304,938	1,885,814	12,304,938	1,885,814
Notes to be issued	—	—	1,076,625	165,000
Total borrowings⁽¹⁾	<u>21,444,808</u>	<u>3,286,561</u>	<u>22,521,433</u>	<u>3,451,561</u>
Total equity	<u>11,296,866</u>	<u>1,731,320</u>	<u>11,296,866</u>	<u>1,731,320</u>
Total capitalization⁽²⁾	<u>32,741,674</u>	<u>5,017,881</u>	<u>33,818,299</u>	<u>5,182,881</u>

Notes:

- (1) Total borrowings equals to current borrowings plus non-current borrowings.
- (2) Total capitalization equals total borrowings plus total equity.
- (3) The translation of Renminbi amounts into US dollar amounts has been calculated using an exchange rate of RMB6.5250 to US\$1.00.

We continue to enter into short-term and long-term borrowings in the ordinary course of business, such as construction and project loans. In addition, we may from time to time enter into other financing arrangements, such as issuance of debt securities corporate bonds, securitization arrangements and trust financing arrangements. On March 19, 2021, we issued the additional February 2023 Notes. On April 26, 2021, May 17, 2021 and August 17, 2021, we issued the October 2023 Notes. See “Description of Material Indebtedness and Other Obligations.” The capitalization table above has not been adjusted to reflect the issuance of additional February 2023 Notes and the October 2023 Notes. Except as otherwise disclosed elsewhere in this offering memorandum, there has been no material adverse change in the consolidated capitalization and indebtedness of the Company since December 31, 2020.

USE OF PROCEEDS

The gross proceeds from this offering will be approximately US\$165.0 million, which we plan to use to refinance our existing indebtedness and in accordance with our Green Finance Framework.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments.

NOTES BEING ISSUED AS GREEN NOTES

ASSERTIONS FROM MANAGEMENT

For each Green Notes issued, we assert that we will adopt: (1) use of proceeds; (2) project evaluation and selection; (3) management of proceeds; (4) reporting; and (5) external review as set out in the Green Finance Framework.

1. Use of Proceeds

With reference to the Green Bond Principles (GBP), 2018, the proceeds of each Green Notes will be used to fund or refinance, in whole in part, new or existing “Eligible Green Projects.” Refinancing of Eligible Projects will have a look-back period of no longer than 36 months from the time of issuance.

“Eligible Green Projects” refer to projects that meet one or more of the following categories of eligibility as recognized in the Green Bond Principles (GBP), 2018:

- a. Green Buildings: acquisition, construction or refurbishment of buildings which (i) meet one or more recognized standards, such as but not limited to:

- U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or
- Chinese Green Building Evaluation Label (GBL) – minimum certification level of 2 stars; or
- Building Research Establishment Environmental Assessment Method (BREEAM) – minimum certification level of Excellent; or
- Building Environmental Assessment Method (BEAM Plus) – minimum certification level of Gold; or
- BCA Green Mark – minimum certification level of Gold; or
- any other appropriate green building label, that is an equivalent standard of the above;

or (ii) are in the top 15% of buildings within the region based on absolute emissions performance or primary energy demand

- b. Energy Efficiency: investments and expenditures in projects that improve energy efficiency and reduce energy consumption in buildings and facilities by a minimum of 15%, such as but not limited to:

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

- c. Pollution Prevention and Control: Investments and expenditures in projects that prevent and reduce waste and pollution, such as but not limited to:
 - Equipment and technologies for reducing resource consumption and pollution emission;
 - Implementing waste sorting and recycling facilities
 - Enforcement of dust control and noise reduction, during construction and/or operation of buildings;
- d. Sustainable Water and Wastewater Management: installation of rainwater collection systems, water conservation systems, water recycling and treatment systems. Such project will result in achieving a minimum 15% reduction in water usage intensity for new and existing buildings compared to its baseline.
- e. Renewable Energy: installation of renewable energy systems and associated infrastructure, including but not limited to:
 - Solar photovoltaic
 - Solar hot water
 - Wind
- f. Clean Transportation: installation of electric vehicle charging stations and construction of dedicated parking spaces for electric vehicles.

2. Evaluation and Selection

The Eligible Green Projects are identified and selected by ESG Working Group (“EWG”) composed of the senior members including various departments.

EWG will meet at least every 12 months to discuss and select eligible green projects according to the Eligible Green Projects defined in the Framework. The shortlisted projects will be presented to the board for approval.

EWG will ensure that the selected Eligible Green Project to comply not only with the section Use of Proceeds section of the Framework but also the environmental guidelines which are applicable to us.

In addition, EWG will be responsible for managing any future updates of the Framework, including any expansion of requirements of use of proceeds. In case of divestments or if an Eligible Green Project no longer meets the eligibility criteria, the funds will be reallocated to other Eligible Green Projects.

3. Management of Proceeds

The net proceeds from each Green financing will be managed by our finance team and the proceeds from each Green financing will be deposited in general funding accounts and be earmarked to Eligible Green Projects. We will maintain a register to keep track of the use of proceeds for each Green financing.

The register will contain the following information:

- a. Type of Funding Transaction, including key information such as issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortization profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number).
- b. Allocation of Use of Proceeds, including:
 - Name, description and green certification of Eligible Green Projects to which the proceeds of the Green financing have been allocated in accordance with the Framework;
 - Amount and date of Green financing proceeds allocated to each project;
 - The remaining balance of unallocated proceeds yet to be earmarked; and
 - Other relevant information such as information of temporary investment for unallocated proceeds

Any balance of issuance proceeds which are not yet allocated to Eligible Green Projects will be held in accordance with our liquidity guidelines for short term time deposits or investments. We commit not to invest unallocated proceeds to any high pollution activities or any projects that are in conflict with the eligibility criteria under the Framework.

During the life of the Green financing issued, if the designated Eligible Green Projects cease to fulfil the eligibility criteria, the net proceeds will be re-allocated to replacement Eligible Green Projects that comply with the eligibility criteria, as soon as reasonably practicable. We strive to maintain an amount of Eligible Green Projects at least equal of the total net proceeds of all Green financing outstanding.

Additionally, if any material and critical controversies emerge in relation to a specific project, We are committed to substitute that project with an alternative Eligible Green Project.

4. Reporting

We will provide information on the allocation of the net proceeds from each Green financing in our Annual Report, Environmental Report or website. Such information will be provided on an annual basis until substantially all the net proceeds have been allocated and in the event of any material changes until the relevant maturity date.

5. External review

We engage HKQAA and S&P Global Ratings as external assessors to evaluate the appropriateness of Green Finance Framework, readiness of environmental credentials, and fulfilment with the Green Bond Principles and Green Loan Principles. The assessment result documents will be available on our website.

THE HKQAA GREEN FINANCE CERTIFICATION SCHEME

Certain information relating to the HKQAA in this Offering Memorandum have been obtained from public sources, including the Green Finance Certification Scheme Handbook (as defined below) and other publicly available information. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Joint Lead Managers or their respective directors and advisers, and none of the Issuer, the Joint Lead Managers and their respective directors and advisers makes any representation as to the accuracy or completeness of that information.

THE HKQAA

The HKQAA is a non-profit distributing organisation by the Hong Kong Government and has been the only Hong Kong organisation accredited as a Designated Operational Entity by the Executive Board of the Clean Development Mechanism (“CDM”) under the United Nations Framework Convention on Climate Change to deliver CDM validation and verification services since 2011.

THE HKQAA GREEN FINANCE CERTIFICATION SCHEME

The HKQAA Green Finance Certification Scheme was developed with reference to, among others, the CDM, the ICMA Green Bond Principles and the PBOC Green Bond Categories. The benefits of the HKQAA Green Finance Certification Scheme include (i) enhancing the credibility of, and stakeholder confidence in, green financial instruments via independent, impartial third-party conformity assessments, (ii) reaching out to potential green finance investors with the aid of the HKQAA green finance certificate and certification mark, (iii) demonstrating issuers’ efforts to promote environmentally friendly investment; and, (iv) promoting a common understanding of green finance.

Under the HKQAA Green Finance Certification Scheme, an applicant may apply for either (i) a pre-issuance stage certificate or (ii) a post-issuance stage certificate.

An applicant may apply for a pre-issuance stage certificate ahead of Green Finance issuance. “**Green Finance**” is defined in the handbook of the HKQAA Green Finance Certification Scheme published on August 24, 2018 (the “**Green Finance Certification Scheme Handbook**”) as financing of investments that provide environmental benefits in the broader context of environmentally sustainable development. A pre-issuance stage certificate is an “as-at” certificate and provides assurance that the Green Finance with its projects activity or activities financed with proceeds from the issuance of Green Finance to make a positive impact on the environment (“**Green Projects**”) (up to the assessment completion date which is also the issue date on such certificate) comply with the HKQAA Green Finance Certification Scheme.

As part of the application for a pre-issuance stage certificate, an applicant is required to complete the relevant application forms (including a self-declaration form) and provide an Environmental Method Statement to the HKQAA which will assess and validate its adequacy in producing a positive environmental effect. An Environmental Method Statement shall include:

- (i) use of proceeds;
- (ii) Green Projects evaluation and selection;

- (iii) management of proceeds;
- (iv) information disclosure and reporting;
- (v) Green Project monitoring;
- (vi) Impact Assessment (which is the determination of the likely environmental consequences, or impacts, of proposed projects or activities conducted by the applicant); and
- (vii) Stakeholder Engagement (which is the engagement with public, including individuals, groups or communities, affected, or likely to be affected, by the proposed project activity, or actions leading to the implementation of such an activity).

An annual surveillance assessment by the HKQAA to verify the continuous implementation and effectiveness of the Environmental Method Statement is not required.

When the HKQAA has completed its assessment and validation of the Environmental Method Statement and no non-conforming issues are outstanding, it will make a recommendation of certification to the Certification Review Board which reviews and approves the recommendation. Upon such approval, a pre-issuance stage certificate and a Certification Mark (a trademark designed by the HKQAA indicating that the applicant's Green Finance is duly certified under the HKQAA Green Finance Certification Scheme) are issued to the applicant.

HKQAA will disclose the Environmental Method Statement via the HKQAA website after the issuance of a pre-issuance stage certificate or the issuance of the relevant debt instrument (whichever is later). The HKQAA also gives flexibility for the applicant to request disclosure of its Environmental Method Statement on the HKQAA website before the issuance of green bond in order to cope with its announcement of certification of green bond in the public domain. The applicant shall inform the HKQAA about the disclosure arrangement at least two working days before the announcement. Such pre-issuance stage certificate will only be valid if the applicant's Environmental Method Statement for the time being corresponds to the version of the applicant's Environmental Method Statement accessible via the HKQAA website.

If an applicant makes any change to its Environmental Method Statement after the issuance of a pre-issuance stage certificate, the corresponding pre-issuance stage certificate will be regarded as invalid. An applicant shall inform the HKQAA in writing for any change in its Environmental Method Statement within one month after the occurrence of any foreseeable or actual changes. An applicant has to make a new application to the HKQAA for the certification of the revised Environmental Method Statement.

If an applicant makes any change to its Environmental Method Statement after the issuance of a pre-issuance stage certificate, the corresponding pre-issuance stage certificate will be regarded as invalid. An applicant shall inform the HKQAA in writing for any change in its Environmental Method Statement within one month after the occurrence of any foreseeable or actual changes. An applicant has to make a new application to the HKQAA for the certification of the revised Environmental Method Statement.

HKQAA CERTIFICATION DISCLAIMER

The issuance of the HKQAA Pre-issuance Stage Certificate relating to the Notes by the HKQAA is based solely on the Green Finance Certification Scheme Handbook and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Notes or any eligible green projects, including but not limited to this Offering Memorandum or the Issuer.

The issuance of the HKQAA Pre-issuance Stage Certificate relating to the Notes by the HKQAA will be addressed solely to the Issuer and is not a recommendation to any person to purchase, hold or sell the Notes and such certification does not address the market price or suitability of the Notes for a particular investor. The certification also does not address the merits of the decision by the Issuer or any third party to participate in any eligible green projects and does not express and should not be deemed to be an expression of an opinion as to the Issuer or any aspect of any eligible green projects (including but not limited to the financial viability of any eligible green projects) other than with respect to conformance with the Green Finance Certification Scheme Handbook.

In issuing the HKQAA Pre-issuance Stage Certificate, HKQAA shall not be liable for any loss or damage suffered by any person whatsoever or howsoever caused by, arising from and/or in connection with, whether directly or indirectly, the certification of the Notes.

The HKQAA Pre-issuance Stage Certificate does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Notes and/or the payment of principal at maturity or any other date.

The HKQAA Pre-issuance Stage Certificate may be withdrawn at any time in HKQAA's sole and absolute discretion and there can be no assurance that the HKQAA Pre-issuance Stage Certificate will not be withdrawn.

EXCHANGE RATES

PEOPLE'S REPUBLIC OF CHINA

The People's Bank of China (the "PBOC") sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi in the market with reference to a basket of currencies during the prior day. The PBOC also takes into account other factors such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration for Foreign Exchange 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 2% against the U.S. dollar. On May 18, 2007, the PBOC announced that the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar will be expanded from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allowed the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. On April 12, 2012, the PBOC announced that the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar will be expanded from 0.5% to 1.0% around the central parity rate, effective on April 16, 2012. The PRC government in the future may make further adjustments to the exchange rate system. The PBOC authorized the China Foreign Exchange Trading Center, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 a.m. on each business day. This rate is set as the central parity rate for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Renminbi and U.S. dollars. The exchange rates reflect the Noon Buying Rates as set forth in the H.10 statistical release of the Federal Reserve Bank of New York.

Period	Noon buying rate			
	Low	Average ⁽¹⁾	High	Period end
	(RMB per US\$1.00)			
2015	6.1870	6.2869	6.4896	6.4778
2016	6.4480	6.6549	6.9580	6.9430
2017	6.4773	6.7350	6.9575	6.5063
2018	6.2649	6.6292	6.9737	6.8755
2019	6.6822	6.9014	7.1786	6.9618
2020	6.5208	6.8878	7.1681	6.5250
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	6.4609	6.4763	6.5104	6.4562
August	6.4604	6.4768	6.5012	6.4604
September (through September 17, 2021)	6.4655	6.4531	6.4662	6.4320

Source: Federal Reserve H.10 Statistical Release

Note:

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

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

The following discussion should be read in conjunction with the section “Selected Financial Information of the Company”, our consolidated financial statements including the notes thereto, included elsewhere in this offering memorandum.

Our consolidated financial statements were prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions. In this section of the offering memorandum, unless the context otherwise requires, references to “2018” and “2019” refer to our fiscal years ended December 31, 2018 and 2019, respectively. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

The following discussion and analysis and other parts of this offering memorandum contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this offering memorandum.

OVERVIEW

We are one of the leading regional property developers in the Yangtze River Delta. We ranked as one of the top 100 real estate companies in China for 10 consecutive years since 2011 and ranked 51st among the top 100 real estate companies in China in 2020, according to the data from Enterprise Research Institute under the Development Research Center of the State Council, Property Research Institute of Tsinghua University and China Index Academy. We were also awarded 2020 top 10 China real estate companies in terms of efficiency and top 10 China listed real estate companies in terms of financing capacity by China Real Estate Association. Headquartered in Shanghai, as of December 31, 2020, we have established operations in 22 cities across China. According to the National Bureau of Statistics and Wind, the overall economic statistics of Yangtze River Delta Region generally outperform the national statistics. In addition, we have successfully expanded our footprints to Beijing and Tianjin, the economic centers of Bohai Economic Rim, and Chongqing, a major economic center in Southwest China, all of which are centrally direct-controlled municipalities in the PRC. We are actively seeking additional opportunities in other cities in the PRC.

We have established a rapid-asset-turnover model focusing on achieving higher growth rates and investment returns while maintaining healthy margin for each of our projects. We believe the application of rapid-asset-turnover approach to our property development enhances the investment return and efficiency of our development processes. Our rapid-asset-turnover model seeks to successfully drive our projects from land acquisition, planning and construction to sales and delivery in a short period of time. Our rapid-asset-turnover model is implemented through the systematic management approach to our business. Such approach includes formulating and practicing standardized procedures divided into different business functions covering our entire operation, including procedures to ensure a disciplined and prudent land acquisition strategy and modularized project schedule management system that specifies the timeframe and quality standards for each

milestone to be achieved during the development process. We centralized many critical aspects of our project development processes at our headquarters level, which we believe enables our local project companies to focus on their key business functions, such as ensuring our projects are constructed in a timely manner according to our strict quality standards and optimizing pre-sales/sales efforts. We have also built an extensive collection of standardized product portfolio that are constantly refined and updated pursuant to customer feedback and need, as well as established strategic relationships with over 500 contractors and suppliers. These efforts have enabled us to deliver high quality residential real estate projects that are replicable by us in a cost efficient manner, reducing the overall development timeframe and costs which enables us to optimize our investment returns and cash position.

We are a customer-driven residential property developer that focuses on developing properties catering to the demand of our target customers. Our products are designed to meet the need of first-time home purchasers and customers who are purchasing to upgrade their existing living conditions. These customers that currently constitute a significant portion of all property purchasers in the PRC. As a result, our products are positioned in accordance with current market trends and government policies, and are less subjected to the restrictive government measures targeted towards the real estate industry in the PRC to curb speculative real estate investments. We have introduced and implemented the “customer insights” strategy to understand the needs of our customers. We provide our customers with a customized and one-stop product solution to help them reshape their life styles. We also introduced the customized brand Space^{me} for our residential properties, which connects core modules in our property development process and aims to improve our operation efficiency. We believe our strategic product positioning and the continuous expanding potential customer base as a result of rapid economic growth and accelerating urbanization in the Yangtze River Delta region, together with our rapid-asset-turnover model, had and will continue to contribute to our revenue growth and scalability.

We usually identify and pursue medium-sized land parcels with an aggregate site area of approximately 100,000 to 400,000 sq.m., which are well suited for our rapid-asset-turnover model and targeted return. We particularly focus on lands in target cities that are suitable for our standardized products and located in areas that will attract our target customers. These land sites enable us to effectively leverage our standardized operating procedures, resulting in shortened development cycle and effective control of our development costs and cash position.

As of December 31, 2020, we had property projects or project phases under development, with an aggregate GFA of approximately 4.6 million sq.m. We also held an aggregate GFA of approximately 0.4 million sq.m. for future development. As of December 31, 2020, we had a land bank with an aggregate GFA of approximately 4,957,541 sq.m. or 2,625,143 sq.m. on an attributable basis. We have obtained the relevant land use rights for such land parcels as of the date of this offering memorandum. We believe we have accumulated a high quality land bank, which, together with new land acquisition opportunities we may identify on a rolling basis, will continue to support our sustainable growth in the long run.

We also engage in property management services through our subsidiary, Shanghai Jingrui Property Management, which provides services for all of our own development projects. Our property management services enhance the value of our projects and facilitate to further establish our reputation and brand image while improving customer loyalty and satisfaction.

We are also in the transition from a traditional real estate developer to an asset-light operator. In 2017, we have established five major business platforms, namely Jingrui Properties, Yan Capital, Co-Fortune Capital, Office Platform and Apartment Platform. Since their establishment, the five major business platforms have reinforced our comprehensive capacity while laying a solid foundation for our core business. In March 2020, we have updated the original platforms to Jingrui Properties, Yan Capital Management, Co-Fortune Capital, Jingrui Capital and Jingrui Service. See “Business — Asset Light Initiatives.” The diversified business will help us expand revenue stream, shift profit structure and avoid undue reliance on real estate development.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Regulatory Environment and Economic Conditions in the PRC

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

In addition, the overall economic growth, urbanization and rising standard in the Yangtze River Delta region and other target cities in which we operate in are expected to continue to impact our business and operating results, in terms of customers’ purchasing power and the demand for quality residential properties.

We are currently focused on developing properties that target customers who are either first time home purchasers or those purchasing to upgrade their home, which represent properties that are in line with the current regulatory environment in the PRC. As a result, we believe we are less susceptible to the restrictive measures and will continue to benefit from the continued economic growth and urbanization in the Yangtze River Delta region.

Availability and Cost of Financing

Financing is an important source of funding for property development. We financed our operations primarily through internally generated cash flow and borrowings from commercial banks and trust financing providers. The monetary regulations imposed by the PRC government from time to time may affect our access to capital and cost of financing. We are also highly susceptible to any regulations or measures adopted by the PBOC that restrict bank lending, especially those restrict the ability of real estate developers. As commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, we expect that any increase in the benchmark lending rates will increase our borrowing costs. In addition, during the years ended December 31, 2018, 2019 and 2020, we obtained secured trust financings from several trust financing providers, which usually have a greater flexibility in terms of fund availability and repayment requirements. While trust financing providers generally do not link their interest rates to the PBOC benchmark

lending rates, they typically charge higher interest rates than those charged by commercial banks. The PRC government may implement more stringent measures to control risks in loan growth, which may include more stringent review procedures that trust financing providers are required to adopt when considering applications for trust financing and remedial actions that trust financing providers are required to take in the event of any non-compliance with applicable laws and regulations. Any such further measures that the PRC government may implement could limit the amount that trust financing providers can make available for the PRC property development industry as a whole and to us. As such, any increase in interest rates offered to us and the general credit availability may significantly impact our real estate development business.

As of December 31, 2018, 2019 and 2020, our total outstanding borrowings amounted to RMB18,700.8 million, RMB19,005.3 million and RMB21,444.8 million (US\$3,286.6 million), respectively. The weighted average effective interest rate on our bank borrowings was 6.37% and 5.97%, as of December 31, 2018 and 2019, respectively. The weighted average effective interest rates on our loans under the trust financing arrangements were 12.97% and 10.43% as of December 31, 2018 and 2019, respectively. In addition, a significant portion of our finance costs are capitalized at the time it is incurred to the extent such costs are directly attributable to the land acquisition and project construction. An increase in our finance costs will negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will adversely affect our results of operations.

Availability and Cost of Land in Strategically Selected Locations

Land acquisition costs are one of the major components of our cost of sales for property development. It is generally expected that land premiums will continue to rise in the PRC as the economy continues to grow, which may materially and adversely affect our business and operating results.

Our continued business growth is highly dependent on our ability to secure and acquire quality land parcels at reasonable prices that can yield favorable returns. Based on current development plans, we believe our current land reserves are sufficient for our future development in the next two to three years. As the PRC economy continues to grow and demand for residential properties remains relatively strong, we expect competition among property developers to intensify, especially in the Yangtze River Delta region where most of our properties are located in. In addition, PRC governmental land supply policies and implementation measures, such as requirements for land grants through public tender, auction and listing-for-sale, are likely to further intensify competition, consequently, increase the land acquisition costs. In order to participate in the public tender, auction and listing-for-sale processes, we are required to pay a deposit upfront, which typically represents a significant portion of the actual cost of the relevant land and we are required to settle the land premium within one year after signing the land grant contract in accordance with relevant regulation, which have accelerated the timing of our payment for land acquisition costs and have had a significant impact on our cash flows. Furthermore, in order to implement our rapid-asset-turnover business model, we strategically target land parcels that satisfy our internal evaluation requirements, such as site areas within in a certain range, location, planned plot ratio and expected investment returns, which may further restrict the availability of suitable target lands and increase land acquisition costs.

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign invested real estate developers in the PRC and is levied at progressive rates ranging from 30% to 60% of the appreciation of land value. We have accrued all LAT payable on our property sales and transfers in compliance with the relevant LAT laws and regulations. However, the provision for LAT requires our management to use a significant amount of judgment and estimates and we cannot assure you that the relevant tax authorities will agree to the basis on which we have calculated our LAT liabilities for provision purposes, or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Under such circumstances, our results of operations and cash flows may be materially and adversely affected.

Product Mix

We derive substantially all of our revenue from the sale of our property developments, most of which are residential properties. We price our properties by taking into count various factors, including prevailing local market prices, supply and demand conditions, the type and positioning of properties being developed. The price of properties in different cities can have significant difference, so are the related construction and land use rights costs. Therefore, our results of operations and cash flows may vary from period to period depending on the types, total GFA and the location of properties delivered and the ASPs of these properties sold.

Timing of Property Development and Pre-sale

The number of property developments that a developer can undertake during any particular period is limited due to substantial capital requirements for land acquisitions and construction costs as well as land supply. The development of a property project may take several months to even years before the commencement of pre-sale, depending on the size and difficulty of the project, and no revenue with respect to such project is recognized until it is completed and delivered to the customers. Therefore, our cash flows and results of operation vary from period to period, subject to the selling prices and the GFA pre-sold/sold and delivered in the relevant period. In addition, delays in construction, regulatory approval and other processes may also adversely affect the timetable of our projects.

Timing of pre-sale is subject to not only our internal schedules but also relevant PRC laws and regulations. The relevant pre-sale requirements vary from city to city and pre-sale proceeds of a project are required to be used to finance its development. As a result of the time differences between cost incurred, cash received from pre-sales and revenue recognition, our results of operation have fluctuated in the past and are likely to continue to fluctuate in the future.

Construction Materials and Labor Cost

Construction costs constitute a substantial portion of our cost of sales, of which, construction materials and labor cost are the two major components. Construction costs fluctuate as a result of changes in the price of certain key construction materials, such as steel and cement. Costs for construction materials and construction labor are generally included in the contractor fees agreed between us and our general contractors. However, for certain major construction materials such as steel and concrete, where the prices may fluctuate significantly, we and our contractors usually specify the price range by referring to the average monthly market prices issued by relevant local authorities within which range the total construction contract price will remain fixed. If the price fluctuates outside such initial specified price range, the parties will share the risks equally, or, if the price fluctuates even further above such secondary price range, we will be solely responsible for the price increase or enjoy the benefit of the price decrease. If we are unable to successfully pass on such increase in construction costs to our customers, we will not be able to achieve our target margin.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our critical accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in detail in Note 2 to our audited consolidated financial statements for the year ended December 31, 2020 in our annual report for the year ended December 31, 2020.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgments based on information and financial data that may change in the future periods, and as a result, actual results could differ from those estimates.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of our activities. Revenue is shown net of returns, rebates and discounts and after eliminated sales within us. Revenue is recognized as follows:

(i) Sales of properties

Revenues are recognized when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- or

- creates and enhances an asset that the customer controls as we perform; or
- do not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on our efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognized when the property is accepted by the customer, or deemed as accepted according to the contract, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property, and we have present right to payment and the collection of the consideration is probable.

In determining the transaction price, we adjust the promised amount of consideration for the effect of a financing component if it is significant. If on the contract commencement date, we expect that the interval between the customer's obtaining control of the property and the payment of consideration by the customer will not exceed one year, the financing component will not be considered as significant.

(ii) Service income

Revenue from services is recognized when services have been provided, total amount of revenue and costs can be estimated reliably and the collectability of the related receivables is reasonably assured.

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 price 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.

(iii) Sales of goods

Revenue from sale of goods is recognized when the goods are delivered and title has passed.

(iv) Contract acquisition costs

Costs did not qualify for recognition as an asset were expensed when incurred. Costs related directly to the contract, generating resources used in satisfying the contract and expected to be recovered are capitalized as contract acquisition costs.

Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by us for development of properties. Land use rights held for development for sale are inventories and measured at lower of cost and net realizable value, of which those within normal operating cycle are classified as current assets and included in properties held or under development for sale, while those out of the normal operating cycle are classified as non-current assets. Land use rights fall within investment properties are classified as investment properties

Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fees are capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs 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 capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Properties held or under development for sale

Properties held or under development for sale are included in current assets at the lower of cost and net realisable value. The costs of properties held or under development consist of costs of leasehold land, resettlement costs (if any), construction expenditure, capitalized borrowing costs and other direct costs incurred during the development period. The costs of properties held are determined by apportionment of the total development costs for that development project attributable to the unsold properties. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

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 us. 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 by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, we use alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement in fair value gains or losses on investment properties.

Our investment properties are held with a business model to consume substantially all of the economic benefits embodied in the invested properties over the time, rather than through sale.

CONSOLIDATED INCOME STATEMENTS

The following table sets forth our consolidated income statements for the periods indicated:

	For the Year Ended December 31,						
	2018		2019		2020		
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	US\$'000	% of revenue
					(unaudited)		
Revenue	11,268,203	100.0	13,285,127	100.0	12,782,429	1,958,993	100.0
Cost of sale	(8,721,010)	(77.4)	(10,599,949)	(79.8)	(10,278,382)	(1,575,231)	(80.4)
Gross profit	2,547,193	22.6	2,685,178	20.2	2,504,047	383,762	19.6
Appreciation/(depreciation) of investment properties under office and apartment platform	388,051	3.4	(21,474)	(0.2)	56,687	8,688	0.4
Fair value gains/(losses) on investment properties under other platforms	54,708	0.5	96,022	0.7	(17,000)	(2,605)	(0.1)
Selling and marketing costs . .	(307,179)	(2.7)	(385,575)	(2.9)	(522,334)	(80,051)	(4.1)
Administrative expenses	(780,274)	(6.9)	(606,562)	(4.6)	(664,564)	(101,849)	(5.2)
Other income	68,338	0.6	158,470	1.2	223,121	34,195	1.7
Other gains, net	228,830	2.0	146,740	1.1	327,373	50,172	2.6
Operating profit	2,199,667	19.5	2,072,799	15.6	1,907,330	292,311	14.9
Finance cost, net	(284,307)	(2.5)	(265,480)	(2.0)	261,033	40,005	2.0
Share of results of joint ventures	(47,324)	(0.4)	170,409	1.3	40,609	6,224	0.3
Share of results of associates	172,387	1.5	172,148	1.3	130,034	19,929	1.0
Profit before income tax . . .	2,040,423	18.1	2,149,876	16.2	2,339,006	358,468	18.3
Income tax expense	(737,532)	(6.5)	(864,866)	(6.5)	(1,065,502)	(163,295)	(8.3)
Profit for the year	1,302,891	11.6	1,285,010	9.7	1,273,504	195,173	10.0
Attributable to:							
Equity holders of the Company	1,031,919		903,591		958,092	146,834	
Non-controlling interests	270,972		381,419		315,412	48,339	
	<u>1,302,891</u>		<u>1,285,010</u>		<u>1,273,504</u>	<u>195,173</u>	

DESCRIPTION OF CERTAIN MAJOR COMPONENTS OF OUR CONSOLIDATED INCOME STATEMENT

Revenue

Our revenue primarily consists of revenue derived from (i) sales of properties, (ii) property management services, (iii) decoration of properties, (iv) rental income, and (v) others. The table below sets forth our revenue for each of the businesses described above and the percentage of total revenue represented for the periods indicated:

	For the Year Ended December 31,						
	2018		2019		2020		
	RMB'000	%	RMB'000	%	RMB'000	US\$'000	%
						(Unaudited)	
Sales of properties	10,440,273	92.7	12,366,104	93.1	11,972,528	1,834,870	93.7
Property management service . .	386,329	3.4	441,123	3.3	526,368	80,669	4.1
Decoration of properties	250,976	2.2	180,264	1.4	–	–	–
Rental income	133,731	1.2	238,620	1.8	231,889	35,539	1.8
Others	56,894	0.5	59,016	0.4	51,644	7,915	0.4
Total	<u>11,268,203</u>	<u>100.0</u>	<u>13,285,127</u>	<u>100.0</u>	<u>12,782,429</u>	<u>1,958,993</u>	<u>100.0</u>

Sales of Properties

Revenue from sales of properties has been constituted, and is expected to continue to constitute, a majority of our total revenue. Our operating results for any given period are dependent upon the GFA and the selling prices of the properties we deliver during such period and the market demand for those properties. Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development but after satisfying the conditions for presales in accordance with PRC laws and regulations. In general, there is typically at least one year between the time we commence the pre-sales of properties under development and the completion of the construction of such properties. We do not recognize any revenue from the pre-sales of the properties until such properties are completed and the possession of such properties has been delivered to the customers. Conditions of the property markets change from period to period and are affected by the economic, political and regulatory developments in the PRC in general as well as in the cities and regions in which we operate. During the years ended December 31, 2018, 2019 and 2020, we focused on the sale of different projects, and the GFA sold fluctuated from period to period depending on the size of the projects and the stage of their development.

The table below sets forth the revenue, GFA and ASP of our project portfolio in 2018, 2019 and 2020:

	For the Year Ended December 31,											
	2018				2019				2020			
	Revenue		GFA	ASP	Revenue		GFA	ASP	Revenue		GFA	ASP
	RMB'000	%	sq.m.	RMB/sq.m.	RMB'000	%	sq.m.	RMB/sq.m.	RMB'000	%	sq.m.	RMB/sq.m.
Shanghai												
上海景瑞 • @WAY遇道 (Shanghai Jingrui @WAY Across)	6,796	0.1	132	51,531	—	—	—	—	—	—	—	—
上海景瑞 • 城中公園 (Shanghai Jingrui City Park)	350,583	3.4	9,031	38,822	1,042,960	8.4	28,451	36,658	1,241,562	10.4	36,676	33,852
上海景瑞 • 法蘭雲廷 (Shanghai Jingrui The French Lakeside Villa)	35,495	0.3	1,114	31,861	14,276	0.1	545	26,194	—	—	—	—
上海景瑞 • 尚濱江 (Shanghai Jingrui Upper Riverside)	—	—	—	—	209,796	1.7	1,972	106,387	163,682	1.4	1,447	113,118
Jiangsu Province												
蘇州景瑞 • 御江山 (Suzhou Jingrui Nobility Mansion)	18,322	0.2	738	24,813	—	—	—	—	—	—	—	—
蘇州景瑞 • 無雙 (Suzhou Jingrui Majestic Mansion)	1,008,876	9.7	36,522	27,624	1,596,641	12.9	55,508	28,764	112,638	0.9	3,862	29,166
蘇州景瑞 • 翡翠灣 (Suzhou Jingrui Jade Bay)	568,121	5.4	51,663	10,997	33,036	0.3	2,852	11,583	53,796	0.4	4,697	11,453
蘇州景瑞 • 望府 (Suzhou Jingrui Dignity Mansion)	104,136	1.0	8,084	12,882	—	—	—	—	2,220	—	146	15,205
蘇州景瑞 • 鏡湖宸院 (Suzhou Jingrui Sino Park)	—	—	—	—	—	—	—	—	746,484	6.2	41,724	17,891
蘇州景瑞 • 湖語尚院 (Suzhou Jingrui Huyu Shangyuan)	—	—	—	—	—	—	—	—	765,135	6.4	42,259	18,106
蘇州景瑞 • 東環之歌, (Suzhou Jingrui Happy Family Garden)	327,923	3.1	23,740	13,813	40,382	0.3	2,954	13,670	—	—	—	—
常州景瑞 • 望府 (Changzhou Jingrui Dignity Mansion)	54,677	0.5	4,454	12,275	—	—	—	—	—	—	—	—
常州景瑞 • 天璽 (Changzhou Jingrui Tianxi)	—	—	—	—	1,339,936	10.8	89,596	14,955	—	—	—	—
南通景瑞 • 御江山 (Nantong Jingrui Nobility Mansion)	45,352	0.4	3,406	13,314	32,746	0.3	2,442	13,410	—	—	—	—
南通景瑞 • 御府 (Nantong Jingrui Royal Mansion)	983,228	9.4	116,197	8,462	—	—	—	—	—	—	—	—
揚州景瑞 • 望府 (Yangzhou Jingrui Dignity Mansion)	26,020	0.2	2,403	10,830	—	—	—	—	—	—	—	—
無錫景瑞 • 望府 (Wuxi Jingrui Dignity Mansion)	23,254	0.2	2,147	10,828	—	—	—	—	—	—	—	—
南京景瑞 • 春風十里 (Nanjing Jingrui The Spring Lake)	536,422	5.1	26,783	20,028	—	—	—	—	—	—	—	—
Zhejiang Province												
湖州景瑞 • 望府 (Huzhou Jingrui Dignity Mansion)	40,104	0.4	2,624	15,286	—	—	—	—	—	—	—	—
舟山景瑞 • 半島灣 (Zhoushan Jingrui Peninsula Bay)	—	—	—	—	40,181	0.3	2,411	16,666	—	—	—	—
紹興景瑞 • 望府 (Shaoxing Jingrui Dignity Mansion)	95,696	0.9	6,869	13,931	22,379	0.2	1,854	12,071	—	—	—	—
紹興景瑞 • 上府 (Shaoxing Jingrui The Mansion)	69,324	0.7	6,362	10,897	—	—	—	—	—	—	—	—
紹興景瑞 • 曦之湖 (Shaoxing Jingrui Lake of Dawn)	193,501	1.9	21,130	9,158	—	—	—	—	—	—	—	—
台州景瑞 • 望府 (Taizhou Jingrui Dignity Mansion)	57,810	0.6	2,807	20,597	—	—	—	—	—	—	—	—
台州景瑞 • 楓雲府 (Taizhou Jingrui Maple House)	—	—	—	—	637,327	5.2	51,226	12,441	—	—	—	—

For the Year Ended December 31,												
	2018				2019				2020			
	Revenue		GFA	ASP	Revenue		GFA	ASP	Revenue		GFA	ASP
	RMB'000	%	sq.m.	RMB/sq.m.	RMB'000	%	sq.m.	RMB/sq.m.	RMB'000	%	sq.m.	RMB/sq.m.
寧波景瑞·望府												
(Ningbo Jingrui Dignity Mansion) . . .	10,419	0.1	632	16,485	—	—	—	—	—	—	—	—
寧波景瑞·上府												
(Ningbo Jingrui The Mansion) . . .	13,767	0.1	722	19,070	9,171	0.1	945	9,705	—	—	—	—
寧波景瑞·海港城												
(Ningbo Jingrui Harbour City) . . .	3,025	—	103	29,257	—	—	—	—	—	—	—	—
寧波景瑞·紅翎臺												
(Ningbo Jingrui Majestic Mansion) . .	5,190	—	115	45,293	—	—	—	—	—	—	—	—
舟山景瑞·緹香院												
(Zhoushan Jingrui Titian Garden) . .	—	—	—	—	—	—	—	—	536,722	4.5	47,665	11,260
寧波景瑞·緹香郡												
(Ningbo Jingrui Titian Garden) . . .	1,051,770	10.1	87,248	12,055	—	—	—	—	14,825	0.1	1,100	13,477
寧波景瑞·海志府												
(Ningbo Jingrui Headream Mansion)	1,783,998	17.1	87,743	20,661	282,140	2.3	—	—	6,073	0.1	162	37,488
寧波景瑞·興寧府 (Ningbo Jingrui Xingning Mansion)	—	—	—	—	—	—	—	—	899,145	7.5	36,911	24,360
寧波景瑞·時光裏 (Ningbo Jingrui In Times)	—	—	—	—	265,363	2.1	18,146	14,624	163,904	1.4	11,196	14,640
寧波景瑞·天賦姚江												
(Ningbo Jingrui Tianfu Yaojiang) . .	—	—	—	—	828,079	6.7	45,889	18,045	19,743	0.2	1,228	16,077
寧波景瑞·御江山												
(Ningbo Jingrui Nobility Mansion) . .	—	—	—	—	1,175,616	9.5	59,017	19,920	1,207	—	47	25,681
杭州景瑞·法蘭公園												
(Hangzhou Jingrui Flange Park) . . .	—	—	—	—	—	—	—	—	1,316	—	89	14,787
杭州景瑞·法蘭公園												
(Hangzhou Jingrui Flange Park) . . .	—	—	—	—	2,697,193	21.8	180,332	14,957	213,670	1.8	—	—
杭州景瑞·鏡溪綠汀 (Hangzhou Jingrui Vital House)	—	—	—	—	—	—	—	—	2,200,042	18.4	52,285	42,078
杭州景瑞·御藍灣												
(Hangzhou Jingrui Royal Bay) . . .	26,084	0.2	1,746	14,944	—	—	—	—	—	—	—	—
杭州景瑞·御華府												
(Hangzhou Jingrui Royal Mansion) . .	20,342	0.2	1,814	11,215	—	—	—	—	—	—	—	—
杭州景瑞·申花壹號院												
(Hangzhou Jingrui Shenhua No. One)	70,165	0.7	2,321	60,997	34,740	0.3	1,726	20,127	—	—	—	—
杭州景瑞·申花郡												
(Hangzhou Jingrui Shenhua County) . .	12,167	0.1	469	25,954	15,461	0.1	624	24,777	8,721	0.1	135	64,600
杭州景瑞·天賦												
(Hangzhou Jingrui Majestic Mansion)	2,171,376	20.8	70,571	30,769	322,850	2.6	—	—	—	—	—	—
杭州景瑞·陽明谷												
(Hangzhou Jingrui Yangming Valley)	102,213	1.0	7,354	13,900	120,838	1.0	7,515	16,080	58,825	0.5	2,910	20,215
杭州景瑞·原墅												
(Hangzhou Jingrui Yuan Villa) . . .	19,488	0.2	4,527	4,305	16,039	0.1	1,509	10,629	51,265	0.4	4,645	11,037
Tianjin												
天津景瑞·悅府												
(Tianjin Jingrui Hyatt Mansion) . .	23,594	0.2	1,240	19,027	—	—	—	—	—	—	—	—
天津景瑞·翰鄰 (Tianjin Jingrui Hanlin)	—	—	—	—	1,027,172	8.3	52,205	19,676	452,743	3.8	23,214	19,503
天津景瑞·陽光尚城												
Tianjin Jingrui Sunny City	—	—	—	—	—	—	—	—	3,310	—	229	14,454
天津景瑞·塘沽灣一號												
Tianjin Jingrui No. 1, Tang Gu Bay .	—	—	—	—	—	—	—	—	681,659	5.7	54,490	12,510
Chongqing												
重慶景瑞·御藍灣												
(Chongqing Jingrui Royal Bay) . . .	21,858	0.2	3,134	6,974	36,803	0.3	4,860	7,573	—	—	—	—
重慶景瑞·西聯社												
(Chongqing Jingrui Online Family) .	21,682	0.2	819	26,466	—	—	—	—	21,696	0.2	1,574	13,784
Wuhan												
武漢景瑞·天賦半島 (Wuhan Jingrui Tianfu Peninsula)	—	—	—	—	—	—	—	—	225,289	1.9	8,059	27,955

For the Year Ended December 31,												
	2018				2019				2020			
	Revenue		GFA	ASP	Revenue		GFA	ASP	Revenue		GFA	ASP
	RMB'000	%	sq.m.	RMB/sq.m.	RMB'000	%	sq.m.	RMB/sq.m.	RMB'000	%	sq.m.	RMB/sq.m.
Hefei												
合肥景瑞·豪門金地 (Hefei Jingrui Haomen Jindi)	—	—	—	—	—	—	—	—	2,216,575	18.5	126,159	17,570
Nanchang												
南昌景瑞·紅星廣場 (Nanchang Jingrui Hongxing Plaza)	—	—	—	—	—	—	—	—	742,435	6.2	69,149	10,737
Other projects	11,462	0.1	826	13,877	48,720	0.4	6,566	7,420	5,199	—	1,397	3,722
Subtotal	9,914,240	95.0	597,590	16,590	11,889,845	96.1	619,145	19,204	11,609,881	97.0	573,455	20,245
Car park	526,033	5.0	4,438	—	476,259	3.9	4,517	—	362,647	3.0	4,427	—
Total	10,440,273	100.0	—	—	12,366,104	100.0	—	—	11,972,528	100	—	—

Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. In general, there is a time difference, typically at least one year, between the time we commence the pre-selling properties under development and the completion of the construction of such properties. We do not recognize any revenue from the pre-sales of the properties until such properties are completed and the possession of such properties has been delivered to the customers. Proceeds from customers of pre-sold properties are recorded as “advances from pre-sale of properties” before relevant sales revenue are recognized. Since the revenue from sales of properties are only recognized upon the delivery of properties, the timing of such delivery may affect not only the amount and growth rate of our revenue from sales of properties but also may cause changes in other payables and accruals to fluctuate from period to period.

Property Management

Our property management service revenue represents revenue generated from property management services we provide through our wholly owned subsidiary, Shanghai Jingrui Property Management, to owners of all our properties and certain properties developed by third parties. Property management revenue is recognized over the period when our property management services are rendered.

Decoration of Properties

Our revenue from design and decoration of properties represents realised revenue from the work that we performed in relation to property design and decoration.

Rental Income

Rental income mainly includes recurring revenue from leasing our investment properties and certain other completed properties and is recognized on a straight-line basis over the relevant lease terms. We currently focus on the development of residential properties but usually develop certain ancillary retail space in our projects, which increase the value of such projects and enables us to better serve residents of our property projects. Our rental income was mainly generated from leased properties of Beijing Sanquan Apartment, Shanghai Keyuan Tower, Jingrui Shangyuan Project in Beijing Dongzhimen and Ningbo Jingrui Harbour City.

Others

We also generate revenue from the property agency services provided to properties developed by us and third parties, where we receive commissions from time to time upon a successful sale of such properties.

Cost of Sales

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

- *Construction costs.* Construction costs include all the costs for the design and construction of a project, including payments to third-party contractors and designers and costs of construction materials. Our construction costs are affected by a number of factors, including the type and geographic condition of the properties being constructed or the type and amount of construction materials to be used, which may vary from city to city. Historically, construction material costs and construction labor cost, which are generally included in the payments to the construction contractors, particularly the cost of steel and cement, has been a primary contributing factor in terms of fluctuations in our construction costs.
- *Land use right costs.* Land use right costs include costs relating to acquisition of the rights to occupy, use and develop land and primarily land premiums incurred in connection with a land grant from the government. These costs for a project are affected by a number of factors, such as the location of the underlying property, regional real estate market condition, the timing of the land acquisition, the project's plot ratios, the method of acquisition and changes in PRC regulations. Although we have not in the past required to do so, we may be required to pay demolition and resettlement costs, subject to the condition of the land parcel that is acquired.
- *Capitalized interest.* We capitalize a significant portion of our finance costs to the extent that such costs are directly attributable to the acquisition and construction of a particular project. Finance costs that are not directly attributable to the development of a project are expensed and recorded as finance costs in our consolidated income statements in the period in which they are incurred.
- *Impairment loss on assets.* Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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.
- *Value-added tax.* Our operating subsidiaries in the PRC are subject to value-added tax.
- *Other costs.* We also incur other costs associated with our property management operations, leasing and property agency services, which primarily consists of direct costs relating to such business activities, such as salaries and commission and costs of rental, depending on the nature of the business.

The table below sets forth information relating to our cost of sales and as percentage of total cost of sales for the periods indicated:

	For the Year Ended December 31,						
	2018		2019		2020		
	RMB'000	%	RMB'000	%	RMB'000	US\$'000	%
						(Unaudited)	
Cost of properties sold	8,204,721	94.1	10,069,234	95.0	9,816,188	1,504,397	95.4
Surcharges	60,764	0.7	42,335	0.4	58,481	8,963	0.6
Provision for impairment of properties held or under development for sale, net . .	1,855	—	11,747	0.1	7,126	1,092	0.1
Other costs ⁽¹⁾	453,670	5.2	476,633	4.5	396,587	60,780	3.9
Total	<u>8,721,010</u>	<u>100.0</u>	<u>10,599,949</u>	<u>100.0</u>	<u>10,278,382</u>	<u>1,575,231</u>	<u>100.0</u>

Note:

(1) Includes costs associated with property management, leasing and other operations.

Fair Value (Losses)/gains On Investment Properties Under Other Platforms

We develop and hold certain retail space in our properties for rental income or capital appreciation. Our investment properties are appraised annually by our independent property valuer. Any appreciation or depreciation in our investment property value is recognized as fair value gains or losses in our consolidated income statements. The fair value gains on investment properties under other platforms for the years ended December 31, 2018 and 2019 were RMB54.7 million and RMB96.0 million, respectively. The fair value losses on investment properties under other platforms for the year ended December 31, 2020 were RMB17.0 million (US\$2.6 million), respectively.

(Depreciation)/Appreciation of Investment Properties under Office and Apartment Platform

Our Jingrui Capital platform, also known as office and apartment platform, commenced operation in 2017. For the year ended December 31, 2018, gains arising from appreciation of investment properties under office and apartment platform amounted to RMB388.1 million. For the year ended December 31, 2019, the depreciation of investment properties under office and apartment was RMB21.5 million. For the year ended 31 December, 2020, the appreciation of investment properties was RMB56.7 million (US\$8.7 million), which mainly due to price premium of Shanghai Jingrui Life Square and Shanghai Jingrui Xingfulai.

Selling and Marketing Costs

Selling and marketing costs primarily consist of sales commission paid to our in-house sales and marketing personnel and third-party sales agents, advertising and publicity costs, sales and marketing staff cost and other expenses relating to sales of our properties, including advertisement in newspaper and magazines, promotional offers made directly to our customers and certain other promotional events. Our selling and marketing costs increased from RMB307.2 million in 2018 to RMB385.6 million in 2019 and then increased to RMB522.3 million (US\$80.0 million) in 2020.

Administrative Expenses

Administrative expenses primarily consist of administration staff costs, office rental payments, depreciation and amortization, auditors' remuneration, professional fees and other general office expenses and miscellaneous expenses. The following table sets forth our administrative expenses, in absolute amounts and as percentages of revenue, for the periods indicated:

	For the Year Ended December 31,					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	US\$'000 (unaudited)
Total	<u>780,274</u>	<u>6.9</u>	<u>606,562</u>	<u>4.6</u>	<u>664,564</u>	<u>101,849</u>
						<u>5.2</u>

Other Income

Other income primarily consisted of government grants, gain arising from acquisition, dividend from financial assets at fair value through other comprehensive income and compensation income. Compensation income primarily represented forfeited deposits received from certain potential customers who did not subsequently enter into sales agreements with us and penalty received from certain suppliers due to their breach of contracts. Other income increased RMB68.3 million in 2018 to RMB158.5 million in 2019 and then further increased to RMB223.1 million (US\$34.2 million) in 2020, mainly included the compensation income for demolition costs and the income on the government grants.

Other gains, Net

Other gains or losses, net primarily include fair value gains or losses on financial assets at fair value through profit or loss, gains or losses from disposal of property, plant and equipment as well as compensation. Other gains or losses, net also included compensation for land and relocation costs as well as change in fair value of trust loans related derivatives. In 2018, we recorded other gains of RMB228.8 million, which was primarily due to the gains from disposal of investment properties amounting to RMB166.7 million. In 2019, we recorded other gains of RMB146.7 million, which were primarily due to the gains from deemed disposal of a subsidiary RMB85.2 million and the gains from the disposal of shares in subsidiaries of RMB31.4 million. In 2020, we recorded other gains of RMB327.4 million (US\$50.2 million), mainly due to the gains on the disposal and acquisition of project.

Compensation during the years ended December 31, 2018, 2019 and 2020, mainly represented the amount paid to certain of our customers as a remedial compensation for the occasional delay in delivery of the title documents after sale or certain claims brought against us under our quality warranties.

Finance Income/(Costs), Net

Finance income primarily consists of interest income on bank deposits and leasing investment. Finance costs primarily consist of interest expenses for bank loans, senior notes, trust financing arrangements and corporate bonds and other borrowings net of capitalized interest relating to properties under development and net foreign exchange losses on financing activities. Our finance income increased by 390.6% from RMB53.3 million in 2018 to RMB261.5 million in 2019, primarily as a result of the increase in interest income from bank deposits. Our finance costs increased by 56.1% from RMB337.7 million in 2018 to RMB527.0 million in 2019, mainly due to the increase in borrowing and interest rate. Our finance income increased by 287.6% from RMB261.5 million in 2019 to RMB1,013.6 million (US\$155.3 million) in 2020, as a result of the increase in interest income on bank deposit and the increase in exchange gains on overseas debts arising from the decline of US dollar exchange rates. Our finance costs increased by 42.8% from RMB527.0 million in 2019 to RMB752.5 million (US\$115.3 million) in 2020, mainly due to the increase in the amount of borrowings and interest rate on borrowings.

Income Tax Expenses

Income tax expenses represent corporate income tax and LAT payable by our subsidiaries in the PRC. We calculate our effective corporate income tax rate by using the quotient of (a) the result of PRC corporate income tax plus deferred income tax, divided by (b) the result of profit before income tax minus LAT. Fluctuations in our effective corporate income tax rate from period to period was primarily due to changes in our effective rates of corporate income tax and LAT. In 2018, 2019, and 2020, our effective corporate income tax rate was 26.2%, 25.4% and 28.7%, respectively.

TAXATION

Cayman Islands

We are incorporated in the Cayman Islands as an exempted company with limited liability. Under the current law of the Cayman Islands, we are not subject to income, corporate or capital gains tax in the Cayman Islands.

Hong Kong

No provision for Hong Kong profits tax has been made during the years ended December 31, 2018, 2019 and 2020, as we did not generate any assessable profits arising in Hong Kong.

PRC

Income tax

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

Under the EIT Law and the EIT Implementation Rules, an enterprise established outside of the PRC with “de facto management bodies” within the PRC is considered a resident enterprise and is subject to enterprise income tax at the rate of 25% on its global income. The EIT Implementation Rules define the term “de facto management bodies” as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. We do not believe we are a resident enterprise. However, it remains unclear how PRC tax authorities will determine the tax residency status of companies like us.

Prior to the completion of our reorganization in May 2013, there were no non-PRC resident corporate investors for the PRC subsidiaries of our Group, therefore, no deferred income tax needs to be recognized for withholding tax on dividends payable to non-PRC resident corporate investors.

Upon the completion of our reorganization in May 2013 and thereafter, there are non-PRC resident corporate investors (i.e. the intermediate holding companies in Hong Kong) for the PRC subsidiaries of the Group, therefore we will recognize deferred income tax on the unremitted distributable profits of those PRC subsidiaries attributable to the non-PRC resident corporate investors. However, in accordance with HKAS 12 — Income taxes paragraph 40 that “when a parent controls the dividend policy of its subsidiary, it is able to control the timing of the reversal of temporary differences associated with that investment and furthermore, it would often be impracticable to determine the amount of income taxes that would be payable when the temporary difference reverses, therefore the parent does not recognize a deferred tax liability when it has determined that those profits will not be distributed in the foreseeable future”, hence we will not provide deferred tax for the portion of unremitted distributable profits of the PRC subsidiaries which the directors of the Company determined not to be distributed in the foreseeable future.

LAT

Under PRC laws and regulations, our subsidiaries in the PRC that are engaged in the property development business are subject to LAT as determined by the local authorities in the location in which each project is located. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures, and is included in the consolidated statements of income as income tax expense.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

For the year ended December 31, 2020, our revenue reached RMB12,782.4 million (US\$1,959.0 million), representing an decrease of 3.8% as compared to RMB13,285.1 million in the same period of 2019. Our revenue primarily consists of revenue from (i) sales of properties, (ii) property management services, (iii) rental income and (iv) others.

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

	For the year ended December 31,				
	2019		2020		
	RMB'000	%	RMB'000	US\$'000	%
				(Unaudited)	
Sales of properties	12,366,104	93.1	11,972,528	1,834,870	93.7
Property management service	441,123	3.3	526,368	80,669	4.1
Decoration of properties	180,264	1.4	—	—	—
Rental income	238,620	1.8	231,889	35,539	1.8
Others	59,016	0.4	51,644	7,915	0.4
Total	<u>13,285,127</u>	<u>100.0</u>	<u>12,782,429</u>	<u>1,958,993</u>	<u>100.0</u>

Sales of Properties. Revenue from sales of properties has been constituted, and is expected to continue to constitute, a majority of our total revenue. For the year ended December 31, 2020, the properties we delivered mainly included Hefei Jingrui Haomen Jindi, Hangzhou Jingrui Vital House and Shanghai Jingrui City Park. Revenue from sales of properties decreased by approximately 3.2% to RMB11,972.5 million (US\$1,834.9 million) in the year ended December 31, 2020 from RMB12,366.1 million in the same period of 2019, mainly due to the decrease in the GFA of projects delivered during the year.

The table below sets forth the revenue recognized, the total GFA delivered and the ASP for each project in the year ended December 31, 2019 and 2020:

	For the year ended December 31,							
	2019				2020			
	Revenue		GFA	ASP	Revenue		GFA	ASP
	RMB'000	%	sq.m.	RMB/sq.m.	RMB'000	%	sq.m.	RMB/sq.m.
Shanghai								
上海景瑞•城中公園 (Shanghai Jingrui City Park)	1,042,960	8.4	28,451	36,658	1,241,562	10.4	36,676	33,852
上海景瑞•法蘭雲廷 (Shanghai Jingrui The French Lakeside Villa)	14,276	0.1	545	26,194	—	—	—	—
上海景瑞•尚濱江 (Shanghai Jingrui Upper Riverside)	209,796	1.7	1,972	106,387	163,682	1.4	1,447	113,118
Jiangsu Province								
蘇州景瑞•無雙 (Suzhou Jingrui Majestic Mansion)	1,596,641	12.9	55,508	28,764	112,638	0.9	3,862	29,166
蘇州景瑞•翡翠灣 (Suzhou Jingrui Jade Bay) .	33,036	0.3	2,852	11,583	53,796	0.4	4,697	11,453
蘇州景瑞•望府 (Suzhou Jingrui Dignity Mansion)	—	—	—	—	2,220	—	146	15,205
蘇州景瑞•鏡湖宸院 (Suzhou Jingrui Sino Park)	—	—	—	—	746,484	6.2	41,724	17,891
蘇州景瑞•湖語尚院 (Suzhou Jingrui Huyu Shangyuan)	—	—	—	—	765,135	6.4	42,259	18,106
蘇州景瑞•東環之歌, (Suzhou Jingrui Happy Family Garden) . .	40,382	0.3	2,954	13,670	—	—	—	—
常州景瑞•望府 (Changzhou Jingrui Dignity Mansion) . . .	—	—	—	—	—	—	—	—
常州景瑞•天璽 (Changzhou Jingrui Tianxi) . .	1,339,936	10.8	89,596	14,955	—	—	—	—
南通景瑞•御江山 (Nantong Jingrui Nobility Mansion)	32,746	0.3	2,442	13,410	—	—	—	—
Zhejiang Province								
舟山景瑞•半島灣 (Zhoushan Jingrui Peninsula Bay)	40,181	0.3	2,411	16,666	—	—	—	—
紹興景瑞•望府 (Shaoxing Jingrui Dignity Mansion)	22,379	0.2	1,854	12,071	—	—	—	—
紹興景瑞•上府 (Shaoxing Jingrui The Mansion)	—	—	—	—	—	—	—	—
紹興景瑞•曦之湖 (Shaoxing Jingrui Lake of Dawn)	—	—	—	—	—	—	—	—
台州景瑞•望府 (Taizhou Jingrui Dignity Mansion)	—	—	—	—	—	—	—	—
台州景瑞•楓雲府 (Taizhou Jingrui Maple House)	637,327	5.2	51,226	12,441	—	—	—	—
寧波景瑞•望府 (Ningbo Jingrui Dignity Mansion)	—	—	—	—	—	—	—	—
寧波景瑞•上府 (Ningbo Jingrui The Mansion)	9,171	0.1	945	9,705	—	—	—	—
寧波景瑞•海港城 (Ningbo Jingrui Harbour City)	—	—	—	—	—	—	—	—

For the year ended December 31,								
	2019				2020			
	Revenue		GFA	ASP	Revenue		GFA	ASP
	RMB'000	%	sq.m.	RMB/sq.m.	RMB'000	%	sq.m.	RMB/sq.m.
寧波景瑞 • 紅翎臺								
(Ningbo Jingrui Majestic Mansion).	—	—	—	—	—	—	—	—
舟山景瑞. 緹香院								
(Zhoushan Jingrui Titian Garden).	—	—	—	—	536,722	4.5	47,665	11,260
寧波景瑞. 緹香郡								
(Ningbo Jingrui Titian Garden).	—	—	—	—	14,825	0.1	1,100	13,477
寧波景瑞. 海志府								
(Ningbo Jingrui Headream Mansion).	282,140	2.3	—	—	6,073	0.1	162	37,488
寧波景瑞 • 興寧府 (Ningbo Jingrui Xingning Mansion).								
(Ningbo Jingrui Xingning Mansion).	—	—	—	—	899,145	7.5	36,911	24,360
寧波景瑞 • 時光裏 (Ningbo Jingrui In Times).								
(Ningbo Jingrui In Times).	265,363	2.1	18,146	14,624	163,904	1.4	11,196	14,640
寧波景瑞 • 天賦姚江								
(Ningbo Jingrui Tianfu Yaojiang).	828,079	6.7	45,889	18,045	19,743	0.2	1,228	16,077
寧波景瑞 • 御江山								
(Ningbo Jingrui Nobility Mansion).	1,175,616	9.5	59,017	19,920	1,207	—	47	25,681
杭州景瑞 • 法蘭公園								
(Hangzhou Jingrui Flange Park).	—	—	—	—	1,316	—	89	14,787
杭州景瑞 • 法蘭公園								
(Hangzhou Jingrui Flange Park).	2,697,193	21.8	180,332	14,957	213,670	1.8	—	—
杭州景瑞 • 鏡溪綠汀 (Hangzhou Jingrui Vital House).								
(Hangzhou Jingrui Vital House).	—	—	—	—	2,200,042	18.4	52,285	42,078
杭州景瑞 • 御藍灣								
(Hangzhou Jingrui Royal Bay).	—	—	—	—	—	—	—	—
杭州景瑞 • 御華府								
(Hangzhou Jingrui Royal Mansion).	—	—	—	—	—	—	—	—
杭州景瑞 • 申花壹號院								
(Hangzhou Jingrui Shenhua No. One).	34,740	0.3	1,726	20,127	—	—	—	—
杭州景瑞 • 申花郡								
(Hangzhou Jingrui Shenhua County).	15,461	0.1	624	24,777	8,721	0.1	135	64,600
杭州景瑞 天賦								
(Hangzhou Jingrui Majestic Mansion).	322,850	2.6	—	—	—	—	—	—
杭州景瑞 陽明谷								
(Hangzhou Jingrui Yangming Valley).	120,838	1.0	7,515	16,080	58,825	0.5	2,910	20,215
杭州景瑞 原墅								
(Hangzhou Jingrui Yuan Villa).	16,039	0.1	1,509	10,629	51,265	0.4	4,645	11,037
Tianjin								
天津景瑞 • 悅府								
(Tianjin Jingrui Hyatt Mansion).	—	—	—	—	—	—	—	—
天津景瑞 • 翰鄰 (Tianjin Jingrui Hanlin).								
(Tianjin Jingrui Hanlin).	1,027,172	8.3	52,205	19,676	452,743	3.8	23,214	19,503
天津景瑞 • 陽光尚城								
Tianjin Jingrui Sunny City.	—	—	—	—	3,310	—	229	14,454
天津景瑞 • 塘沽灣一號								
Tianjin Jingrui No. 1, Tang Gu Bay	—	—	—	—	681,659	5.7	54,490	12,510
Chongqing								
重慶景瑞 • 御藍灣								
(Chongqing Jingrui Royal Bay).	36,803	0.3	4,860	7,573	—	—	—	—
重慶景瑞 • 西聯社								
(Chongqing Jingrui Online Family).	—	—	—	—	21,696	0.2	1,574	13,784

For the year ended December 31,

	2019				2020			
	Revenue		GFA	ASP	Revenue		GFA	ASP
	RMB'000	%	sq.m.	RMB/sq.m.	RMB'000	%	sq.m.	RMB/sq.m.
Wuhan								
武漢景瑞•天賦半島 (Wuhan Jingrui Tianfu Peninsula)	—	—	—	—	225,289	1.9	8,059	27,955
Hefei								
合肥景瑞•豪門金地 (Hefei Jingrui Haomen Jindi)	—	—	—	—	2,216,575	18.5	126,159	17,570
Nanchang								
南昌景瑞•紅星廣場 (Nanchang Jingrui Hongxing Plaza)	—	—	—	—	742,435	6.2	69,149	10,737
Other projects	48,720	0.4	6,566	7,420	5,199	—	1,397	3,722
Subtotal	11,889,845	96.1	619,145	19,204	11,609,881	97.0	573,455	20,245
Car park	476,259	3.9	4,517	—	362,647	3.0	4,427	—
Total	12,366,104	100.0	—	—	11,972,528	100	—	—

Note:

(1) Represents the number of car parks sold.

Property Management Service. Revenue derived from our property management services increased by approximately 19.3% from RMB441.1 million in 2019 to RMB526.4 million (US\$80.7 million) in 2020, primarily due to the significant increase in the contracted GFA and the increase in the third-party property management fee.

Decoration of Properties. Revenue derived from decoration of properties decreased significantly from RMB180.3 million in 2019 to nil in 2020. We did not have revenue from decoration of properties in 2020.

Rental income. Rental income remained flat at RMB238.6 million in 2019 and RMB231.9 million (US\$35.5 million) in 2020.

Cost of sales

Our cost of sales decreased by 3.0% from RMB10,599.9 million in the year ended December 31, 2019 to RMB10,278.4 million (US\$1,575.2 million) in the year ended December 31, 2020. The table below sets forth the breakdown for our cost of sales in absolute amount for the year ended December 31, 2019 and the year ended December 31, 2020:

	For the year ended December 31,				
	2019		2020		
	Amount	% of cost of sale	Amount		% of cost of sale
	RMB'000		RMB'000	US\$'000	
				(Unaudited)	
Cost of properties:					
Construction costs	4,135,389	39.0	3,376,806	517,518	32.8
Land use right costs	4,695,809	44.3	4,814,235	737,814	46.8
Capitalized interest	1,238,036	11.7	1,625,147	249,065	15.8
Sub-total: total cost of properties	10,069,234	95.0	9,816,188	1,504,397	95.4
Surcharges	42,335	0.4	58,481	8,963	0.6
Provision for impairment of properties held or under development for sale, net.	11,747	0.1	7,126	1,092	0.1
Other costs ⁽¹⁾	476,633	4.5	396,587	60,780	3.9
Total	10,599,949	100.0	10,278,382	1,575,231	100.0

(1) Includes costs associated with property management, leasing, decoration and other operations.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 6.7% from RMB2,685.2 million in 2019 to RMB2,504.0 million (US\$383.8 million) in 2020, and our gross profit margin decreased from 20.2% in 2019 to 19.6% in 2020.

Appreciation of Investment Properties under Capital Platform

For the year ended December 31, 2020, the appreciation of investment properties under Jingrui capital platform was RMB56.7 million (US\$8.7 million), the appreciation of investment properties in 2020 was mainly attributable to price premium of Shanghai Jingrui Life Square and Shanghai Jingrui Xingfulai.

Fair value (losses)/gains on investment properties under other platforms

We recorded an fair value losses on investment properties under other platforms of RMB17.0 million (US\$2.6 million) in 2020, compared gains of RMB96.0 million in 2019. Fair value losses in 2020 were mainly attributable to the depreciation of Ningbo Jingrui Harbour City Project.

Selling and marketing costs

Our selling and marketing costs increased by 35.5% from RMB385.6 million in the year ended December 31, 2019 to RMB522.3 million (US\$80.0 million) in the year ended December 31, 2020, primarily because we have been actively expanding various sales channels and increasing its marketing and promotion efforts against the backdrop of the COVID-19 in order to ensure the achievement of its sales target.

Administrative expenses

For the year ended December 31, 2020, our administrative expenses increased by 9.6% from RMB606.6 million in 2019 to RMB664.6 million (US\$101.9 million), primarily due to increased management costs for newly entered cities.

Other income and other gains, net

We recorded other income of RMB223.1 million in 2020, compared to other income of RMB158.5 million in 2019. Other income recorded in 2020 mainly included the compensation income for demolition costs and the income on the government grants. We recorded other gains of RMB327.4 million in 2020, compared to other gains of RMB146.7 million in 2019. Other gains recorded in 2020 were primarily due to the gains on the disposal and acquisition of projects.

Finance income/(costs), net

Our finance income increased by 287.6% from RMB261.5 million in 2019 to RMB1,013.6 million (US\$155.3 million) in 2020, as a result of the increase in interest income from bank deposits and the increase in exchange gains on overseas debts. Our finance costs increased by 42.8% from RMB527.0 million in 2019 to RMB752.5 million (US\$115.3 million) in 2020, mainly due to the increase in the amount of borrowings and interest rate on borrowings.

Share of Results of Joint Ventures/Associates

Our share of results of joint ventures/associates decreased from RMB342.6 million in the year ended December 31, 2019 to RMB170.6 million (US\$26.1 million) in the year ended December 31, 2020, mainly because of an increase in the income and profit carried forward for joint ventures during the period.

Income tax expense

Our income tax expense increased by 23.2% from RMB864.9 million in the year ended December 31, 2019 to RMB1,065.5 million (US\$163.3 million) in the year ended December 31, 2020, mainly due to the increase in land value-added tax and corporate income tax as a result of the carry-over of high-margin projects.

Profit for the year

As a result of the foregoing, our profit reached RMB1,273.5 million (US\$195.2 million) in the year ended December 31, 2020.

Profit for the year attributable to equity holders of the Company and non-controlling interests

Profit attributable to our equity holders increased from RMB903.6 million in the year ended December 31, 2019 to RMB958.1 million (US\$146.8 million) in the year ended December 31, 2020. Profit attributable to non-controlling interests decreased from RMB381.4 million in the year ended December 31, 2019 to RMB315.4 million (US\$48.3 million) in the year ended December 31, 2020.

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

Revenue

For the year ended December 31, 2019, our revenue reached RMB13,285.1 million representing an increase of 17.9% as compared to RMB11,268.2 million of the same period of 2018. Our revenue primarily consists of revenue from (i) sales of properties, (ii) property management services, (iii) decoration of properties, (iv) rental income and (v) other.

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

	For the Year Ended December 31,			
	2018		2019	
	RMB'000	%	RMB'000	%
Revenue from sales of properties	10,440,273	92.7	12,366,104	93.1
Revenue from property management service . .	386,329	3.4	441,123	3.3
Decoration of properties	250,976	2.2	180,264	1.4
Rental income	133,731	1.2	238,620	1.8
Others	56,894	0.5	59,016	0.4
Total	<u>11,268,203</u>	<u>100.0</u>	<u>13,285,127</u>	<u>100.0</u>

Sales of Properties. Revenue from sales of properties has been constituted, and is expected to continue to constitute, a majority of our total revenue. In 2019, the properties we delivered mainly included Hangzhou Jingrui Flange Park and Suzhou Jingrui Majestic Mansion. Revenue from sales of properties increased by approximately 18.4% to RMB12,366.1 million in 2019 from RMB10,440.3 million in 2018, mainly due to the increase in the GFA of the properties we delivered.

The table below sets forth the revenue recognized, the total GFA delivered and the ASP for each project in 2018 and 2019:

	For the Year Ended December 31,							
	2018				2019			
	Revenue		GFA	ASP	Revenue		GFA	ASP
	RMB'000	%	sq.m.	RMB/sq.m.	RMB'000	%	sq.m.	RMB/sq.m.
Shanghai								
上海景瑞 • @WAY遇道 (Shanghai Jingrui @WAY Across)	6,796	0.1	132	51,531	—	—	—	—
上海景瑞 • 城中公園 (Shanghai Jingrui City Park)	350,583	3.4	9,031	38,822	1,042,960	8.4	28,451	36,658
上海景瑞 • 法蘭雲廷 (Shanghai Jingrui The French Lakeside Villa)	35,495	0.3	1,114	31,861	14,276	0.1	545	26,194
上海景瑞 • 尚濱江 (Shanghai Jingrui Upper Riverside)	—	—	—	—	209,796	1.7	1,972	106,387
Jiangsu Province								
蘇州景瑞 • 御江山 (Suzhou Jingrui Nobility Mansion)	18,322	0.2	738	24,813	—	—	—	—
蘇州景瑞 • 無雙 (Suzhou Jingrui Majestic Mansion)	1,008,876	9.7	36,522	27,624	1,596,641	12.9	55,508	28,764
蘇州景瑞 • 翡翠灣 (Suzhou Jingrui Jade Bay)	568,121	5.4	51,663	10,997	33,036	0.3	2,852	11,583
蘇州景瑞 • 望府 (Suzhou Jingrui Dignity Mansion)	104,136	1.0	8,084	12,882	—	—	—	—
蘇州景瑞 • 東環之歌 (Suzhou Jingrui Happy Family Garden)	327,923	3.1	23,740	13,813	40,382	0.3	2,954	13,670
常州景瑞 • 望府 (Changzhou Jingrui Dignity Mansion)	54,677	0.5	4,454	12,275	—	—	—	—
常州景瑞 • 天璽 (Changzhou Jingrui Tianxi)	—	—	—	—	1,339,936	10.8	89,596	14,955
南通景瑞 • 御江山 (Nantong Jingrui Nobility Mansion)	45,352	0.4	3,406	13,314	32,746	0.3	2,442	13,410
南通景瑞 • 御府 (Nantong Jingrui Royal Mansion)	983,228	9.4	116,197	8,462	—	—	—	—
揚州景瑞 • 望府 (Yangzhou Jingrui Dignity Mansion)	26,020	0.2	2,403	10,830	—	—	—	—
無錫景瑞 • 望府 (Wuxi Jingrui Dignity Mansion)	23,254	0.2	2,147	10,828	—	—	—	—
南京景瑞 • 春風十里 (Nanjing Jingrui The Spring Lake)	536,422	5.1	26,783	20,028	—	—	—	—

For the Year Ended December 31,								
	2018				2019			
	Revenue		GFA	ASP	Revenue		GFA	ASP
	RMB'000	%	sq.m.	RMB/sq.m.	RMB'000	%	sq.m.	RMB/sq.m.
Zhejiang Province								
湖州景瑞•望府 (Huzhou Jingrui Dignity Mansion)	40,104	0.4	2,624	15,286	—	—	—	—
舟山景瑞•半島灣 (Zhoushan Jingrui Peninsula Bay)	—	—	—	—	40,181	0.3	2,411	16,666
紹興景瑞•望府 (Shaoxing Jingrui Dignity Mansion)	95,696	0.9	6,869	13,931	22,379	0.2	1,854	12,071
紹興景瑞•上府 (Shaoxing Jingrui The Mansion)	69,324	0.7	6,362	10,897	—	—	—	—
紹興景瑞•曦之湖 (Shaoxing Jingrui Lake of Dawn)	193,501	1.9	21,130	9,158	—	—	—	—
台州景瑞•望府 (Taizhou Jingrui Dignity Mansion)	57,810	0.6	2,807	20,597	—	—	—	—
台州景瑞•楓雲府 (Taizhou Jingrui Maple House)	—	—	—	—	637,327	5.2	51,226	12,441
寧波景瑞•望府 (Ningbo Jingrui Dignity Mansion)	10,419	0.1	632	16,485	—	—	—	—
寧波景瑞•上府 (Ningbo Jingrui The Mansion)	13,767	0.1	722	19,070	9,171	0.1	945	9,705
寧波景瑞•海港城 (Ningbo Jingrui Harbour City)	3,025	—	103	29,257	—	—	—	—
寧波景瑞•紅翎臺 (Ningbo Jingrui Majestic Mansion)	5,190	—	115	45,293	—	—	—	—
寧波景瑞•緹香郡 (Ningbo Jingrui Titian Garden)	1,051,770	10.1	87,248	12,055	—	—	—	—
寧波景瑞•海志府 (Ningbo Jingrui Headream Mansion)	1,783,998	17.1	87,743	20,661	282,140	2.3	—	—
寧波景瑞•時光裏 (Ningbo Jingrui In Times)	—	—	—	—	265,363	2.1	18,146	14,624
寧波景瑞•天賦姚江 (Ningbo Jingrui Tianfu Yaojiang)	—	—	—	—	828,079	6.7	45,889	18,045
寧波景瑞•御江山 (Ningbo Jingrui Nobility Mansion)	—	—	—	—	1,175,616	9.5	59,017	19,920
杭州景瑞•法蘭公園 (Hangzhou Jingrui Flange Park)	—	—	—	—	2,697,193	21.8	180,332	14,957
杭州景瑞•御藍灣 (Hangzhou Jingrui Royal Bay)	26,084	0.2	1,746	14,944	—	—	—	—
杭州景瑞•御華府 (Hangzhou Jingrui Royal Mansion)	20,342	0.2	1,814	11,215	—	—	—	—
杭州景瑞•申花壹號院 (Hangzhou Jingrui Shenhua No. One)	70,165	0.7	2,321	60,997	34,740	0.3	1,726	20,127
杭州景瑞•申花郡 (Hangzhou Jingrui Shenhua County)	12,167	0.1	469	25,954	15,461	0.1	624	24,777

For the Year Ended December 31,								
	2018				2019			
	Revenue		GFA	ASP	Revenue		GFA	ASP
	RMB'000	%	sq.m.	RMB/sq.m.	RMB'000	%	sq.m.	RMB/sq.m.
杭州景瑞天賦 (Hangzhou Jingrui Majestic Mansion)	2,171,376	20.8	70,571	30,769	322,850	2.6	—	—
杭州景瑞陽明谷 (Hangzhou Jingrui Yangming Valley)	102,213	1.0	7,354	13,900	120,838	1.0	7,515	16,080
杭州景瑞原墅 (Hangzhou Jingrui Yuan Villa) . .	19,488	0.2	4,527	4,305	16,039	0.1	1,509	10,629
Tianjin								
天津景瑞•悅府 (Tianjin Jingrui Hyatt Mansion)	23,594	0.2	1,240	19,027	—	—	—	—
天津景瑞•翰鄰 (Tianjin Jingrui Hanlin) . . .	—	—	—	—	1,027,172	8.3	52,205	19,676
Chongqing								
重慶景瑞•御藍灣 (Chongqing Jingrui Royal Bay)	21,858	0.2	3,134	6,974	36,803	0.3	4,860	7,573
重慶景瑞•西聯社 (Chongqing Jingrui Online Family)	21,682	0.2	819	26,466	—	—	—	—
Other projects	11,462	0.1	826	13,877	48,720	0.4	6,566	7,420
Subtotal	9,914,240	95.0	597,590	16,590	11,889,845	96.1	619,145	19,204
Car park	526,033	5.0	4,438	—	476,259	3.9	4,517	—
Total	10,440,273	100.0	—	—	12,366,104	100.0	—	—

Note:

(1) Represents the number of car parks sold.

Property Management Service. Revenue derived from our property management services increased by approximately 14.2% from RMB386.3 million in 2018 to RMB441.1 million in 2019, primarily due to the continued growth in the total GFA of delivered properties and the increase of management fee income from third-party properties.

Decoration of Properties. Revenue derived from decoration of properties decreased by 28.2% from RMB251.0 million in 2018 to RMB180.3 million in 2019.

Rental income. Rental income increased by 78.5% from RMB133.7 million in 2018 to RMB238.6 million in 2019, mainly due to the commencement of operation of new projects under our Office and Apartment Platforms and the increase in the occupancy rate and rent price.

Cost of sales

Our cost of sales increased by 21.5% from RMB8,721.0 million in 2018 to RMB10,599.9 million in 2019. The table below sets forth the breakdown for our cost of sales in absolute amount for 2018 and 2019:

	For the Year Ended December 31,			
	2018		2019	
	Amount	% of cost of sale	Amount	% of cost of sale
	RMB'000		RMB'000	
Cost of properties:				
Construction costs	2,952,733	33.9	4,135,389	39.0
Land use right costs.	4,438,114	50.9	4,695,809	44.3
Capitalized interest	813,874	9.3	1,238,036	11.7
Sub-total: total cost of properties. . .	8,204,721	94.1	10,069,234	95.0
Surcharges.	60,764	0.7	42,335	0.4
Provision for impairment of properties held or under development for sale, net	1,855	—	11,747	0.1
Other costs ⁽¹⁾	453,670	5.2	476,633	4.5
Total	<u>8,721,010</u>	<u>100.0</u>	<u>10,599,949</u>	<u>100.0</u>

Note:

(1) Includes costs associated with property management, leasing, decoration and other operations.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 5.4% from RMB2,547.2 million in 2018 to RMB2,685.2 million in 2019. We recorded gross profit margin of 20.2% for 2019 remained stable compared to 22.6% for 2018.

Fair value gains on investment properties under other platforms

Our fair value gains on investment properties under other platforms increased by 75.5% from RMB54.7 million in 2018 to RMB96.0 million in 2019. Fair value gains in 2019 were mainly attributable to appreciation of Shanghai Jingrui Upper Riverside, while fair value gains in 2018 were primarily due to an increase in fair value of Ningbo Jingrui Harbour City.

(Depreciation)/Appreciation of Investment Properties under Office and Apartment Platforms

Our Office and Apartment Platforms commenced operation in 2017. For the year ended December 31, 2018, gains arising from appreciation of investment properties under Office and Apartment Platforms amounted to RMB388.1 million. For the year ended December 31, 2019, the depreciation of investment properties under Office and Apartment Platforms was RMB21.5 million. The depreciation of investment properties in 2019 was mainly attributable to the decrease in the fair value of the leasehold.

Selling and marketing costs

Our selling and marketing costs increased by 25.5% from RMB307.2 million in 2018 to RMB385.6 million in 2019, primarily due to the commencement of pre-sales of our new property projects.

Administrative expenses

Our administrative expenses decreased by 22.3% from RMB780.3 million in 2018 to RMB606.6 million in 2019. This increase was primarily due to the refinement of our administrative management.

Other income and other gains, net

Other income increased from RMB68.3 million in 2018 to RMB158.5 million in 2019. We recorded other gains of RMB228.8 million in 2018, which was mainly due to gains from disposal of investment properties amounting to RMB166.7 million. We recorded other gains of RMB146.7 million in 2019, which was mainly due to the gains from deemed disposal of a subsidiary RMB85.2 million and the gains from the disposal of shares in subsidiaries of RMB31.4 million.

Finance (costs)/income, net

Our finance income increased by 390.6% from RMB53.3 million in 2018 to RMB261.5 million in 2019, primarily as a result of the increase in interest income from bank deposits. Our finance costs increased by 56.1% from RMB337.7 million in 2018 to RMB527.0 million in 2019, primarily due to the increase in borrowings and interest rate in 2019.

Share of Results of Joint Ventures/Associates

Our share of results of joint ventures/associates was increased to a gain of RMB342.6 million in 2019 from RMB125.1 million in 2018, mainly because of an increase in the income and profit carried forward for joint ventures during the year and the increase in fair value of investment properties of a joint venture.

Income tax expense

Our income tax expense increased by 17.3% from RMB737.5 million in 2018 to RMB864.9 million in 2019, mainly due to the increase in land value-added tax as a result of the carry-over of high-margin projects.

Profit for the year

As a result of the foregoing, our profit decreased from RMB1,302.9 million in 2018 to RMB1,285.0 million in 2019.

Profit for the year attributable to equity holders of the Company and non-controlling interests

Profit attributable to our equity holders decreased from RMB1,031.9 million in 2018 to RMB903.6 million in 2019. Profit attributable to non-controlling interests increased from RMB271.0 million in 2018 to RMB381.4 million in 2019.

LIQUIDITY AND CAPITAL RESOURCES

Source of Liquidity

We operate in a capital-intensive industry and during the years ended December 31, 2018, 2019 and 2020, we have financed our working capital, capital expenditure and other capital requirements primarily through borrowings from commercial banks and trust financing providers, proceeds from sales and pre-sales of our properties. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

As of December 31, 2018, 2019 and 2020, we had cash and cash equivalents of RMB11,715.4 million, RMB10,683.5 million and RMB10,896.0 million (US\$1,669.9 million), respectively, which primarily consisted of cash at bank and on hand.

Net Current Assets

As of December 31, 2020, we had net current assets of RMB13,047.3 million (US\$1,999.6 million), consisting of RMB56,211.1 million (US\$8,614.7 million) of current assets and RMB43,163.8 million (US\$6,615.1 million) of current liabilities. As of December 31, 2019, we had net current assets of RMB8,374.0 million, consisting of RMB40,531.2 million of current assets and RMB32,157.2 million of current liabilities. As of December 31, 2018, we had net current assets of RMB12,218.0 million, consisting of RMB37,948.9 million of current assets and RMB25,730.9 million of current liabilities. The RMB3,844.0 million decrease in the net current assets from 2018 to 2019 was primarily attributable to an increase in our trade and other payables. The RMB4,673.2 million increase in the net current assets from December 31, 2019 to 2020 was primarily attributable to an increase in our properties held or under development for sale and trade and other receivables and prepayments.

The table below sets forth our current assets and current liabilities as of the respective dates:

	As of December 31,			
	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000
				(unaudited)
Current assets				
Prepayments for leasehold land	—	720,095	1,239,780	190,005
Properties held or under development for sale	18,541,307	17,851,199	28,755,174	4,406,923
Trade and other receivables and prepayments	6,099,232	7,168,200	10,795,590	1,654,497
Prepaid income taxes	103,312	323,224	444,130	68,066
Restricted cash	1,354,871	3,064,679	2,750,525	421,536
Cash and cash equivalents	11,715,378	10,683,523	10,895,964	1,669,880
Contract acquisition costs	42,241	122,037	152,707	23,403
Financial assets at fair value through profit or loss. .	92,555	598,250	1,161,929	178,073
Financial assets at fair value through other comprehensive income	—	—	15,257	2,338
Total	<u>37,948,896</u>	<u>40,531,207</u>	<u>56,211,056</u>	<u>8,614,721</u>
Current liabilities				
Trade and other payables.	13,472,373	14,369,067	18,905,889	2,897,454
Amount due to non-controlling interests of subsidiaries	377,894	896,011	1,414,043	216,712
Lease Liabilities.	—	20,853	21,202	3,249
Current income tax liabilities	1,000,160	1,242,200	2,018,143	309,294
Borrowings.	6,683,404	9,398,013	9,139,870	1,400,746
Financial liabilities for put option written on non-controlling interests	15,485	—	—	—
Contract liabilities	4,181,540	6,231,044	11,639,042	1,783,761
Derivative financial instruments.	—	—	25,600	3,923
	<u>25,730,856</u>	<u>32,157,188</u>	<u>43,163,789</u>	<u>6,615,140</u>
Net current assets	<u>12,218,040</u>	<u>8,374,019</u>	<u>13,047,267</u>	<u>1,999,581</u>

Cash Flows Analysis

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

	For the Year Ended December 31			
	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000
				(Unaudited)
Net cash generated from/(used in) operating activities	(944,420)	996,324	(1,524,058)	(233,572)
Net cash used in investing activities	(2,553,933)	(1,455,756)	(661,422)	(101,367)
Net cash (used in)/generated from financing activities	6,940,651	(619,940)	2,422,140	371,209
Net (decrease)/increase in cash and cash equivalents	3,442,298	(1,079,372)	236,660	36,270
Cash and cash equivalents at beginning of the year .	8,264,836	11,715,378	10,683,523	1,637,322
Cash and cash equivalents at end of the year	11,715,378	10,683,523	10,895,964	1,669,880

Net Cash Used in/Generated from Operating Activities

Our primary source of cash generated from operating activities is proceeds we receive from the sales of our properties, including pre-sales of properties under development, as well as income from our property management services. Our primary uses of cash in operating activities are amounts we pay for our property development activities, including land acquisitions.

For the year ended December 31, 2020, our net cash used in operating activities was RMB1,524.1 million (US\$233.6 million), which was primarily the result of (i) net cash generated from operations of RMB934.5 million (US\$143.2 million), (ii) interest paid of RMB1,992.4 million (US\$305.3 million), (iii) PRC income tax paid of RMB314.4 million (US\$48.2 million) and (iv) PRC land appreciation tax paid of RMB151.9 million (US\$23.3 million). Net cash generated from operations mainly comprised of profit before tax of RMB2,339.0 million (US\$358.5 million) adjusted by (i) a decrease in advances from pre-sale of properties of RMB2,849.6 million (US\$436.7 million) and (ii) an increase in trade and other payable of RMB1,274.3 million (US\$195.3 million).

For the year ended December 31, 2019, our net cash generated from operating activities was RMB996.3 million, which was primarily the result of net cash generated from operations of RMB3,614.2 million, partially offset by interest paid of RMB1,809.8 million. Net cash generated from operations mainly comprised of profit before tax of RMB2,149.9 million, adjusted by a decrease in properties held or under development for sales (excluding capitalized interest) of RMB5,166.7 million, which was partially offset by (i) a decrease in trade and other payables of RMB2,002.5 million and (ii) a decrease in advances from pre-sale of properties of RMB1,227.8 million.

For the year ended December 31, 2018, our net cash used in operating activities was RMB944.4 million, which was primarily the result of (i) net cash generated from operations of RMB1,093.4 million, (ii) interest paid of RMB1,490.8 million and (iii) PRC income tax paid of RMB451.3 million. Net cash generated from operation primarily comprised of profit before income tax of RMB2,040.4 million, which was adjusted primarily by (i) an increase in trade and other payables of RMB2,864.9 million and (ii) an increase in amounts due to related parties of RMB1,080.1 million, partially offset by an decrease in advances from pre-sale of properties of RMB5,307.6 million.

Net Cash Used in/Generated from Investing Activities

Cash used in our investing activities is primarily related to the purchase of property and equipment, which includes leasehold improvement, amounts due from non-controlling interest of a subsidiary and the purchase of intangible assets. Cash generated from our investing activities is primarily related to interest received on bank deposits, deposits received in connection with the disposal of a subsidiary, the dividend received from a jointly controlled entity and proceeds from disposal of property, plant and equipment.

For the year ended December 31, 2020, our net cash used in investing activities was RMB661.4 million (US\$101.4 million), primarily consisted of (i) cash advanced to non-controlling interests of subsidiaries of RMB1,075.0 million (US\$164.8 million) and (ii) acquisition of financial assets at fair value through profit or loss of RMB1,272.7 million (US\$195.0 million), which was partially offset by (i) proceeds from disposal of shares in subsidiaries of RMB467.7 million (US\$71.7 million), and (ii) proceeds from disposal of financial assets at fair value through profit or loss of RMB596.4 million (US\$91.4 million).

For the year ended December 31, 2019, our net cash used in investment activities was RMB1,455.8 million, which was primarily the result of (i) acquisition of financial assets at fair value through profit or loss of RMB1,354.0 million, (ii) cash advance to non-controlling interests of subsidiaries of RMB1,203.7 million and (iii) capital injection to joint ventures of RMB868.8 million, which was partially offset by (i) disposal of financial assets at fair value through profit or loss of RMB795.5 million, (ii) repayment from related parties of RMB766.2 million and (iii) cash receipt from non-controlling interests of subsidiaries of RMB673.7 million.

For the year ended December 31, 2018, our net cash used in investment activities was RMB2,553.9 million, which was primarily the result of (i) acquisition cost of and capitalised expenditures incurred on investment properties of RMB1,381.6 million, (ii) providing loans to related parties of RMB774.7 million, (iii) capital injection to joint ventures of RMB423.3 million and (iv) cash advance to non-controlling interests of subsidiaries of RMB413.1 million, which was partially offset by (i) proceeds from disposal of investment properties of RMB778.5 million, (ii) repayment from related parties of RMB294.8 million and (iii) disposal of financial assets at fair value through other comprehensive income of RMB228.4 million.

Net Cash Generated from/Used in Financing Activities

Cash generated from financing activities is primarily related to proceeds from borrowings. Cash used in financing activities is primarily related to (i) repayments of borrowings, dividends paid by companies that now comprise our Group to its then other shareholders and (ii) changes in ownership interests in subsidiaries without change of control, which represents acquisitions by us of the minority interest in our subsidiaries.

For the year ended December 31, 2020, our net cash generated from financing activities was RMB2,422.1 million (US\$371.2 million), which was primarily the result of (i) proceeds from borrowings of RMB10,079.3 million (US\$1,544.7 million) and (ii) proceeds from issuance of senior notes of RMB2,361.3 million (US\$361.9 million), which was partially offset by (i) repayments of borrowings of RMB8,939.0 million (US\$1,370.0 million) and (ii) repayment of senior notes of RMB3,247.8 million (US\$497.7 million).

For the year ended December 31, 2019, our net cash used in financing activities was RMB619.9 million, primarily consisted of (i) repayments of borrowings of RMB8,646.0 million, (ii) increase in restricted cash relating to financing activities of RMB1,444.7 million and (iii) repayment of corporate bonds of RMB1,089.9 million, which was partially offset by (i) proceeds from borrowings of RMB6,096.1 million, and (ii) proceeds from issuance of senior notes of RMB4,101.6 million.

For the year ended December 31, 2018, our net cash generated from financing activities was RMB6,940.7 million, which was primarily the result of (i) proceeds from borrowings of RMB10,919.5 million and (ii) proceeds from issuance of senior notes of RMB2,178.2 million, which was partially offset by (i) repayments of borrowings of RMB8,605.5 million, (ii) changes in advance from related parties of RMB599.0 million and (iii) repayment to non-controlling interests of subsidiaries of RMB450.2 million.

Working Capital

To achieve sufficient working capital, we will continue to improve our cash inflow associated with the sales and pre-sales of our properties by strengthening marketing efforts and further enhancing the payment collection from our customers with respect to the property sales and pre-sales. We also intend to better utilize the payment terms under the construction agreements provided by our general contractors through negotiation and the establishment of strategic relationships, in order to optimize the payment schedules for construction fees to match our proceeds collection and property sales plan. In addition, at our headquarters level, various departments will coordinate to control cash outflow by establishing our development and construction schedules, property sales and land acquisition plans based on the cash inflow associated with external financing opportunities and property sales proceeds.

COMMITMENTS

Property Expenditure Commitments

The following table sets forth our property development expenditures we had contracted but yet provided for as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000
				(Unaudited)
Land use rights	—	1,164,900	1,712,070	262,386
Other property development expenditures	2,490,684	1,754,489	2,251,914	345,121
	<u>2,490,684</u>	<u>2,919,389</u>	<u>3,963,984</u>	<u>607,507</u>

Investment commitments

The following table sets forth our committed investments for as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000
				(Unaudited)
Committed investments.	22,500	18,190	26,063	3,994
Committed for the selling rights of certain completed properties for sale.	284,760	—	—	—
	<u>307,260</u>	<u>18,190</u>	<u>26,063</u>	<u>3,994</u>

Operating lease rental receivables

The following table sets forth the future aggregate minimum rental receipts under non-cancellable operating lease in respect of certain buildings are receivable for as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000
Within 1 year	88,775	147,693	169,576	25,989
1 to 5 years	292,023	313,772	251,933	38,610
After 5 years.	228,706	205,596	180,625	27,682
	<u>609,504</u>	<u>667,061</u>	<u>602,134</u>	<u>92,281</u>

Operating Lease Commitments

The following table sets forth our committed operating lease expenditures as of the dates indicated:

	As of December 31,	
	2018	
		RMB'000
Within 1 year		37,665
1-5 years.		110,205
Over 5 years		113,805
Total		<u>261,675</u>

INDEBTEDNESS

Borrowings

The following table sets forth the principal amounts of our current and non-current bank and other borrowings as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000
				(Unaudited)
Current Borrowings				
Bank loans, secured	1,045,600	2,050,250	1,908,565	292,500
Other loans, secured	1,055,620	—	322,000	49,349
Trust financing arrangements, secured ⁽¹⁾ :				
— conventional loan	231,900	124,700	—	—
Add: Current portion of long-term borrowings	4,350,284	7,223,063	6,909,305	1,058,897
Total Current Borrowings	<u>6,683,404</u>	<u>9,398,013</u>	<u>9,139,870</u>	<u>1,400,746</u>
Non-Current Borrowings				
Bank loans, secured	5,392,476	4,742,601	6,418,178	983,629
Other loans, secured	2,335,000	1,459,000	2,190,498	335,709
Trust financing arrangements, secured ⁽¹⁾ :				
— conventional loan	1,094,700	251,700	1,046,500	160,383
Senior Notes due 2020, issued in April 2017, secured	2,724,530	2,750,975	—	—
Senior Notes due 2021, issued in April 2018, secured	2,382,473	2,429,874	1,348,822	206,716
Senior Notes due 2020, issued in January 2019, secured	—	1,042,469	—	—
Senior Notes due 2021, issued in April 2019, secured	—	1,355,493	1,260,924	193,245
Senior Notes due 2022, issued in July 2019, secured	—	1,805,273	1,688,076	258,709
Senior Notes due 2022, issued in March 2020, secured	—	—	1,234,231	189,154
Senior Notes due 2022, issued in June 2020, secured	—	—	972,150	148,989
Senior Notes due 2023, issued in November 2020, secured	—	—	1,551,964	237,849
Corporate bonds due 2019	946,942	—	—	—
Corporate bonds due 2021	1,491,522	992,976	1,221,712	187,236
Corporate bonds due 2022	—	—	281,188	43,094
Less: Current portion of long-term borrowings:	(4,350,284)	(7,223,063)	(6,909,305)	(1,058,897)
Total Non-Current Borrowings	<u>12,017,359</u>	<u>9,607,298</u>	<u>12,304,938</u>	<u>1,885,814</u>
Total	<u>18,700,763</u>	<u>19,005,311</u>	<u>21,444,808</u>	<u>3,286,561</u>

Note:

(1) These borrowings are mainly in the form of trust financing arrangements with trust financing providers.

Our total outstanding borrowings increased from RMB18,700.8 million as of December 31, 2018 to RMB19,005.3 million as of December 31, 2019 and further increased to RMB21,444.8 million (US\$3,286.6 million), primarily due to the increase in the construction and investing activities resulting from our business expansion. Our borrowings were made from commercial banks, micro-credit company and trust financing providers in the PRC, all of which are independent third parties. During the years ended December 31, 2018, 2019 and 2020 and up to the date of this Offering Memorandum, our Directors confirmed that they are not aware of any breach of any of the covenants contained in our banking and other loan facilities constituting any event of default nor are they aware of any restrictions that will limit our ability to drawdown on our unutilized facilities. Our Directors further confirmed that during the years ended December 31, 2018, 2019 and 2020 and up to the date of this offering memorandum, we had not experienced any material difficulties in obtaining banking facilities nor had we been rejected for any loan application.

A large portion of our borrowings were secured by properties held or under development for sale, investment properties and bank deposits or guaranteed by our subsidiaries for each other or by related parties.

The table below sets forth the weighted average effective interest rates on our bank and other borrowings as of the dates indicated:

	For the Year Ended December 31,	
	2018	2019
Bank loans	6.37%	5.97%
Trust financing arrangements.	12.97%	10.43%
Senior Notes	8.39%	10.10%
Corporate bonds	7.09%	7.00%
Other Loans	9.86%	8.72%

The increase in average effective interest rates on our bank borrowings during the years ended December 31, 2018 was mainly result from the tightened regulations and policies in relation to real estate financing. Interest rates of borrowings under the trust financing arrangements do not usually link to the PBOC benchmark interest rates and are typically higher than those charged by commercial banks. Notwithstanding the higher cost, we selected to obtain trust financings for some of our property development projects to take advantage of their shorter approval time and flexible terms regarding repayment, as compared to those offered by commercial banks, particularly in the tightened credit environment for real estate developers.

The following table sets forth the maturity profiles of our non-current borrowings as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000
				(Unaudited)
Between 1 and 2 years	7,126,294	5,916,425	7,056,245	1,081,417
Between 2 and 5 years	3,923,218	3,168,298	4,841,365	741,972
Above 5 years	967,847	522,575	407,328	62,426
Total	12,017,359	9,607,298	12,304,938	1,885,814

Contingent liabilities

Mortgage Guarantees

We provide mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificate to the customer, or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on a mortgage loan, we may be required to repurchase the underlying property by paying off the mortgage. 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.

The following table sets forth our total mortgage guarantees to financial institutions in respect of the mortgage loans they provided to our property purchasers as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000
				(Unaudited)
Mortgage guarantees	3,862,016	4,363,078	5,416,501	830,115

During the years ended December 31, 2018, 2019 and 2020, our Directors confirm that we have not encountered defaults by purchasers in which we provided mortgage guarantees that, in aggregate, had a material adverse effect on our financial condition and results of operations.

Legal Contingents

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

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

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as of December 31, 2020, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are, in the ordinary course of our business, exposed to various market risks, including foreign currency risk, cash flow and fair value interest rate risk, credit risk and liquidity risk. Our capital risk management strategy aims to safeguard our ability to continue as a going concern in order to provide returns for our shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Foreign Exchange Risk

We conducted our business of development, sale and management of properties solely in the PRC with almost all transactions denominated in Renminbi. In addition, the majority of the our assets and liabilities are denominated in Renminbi. Accordingly, we are not exposed to significant foreign currency risk except for the bank deposits from the Company’s initial public offering, which are denominated in US dollar.

Nonetheless, as we expand our operations, we may incur a certain portion of our cash flows in currencies other than Renminbi and thereby, may increase our exposure to fluctuations on exchange rates. We currently do not have a foreign currency hedging policy but our Directors would manage our exposure through constant monitoring to limit as much as possible the amount of our foreign currency exposures.

Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits bearing stable interest rates, the Group has no other significant interest-bearing assets.

Our exposure to changes in interest rates is mainly attributable to our borrowings from bank and trust financing providers. Borrowings at floating rates expose us to cash flow interest rate risk, while borrowings at fixed rates expose us to fair value interest rate risk. We have not hedged our cash flow or fair value interest rate risk. Our Directors do not anticipate significant impacts to interest-bearing assets resulting from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

Credit Risk

We have no significant concentrations of credit risk. The carrying amounts of bank deposits and trade and other receivables included in the consolidated balance sheets represent our maximum exposure to credit risk in relation to its financial assets. Cash transactions are limited to high-credit-quality financial institutions. Our Directors do not expect any losses from non-performance of these counterparties.

We have policies in place to ensure that the sales of properties are made to customers with an appropriate financial strength with appropriate percentage of down payment. Meanwhile, we have the right to cancel the sales contract in the event that the customer default in payment, and put the underlying properties back on the market for sale. Credit is normally provided to anchor tenants with sufficient financial strength. Therefore, the credit risk from sales of properties is limited. We also have other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Other receivables mainly comprise receivables from related parties and deposits made in the ordinary course of business. We closely monitor the other receivables to ensure actions are taken to recover these balances in the case of any risk of default.

Liquidity Risk

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

INDUSTRY OVERVIEW

Certain information and statistics set out in this section have been extracted from an industry report and from various government publications. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us or any other party involved in the offering of the Notes and no representation is given as its accuracy. Accordingly, such information should not be unduly relied upon.

OVERVIEW OF THE PRC ECONOMY AND POPULATION

China's economy has been maintaining its growth momentum, demonstrated by the increase of nominal GDP from RMB64,128 billion in 2014 to RMB99,087 billion in 2019, representing a compound annual growth rate (CAGR) of 9.1%. The average real GDP growth rate was 6.7% from 2014 to 2019. During the same period, per capita disposable income of urban residents in China increased from RMB28,844 to RMB42,359, with a CAGR of 8.0%, indicating a significant increase of purchasing power of urban residents in China that would in turn lead to a growing demand for property upgrades. China's urbanization rate is keeping rising with support of favorable policies such as the New National Urbanization Plan (2014-2020) (《國家新型城鎮化規劃(2014-2020)》). Meanwhile, China has promoted the reform of Hukou registration system, resulting in the migration of residents to urban areas, leading to an increase of housing demand. The table below sets out the selected major economic indicators in China for the years indicated:

Major economic indicators in the PRC (2014-2019)

	2014	2015	2016	2017	2018	2019 ⁽¹⁾	CAGR
Nominal GDP (RMB billion)	64,128	68,599	74,006	82,075	90,031	99,087	9.1%
Real GDP growth rate (%)	7.3	6.9	6.7	6.8	6.6	6.1	6.7 ⁽²⁾
Fixed asset investment (RMB billion)	51,202	56,200	60,647	64,124	64,568	56,087 ⁽³⁾	N/A
Per capita disposable income of urban households							
(RMB)	28,844	31,195	33,616	36,396	39,251	42,359	8.0%
Urban population (million)	749	771	793	813	831	848	2.5%
Urbanization rate (%)	54.8	56.1	57.4	58.5	59.6	60.6	N/A

Notes:

- (1) The preliminary figures
- (2) The arithmetic mean of the growth rates
- (3) The Nation Bureau of Statistics of China has revised the scope of fixed asset investment since The 4th Economic Census in 2019

Source: National Bureau of Statistics of China, Ministry of Commerce of China

OVERVIEW OF THE REAL ESTATE MARKET IN THE PRC

Overview of the Real Estate Market

In line with rapid growth of domestic economy and fixed asset investment, the overall investment in real estate sector kept its increasing momentum with a CAGR of 6.8% from RMB9,504 billion in 2014 to RMB13,219 billion in 2019. The total gross floor area (GFA) sold rose to 1,501 million sq.m. in 2019 from 1,052 million sq.m. in 2014, or a CAGR of 7.4%, demonstrating an increasing demand in the real estate market. The average sales price of residential properties increased from RMB5,933 per sq.m. in 2014 to RMB9,287 per sq.m. in 2019, representing a CAGR of 9.4%. The table below sets out the major indicators of real estate sector in China for the years indicated:

Selected real estate market indicators of the PRC (2014-2019)

	2014	2015	2016	2017	2018	2019 ⁽¹⁾	CAGR
Total real estate investment (RMB billion)	9,504	9,598	10,258	10,980	12,026	13,219	6.8%
Real estate investment — residential (RMB billion)	6,435	6,460	6,870	7,515	8,519	9,707	8.6%
GFA of residential under construction (million sq.m.)	5,151	5,116	5,213	5,364	5,700	6,277	4.0%
GFA of residential properties newly commenced (million sq.m.)	1,249	1,067	1,159	1,281	1,534	1,675	6.0%
GFA of residential properties completed (million sq.m.)	809	738	772	718	660	680	-3.4%
GFA of residential properties sold (million sq.m.)	1,052	1,124	1,375	1,448	1,479	1,501	7.4%
ASP of residential properties (RMB per sq.m.)	5,933	6,473	7,203	7,614	8,544	9,287	9.4%

Note:

(1) The preliminary figures

Source: National Bureau of Statistics of China

Besides the demand from the deepening of urbanization, the demand of real estate market in the PRC is more likely from metropolitan clusters. The PRC has gradually established resource-sharing and economically-connected metropolitan clusters. Currently, the PRC has already formed three well-developed metropolitan clusters, namely the Pearl River Delta (珠江三角洲), the Yangtze River Delta (長江三角洲) and the Beijing-Tianjin-Hebei (京津冀). During the “13th Five-Year planning Period” (“十三五”規劃期間), the PRC is expected to form 19 regional metropolitan clusters in total, with each cluster comprising a nucleus city and neighboring satellite cities, through convenient transportation and telecommunication system. Further, according to the Guangdong-Hong Kong-Macau Greater Bay Area Development Plan (《粵港澳大灣區發展規劃綱要》) recently issued by the State Council of the PRC, the construction of the Greater Bay Area is expected to improve development quality of city clusters as well as regional residential market. Such efforts aim to improve the regional economic environment, and it is expected that further development of metropolitan clusters will enable lower-tier cities to benefit from the inflow of talents, construction of infrastructure and upgrade of industries, resulting in increasing housing demand in these cities.

Recent Development of Real Estate Market Policies

The real estate market in China is highly exposed to change of government regulations. In order to prevent overheating of the real estate market, the government has established various policies to regulate the market and stabilize the property prices. In the Central Economic Working Conference (中央經濟工作會議) held at the end of 2016, the principle of “Housing is for living in, not for speculation” (“房子是用來住的, 不是用來炒的”) was first proposed, and subsequently became the underlying principle. In December 2018, the principle of “stabilizing land price, stabilizing housing price and stabilizing expectation” was strengthened on the conference held by the Ministry of Housing and Urban-Rural Development (住房與城鄉建設部), indicating that the stability of the real estate market would still be the key point of market regulation and development. It is expected that such regulatory measures will effectively restrict speculation and prevent bubbles in the housing market, while impose limited impact on the demand from the real first-time buyers and first-time upgraders. In recent years, some of these restrictions in lower-tier cities have been relaxed in order for those cities to attract and retain more talents to support economic development.

The Competitive Landscape of Real Estate Industry in the PRC

The competitors of the Group include major national and regional developers, and the Group competes with its competitors on capabilities of land acquisition, construction materials, living experience, product design, product quality, selling prices and customer services. The residential property market in China is highly fragmented and competitive. Moreover, the property development industry is capital-intensive, and property sales, funding as well as land acquisition are all exposed to cyclicity, which could largely affect the capital conditions of property developers. Recent restrictive housing measures together with tightened credit environment have impose liquidity pressures on smaller property developer, creating more merge and acquisition opportunities for large property developers with strong balance sheet. The increasing trend is expected to continue. Top-tier real estate developers continued to scale up in 2018 and 2019, resulting in the increase in the market share of China’s top 50 developers. The table below sets out the market share of the top 50, 100 and 200 real estate developers by contracted sales in China for the years indicated:

The real estate market share by contracted sales

	2016	2017	2018	2019
Top 50 real estate developers	29.7%	37.4%	43.3%	43.5%
Top 100 real estate developers	38.3%	46.2%	53.6%	53.0%
Top 200 real estate developers	46.0%	52.8%	60.8%	59.6%

Source: China Real Estate Association, CRIC

MARKET FOCUS — YANGTZE RIVER DELTA REGION

Overview

The Yangtze River Delta region, covering Shanghai, Jiangsu Province and Zhejiang Province, has an aggregate site area of approximately 2.0 billion sq.m. and is one of the most affluent regions in the PRC. It is widely regarded as the largest regional economy in the PRC.

The overall economic statistics of Yangtze River Delta Region generally outperform the national statistics. For example, the total nominal GDP contributed by the region accounted for approximately 20.2% of total national nominal GDP in 2018. 16 cities within the region were ranked in the top 50 in terms of GDP, with Shanghai taking first place. The following table sets forth the ranking of the 16 cities in the top 50 in China in terms of nominal GDP:

Cities	Rank
Shanghai	1
Suzhou	7
Hangzhou	10
Nanjing	11
Wuxi	14
Ningbo	15
Nantong	20
Changzhou	29
Xuzhou	33
Wenzhou	35
Yancheng	36
Yangzhou	37
Shaoxing	38
Taizhou, Jiangsu Province	42
Taizhou, Zhejiang Province	44
Jiaxing	45

Source: National Bureau of Statistics, Wind

The aggregate population of the Yangtze River Delta Region amounted to 162 million in 2018, accounting for approximately 11.6% of total population in the PRC and these cities currently achieved an average urbanization rate over 60%.

The per capita disposable income for urban households of Shanghai, Jiangsu Province and Zhejiang Province reached RMB68,034, RMB47,200, RMB55,574 respectively in 2017, while the national per capita disposable income for urban households is RMB39,251. In addition, according to The People's Bank of China, Wind, the total deposit balance of domestic currency and foreign currency with monetary institutions in the Yangtze River Delta Region at the end of 2018 amounted to RMB38.2 trillion, accounting for approximately 21.5% of total national deposit balance at the end of 2018, while the total outstanding loan balance at that time was RMB29.7 trillion, approximately 21.8% of total national loan balance.

The table below sets forth certain economic statistics of the Yangtze River Delta region for the periods indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP												
(RMB billion)	6,651	7,249	8,631	10,062	10,891	11,933	12,883	13,813	15,282	16,827	18,147	10.6%
Per capita disposable income for urban households of Shanghai												
(RMB)	26,675	28,838	31,838	36,230	40,188	44,878	48,841	52,962	57,692	62,596	68,034	9.8%
Per capita disposable income for urban households of Jiangsu												
(RMB)	18,680	20,552	22,944	26,341	29,677	31,586	34,346	37,174	40,152	43,622	47,200	9.7%
Per capita disposable income for urban households of Zhejiang												
(RMB)	22,727	24,611	27,359	30,971	34,550	37,080	40,393	43,715	47,237	51,261	55,574	9.4%

Source: National Bureau of Statistics, Wind

Property Market in the Yangtze River Delta Region

The population, urbanization level, disposable income, deposit and loan balances in the Yangtze River Delta region have all indicated strong demand and high purchasing power of local residents, which presents a huge potential for real estate market in the region.

Driven by increasing housing demand and purchasing power, according to National Bureau of Statistics, Wind, the ASP of residential properties in the Yangtze River Delta region had climbed from RMB5,284 per sq.m. in 2008 to RMB11,213 per sq.m. in 2016, RMB11,611 per sq.m. in 2017 and further to RMB13,446 per sq.m. in 2018, respectively, representing a CAGR of 9.8% from 2008 to 2018. In 2018, the ASP of residential properties in the PRC was RMB8,544 per sq.m..

The sales of properties fluctuated during 2008 to 2018. The total residential GFA sold in the Yangtze River Delta region decreased in 2008 and 2010, respectively, which was primarily due to the global economic crisis and regulatory changes which were promulgated to curb the overheated property market. Total residential GFA sold in the Yangtze River Delta region in 2008 was 97.3 million sq.m., compared to an aggregate 592.8 million sq.m. in the PRC, which increased to 213.1 million sq.m. in 2018, compared to an aggregate of 1,479.3 million sq.m. in the PRC. Corresponding total transaction volume of residential properties in the Yangtze River Delta region increased from RMB514.1 billion in 2008 to RMB2,865.4 billion in 2018, respectively, representing a CAGR of 18.7% from 2008 to 2018. Over the same period, total residential property transaction volume in the PRC increased from RMB2,119.6 billion in 2008 to RMB12,639.3 billion in 2018.

Property construction activities have also been affected by the regulatory and policy changes in the property industry, which slowed in 2008 and 2010, but had recovered since 2010. Total residential GFA under development in the Yangtze River Delta region in 2008 was 424.6 million sq.m., compared to an aggregate 2,166.7 million sq.m. in the PRC, which increased to 812.9 million sq.m. in 2018, compared to an aggregate of 5,699.9 million sq.m. in the PRC. Total residential GFA completed in the Yangtze River Delta increased from 103.1 million sq.m. in 2008 to 111.4 million sq.m. in 2018, reaching a record high. Over the same period, total residential GFA completed in the PRC increased 477.5 million sq.m. in 2008 to 660.2 million sq.m. in 2018, respectively.

The table below sets forth certain property market statistics of the Yangtze River Delta region as well as in the PRC for the periods indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
Total residential GFA under development (sq.m. million)	425	432	498	589	634	707	760	758	758	763	813	6.7%
Total residential GFA completed (sq.m. million)	103	104	104	107	122	122	130	135	142	133	111	0.8%
Total residential GFA sold (sq.m. million)	97	167	136	110	128	163	145	174	219	215	213	8.2%
Total residential property transaction volume (RMB billion).	514	1,172	1,051	884	1,084	1,456	1,307	1,721	2,457	2,496	2,865	18.7%
ASP of residential properties (RMB/sq.m.)	5,284	7,006	7,710	8,040	8,447	8,927	8,996	9,883	11,213	11,611	13,446	9.8%

Source: National Bureau of Statistics, Wind

MARKET FOCUS — BEIJING, TIANJIN, CHONGQING AND WUHAN

Overview

In addition to the Yangtze River Delta region, we have also expanded our footprint into Beijing, Tianjin, Chongqing and Wuhan. These cities are the core cities in either the Bohai Rim or the Midwest China region, both are core economic development regions in PRC with the most promising development potential. In addition, Beijing, Tianjin and Chongqing are centrally direct-controlled municipalities in the PRC under the direct administration of the central government.

Beijing

Beijing is the capital of the PRC. It is also the political, cultural and educational center of the PRC. Beijing is a municipality directly under the administration of the central government of the PRC. Beijing is home to a large number of corporate regional headquarters and its development is expected to continue at a rapid pace. According to National Bureau of Statistics, Wind, Beijing had a population of approximately 21.5 million at the end of 2018. In 2018, Beijing's GDP reached approximately RMB2,801 billion. The table below sets forth selected economic indicators relating to Beijing for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB billion)	1,112	1,215	1,411	1,625	1,788	1,980	2,133	2,301	2,567	2,801	3,032
GDP growth (%)	9.1	10.2	10.3	8.1	7.7	7.7	7.3	6.9	6.8	6.7	6.6
Per capita GDP (RMB)	64,491	66,940	73,856	81,658	87,475	94,647	99,995	106,497	118,198	128,994	140,211

Source: National Bureau of Statistics, Wind

Tianjin

Tianjin is located in the Bohai Rim of Northern China and is approximately 120 kilometers from Beijing, the capital of the PRC. Tianjin is one of the four municipalities directly under the administration of the central government of the PRC. According to National Bureau of Statistics, Wind, as of December 31, 2018, Tianjin had a permanent resident population of approximately 15.6 million. In 2018, Tianjin's GDP reached approximately RMB1,881 billion. The table below sets out selected economic statistics of Tianjin for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB billion)	635	752	922	1,130	1,289	1,437	1,573	1,654	1,789	1,835	1,881
GDP growth (%)	16.5	16.6	17.4	16.4	13.8	12.5	10.0	9.3	9.1	3.6	3.6
Per capita GDP (RMB)	58,656	62,574	72,994	85,213	93,173	99,607	105,231	107,960	115,053	118,944	120,711

Source: National Bureau of Statistics, Wind

Chongqing

Chongqing is located in the central western part of China. According to National Bureau of Statistics, Wind, as of December 31, 2018, Chongqing had a permanent resident population of approximately 31.0 million. In 2018, Chongqing's GDP reached approximately RMB2,036 billion. The table below sets out selected economic statistics of Chongqing for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB billion)	510	653	793	1,001	1,141	1,266	1,426	1,572	1,774	1,942	2,036
GDP growth (%)	14.5	15.0	17.1	16.4	13.6	12.3	10.9	11.0	10.7	9.3	6.0
Per capita GDP (RMB)	20,490	22,920	27,596	34,500	38,914	42,795	47,580	52,321	58,502	63,442	65,933

Source: National Bureau of Statistics, Wind

Wuhan

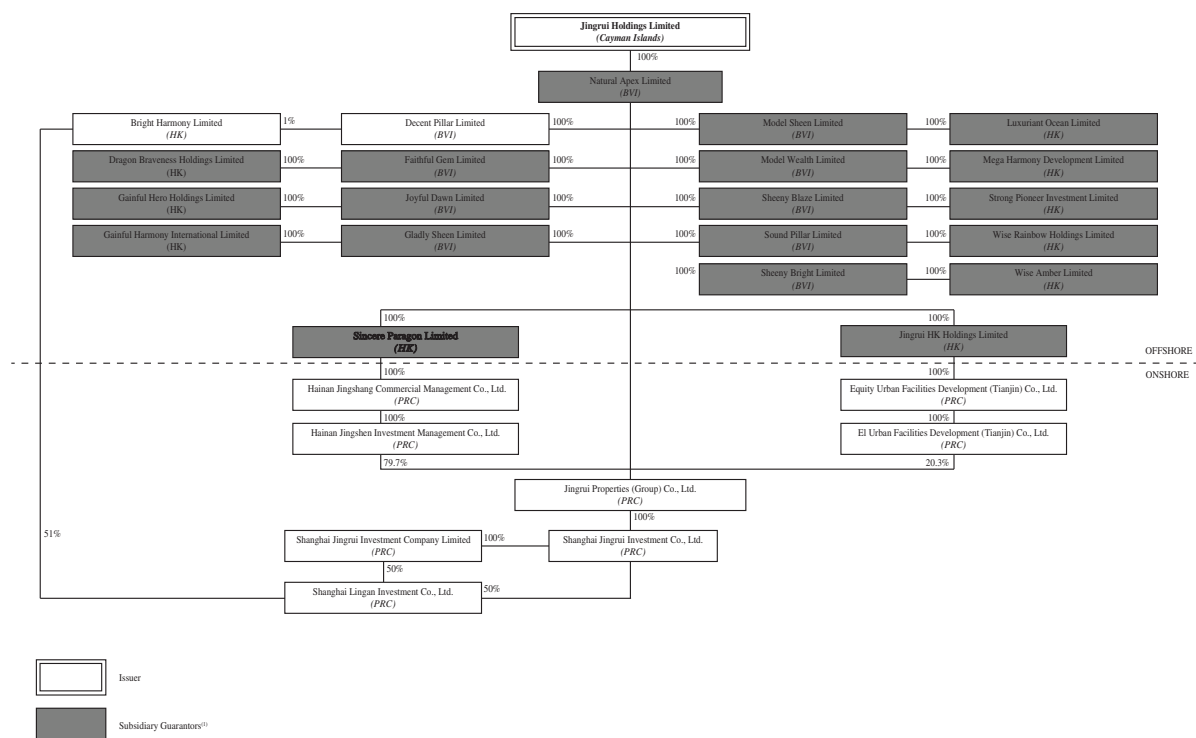
Wuhan, located at the intersection of the Yangtze and the Han Rivers, is the capital of Hubei Province in central China and has developed into a major commercial and manufacturing center in China. According to National Bureau of Statistics, Wind, Wuhan's GDP reached RMB1,485 billion in 2018 with 10.7% growth rate, 4.1% higher than China's average. Tertiary industry contributed the majority of GDP. Meanwhile, as municipal government is pushing through economic restructure, high-tech industries are emerging as new drivers of economic growth in Wuhan.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (RMB billion)	396	456	552	676	800	905	1,007	1,091	1,191	1,341	1,485
GDP growth (%)	15.1	13.7	14.7	12.5	11.4	10.0	9.7	8.8	7.8	8.0	10.7
Per capita GDP (RMB)	44,296	51,144	58,961	68,315	79,482	89,000	97,962	104,132	111,469	123,831	135,136

Source: National Bureau of Statistics, Wind

CORPORATE STRUCTURE

Set forth below is our shareholding structure as of the date of this offering memorandum:



Note:

- (1) For a full list of subsidiary guarantors, see “Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary — The Subsidiary Guarantees.”

BUSINESS

OVERVIEW

We are one of the leading regional property developers in the Yangtze River Delta. We ranked as one of the top 100 real estate companies in China for 10 consecutive years since 2011 and ranked 51st among the top 100 real estate companies in China for 2020, according to the data from Enterprise Research Institute under the Development Research Center of the State Council, Property Research Institute of Tsinghua University and China Index Academy. We were also awarded 2020 top 10 China real estate companies in terms of efficiency and top 10 China listed real estate companies in terms of financing capacity by China Real Estate Association. Headquartered in Shanghai, as of December 31, 2020, we have established operations in 22 cities across China. According to the National Bureau of Statistics and Wind, the overall economic statistics of Yangtze River Delta Region generally outperform the national statistics. In addition, we have successfully expanded our footprints to Beijing and Tianjin, the economic centers of Bohai Economic Rim, and Chongqing, a major economic center in Southwest China, all of which are centrally direct-controlled municipalities in the PRC. We are actively seeking additional opportunities in other cities in the PRC.

We have established a rapid-asset-turnover model focusing on achieving higher growth rates and investment returns while maintaining healthy margin for each of our projects. We believe the application of rapid-asset-turnover approach to our property development enhances the investment return and efficiency of our development processes. Our rapid-asset-turnover model seeks to successfully drive our projects from land acquisition, planning and construction to sales and delivery in a short period of time. Our rapid-asset-turnover model is implemented through the systematic management approach to our business. Such approach includes formulating and practicing standardized procedures divided into different business functions covering our entire operation, including procedures to ensure a disciplined and prudent land acquisition strategy and modularized project schedule management system that specifies the timeframe and quality standards for each milestone to be achieved during the development process. We centralized many critical aspects of our project development processes at our headquarters level, which we believe enables our local project companies to focus on their key business functions, such as ensuring our projects are constructed in a timely manner according to our strict quality standards and optimizing pre-sales/sales efforts. We have also built an extensive collection of standardized product portfolio that are constantly refined and updated pursuant to customer feedback and need, as well as established strategic relationships with over 500 contractors and suppliers. These efforts have enabled us to deliver high quality residential real estate projects that are replicable by us in a cost efficient manner, reducing the overall development timeframe and costs which enables us to optimize our investment returns and cash position. During the years ended December 31, 2018, 2019 and 2020, our asset turnover ratio was 0.26, 0.27 and 0.21, respectively.

We are a customer-driven residential property developer that focuses on developing properties catering to the demand of our target customers. Our products are designed to meet the need of first-time home purchasers and customers who are purchasing to upgrade their existing living conditions. These customers that currently constitute a significant portion of all property purchasers in the PRC. As a result, our products are positioned in accordance with current market trends and government policies, and are less subjected to the restrictive government measures targeted towards the real estate industry in the PRC to curb speculative real estate investments. We have introduced and implemented the “customer insights” strategy to understand the needs of our customers. We provide our customers with a customized and one-stop product solution to help them reshape their life styles. We also introduced the customized brand Space^{me} for our residential properties, which connects core modules in our property development process and aims to improve our operation efficiency. We believe our strategic product positioning and the continuous expanding potential customer base as a result of rapid economic growth and accelerating urbanization in the Yangtze River Delta region, together with our rapid-asset-turnover model, had and will continue to contribute to our revenue growth and scalability.

We usually identify and pursue medium-sized land parcels with an aggregate site area of approximately 100,000 to 400,000 sq.m., which are well suited for our rapid-asset-turnover model and targeted return. We particularly focus on lands in target cities that are suitable for our standardized products and located in areas that will attract our target customers. These land sites enable us to effectively leverage our standardized operating procedures, resulting in shortened development cycle and effective control of our development costs and cash position.

As of December 31, 2020, we had property projects or project phases located in 15 cities under development, with an aggregate GFA of approximately 4.6 million sq.m. We also held an aggregate GFA of approximately 0.4 million sq.m. in two cities for future development. As of December 31, 2020, we had a land bank with an aggregate GFA of approximately 4,957,541 sq.m. or 2,625,143 sq.m. on an attributable basis. We have obtained the relevant land use rights for such land parcels as of the date of this offering memorandum. We believe we have accumulated a high quality land bank, which, together with new land acquisition opportunities we may identify on a rolling basis, will continue to support our sustainable growth in the long run.

We also engage in property management services through our subsidiary, Shanghai Jingrui Property Management, which provides services for all of our own development projects. Our property management services enhance the value of our projects and facilitate to further establish our reputation and brand image while improving customer loyalty and satisfaction.

We are also in the transition from a traditional real estate developer to an asset-light operator. In 2017, we have established five major business platforms, namely Jingrui Properties, Yan Capital, Co-Fortune Capital, Office Platform and Apartment Platform. Since their establishment, the five major business platforms have reinforced our comprehensive capacity while laying a solid foundation for our core business. In March 2020, we have updated the original platforms to Jingrui Properties, Yan Capital Management, Co-Fortune Capital, Jingrui Capital and Jingrui Service. See “Business — Asset Light Initiatives.” The diversified business will help us expand revenue stream, shift profit structure and avoid undue reliance on real estate development.

OUR STRENGTHS

We are a customer-driven residential real estate developer in the PRC focused on creating value for our shareholders. We believe the following strengths have contributed to the success of our business operations and leading position in the real estate industry:

Leading Position in the Residential Property Development Industry in the Yangtze River Delta Region with Strategic National Footprint

We are one of the leading regional property developers in the Yangtze River Delta. Headquartered in Shanghai, as of December 31, 2020, we have established operations in 22 cities across China since our inception in 1993, including operations in most first-tier and second-tier cities in the Yangtze River Delta region. This provides us with one of the broadest operational coverage of core cities in the Yangtze River Delta region as compared to other leading property developers focusing in the region, according to China Index Academy, and we intend to further expand such coverage to other core cities in the region.

The Yangtze River Delta region, which is comprised of Shanghai, Jiangsu Province and Zhejiang Province, is the most economically prosperous area in China, with Shanghai being one of the most important economic centers in the world. According to National Bureau of Statistics, Wind, the Yangtze River Delta region contributed approximately 20.0%, 20.2% and 20.0% of China's total nominal GDP in 2015, 2016 and 2017. According to National Bureau of Statistics, Wind, per capita disposable income of urban households in the region reached RMB42,346, RMB47,162 and RMB51,178 in 2015, 2016 and 2017 respectively, as compared to the national per capita disposable income of urban households of RMB31,195, RMB33,616 and RMB36,396, respectively. The Yangtze River Delta region is also one of the most densely populated regions in China, presenting huge potential for the real estate market. In addition to the Yangtze River Delta region, we have also successfully entered into three of the fastest growing centrally direct-controlled municipalities in the PRC, Beijing, Tianjin and Chongqing. These three cities are part of our national strategic footprint, that is to continuously focuses on first-tier and second-tier cities in China's four core city clusters, the Yangtze River Delta, the Bohai Rim, the Midwest China and the Pearl Delta Region. We are also in the process of actively exploring opportunities in and Pearl Delta Region. We believe these areas possess at least one of the following attributes: (i) as a core economic development center in the PRC; (ii) with a strong industrial or corporate base or with strong growth potential; or (iii) undergoing accelerating urbanization.

We believe as one of the early entrants in the real estate development industry in the Yangtze River Delta region and with our strategic coverage, we were able to gain deeper understanding of the market, customer preferences and urban planning trends of the region, and have established strong relationships with local suppliers, providing us with a first-mover advantage. Leveraging over 20 years of operational experience in the Yangtze River Delta region along with our leading market position, we will continue to expand our geographic presence and furthering the growth of our business in first-tier cities and second-tier cities in the four city clusters to take advantage of the continued increase in demand for high quality residential properties and property management services due to the positive synergetic effect resulting from further growth in the population, urbanization and general local economies of our target cities. We will also seek opportunities to enter into the third- and fourth-tier cities. For the year ended December 31, 2020, the proportion of our recognized sales in first-tier and second-tier cities remained stable at 82.9%, compared to 83.0% in 2019.

“Rapid-Asset-Turnover” Model with Systematic Management Approach Aiming at Maximizing Economic Returns and Optimizing Cash Position

We have established a rapid-asset-turnover model focusing on achieving higher growth rates and investment returns while maintaining healthy margin for each of our projects. We believe the application of rapid-asset-turnover approach enhances the investment return and efficiency of our development processes. As a result, we engage in disciplined and proficient land acquisition practices, prompt construction and development processes and swift pre-sales/sales strategies, with the aim to drive our projects from land acquisition to sales and delivery in a short period of time.

Our rapid-asset-turnover model is implemented through our systematic management approach which includes formulating and practicing standardized procedures divided into different business functions covering our entire operation, from site selection and land acquisition, market monitoring, project planning and design, construction and quality control, cost control, contract management, sales and marketing as well as customer services. Our systematic management approach also centralized many critical aspects of our project development processes at our headquarters level, including project selection and approval, contractor selection, construction material procurement, product design and pre-sales/sales strategies. This led to the establishment of an extensive collection of standardized product designs, components and modules and strategic relationships with over 70 qualified third-party contractors and suppliers pre-approved through stringent selection processes.

We believe our rapid-asset-turnover model and systematic management approach has enabled us to build extensive support at our headquarters level that empowers the daily operations of our local project companies. Our project companies can in turn focus on expansion and their key business functions, such as quickly identifying potential land opportunities, ensuring timely project execution and quality and optimizing pre-sales/sales efforts. Such approach enables us to shorten project development cycle, reduce the cash collection cycle for each of our project, reduce development costs while improving total sales volumes, thus leading to optimized investment returns and operating cash inflow. We are also able to better ensure the optimal allocation of resources as a result.

For example, leveraging our feasibility study process based on our standardized analysis modules, coupled with the constant market monitoring efforts pursuant to our established procedures, we and our local project companies are able to quickly identify land acquisition opportunities suitable for our standardized products and target customers, in terms of size, location and estimated development costs. Such land opportunities will in turn reduce time spent on project planning and design. Our strategic relationship with third-party contractors and suppliers also shorten the amount of time required to commence construction and source the relevant raw materials, while ensuring quality. Our standardized product portfolio enables our products to become highly replicable by us, which enhances our ability to efficiently develop additional properties to capitalize on the constantly growing population and purchasing power in our target cities.

We have strong contracted sales with reasonable regional distribution. During the years ended December 31, 2018, 2019 and 2020, our contracted sales value was RMB25,235.9 million, RMB25,159.3 million and RMB25,507.0 million (US\$3,909.1 million), respectively. Our average contracted selling price per sq.m. was RMB21,726.7, RMB20,818.6 and RMB22,033.3 (US\$3,376.8), respectively for the same period. Moreover, our asset turnover ratio was 0.26, 0.27 and 0.21 in 2018, 2019 and 2020, respectively. As a result of our “rapid-asset-turnover” model, we were recognized as one of the top 10 property developers in China in terms of operating efficiency in 2018, 2019 and 2020 by Enterprise Research Institute of Development Research Centre of the State Council (國務院發展研究中心企業研究所), Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院).

Customer-Driven Focus Targeting First Time Home Purchasers or Home Upgraders

We believe a key contributor to our success is our focus on delivering products and developing properties that cater to the demand of our target customers. As a result, our property development processes, starting from land selection and acquisition to project planning and design, are centered on the preferences and need of such target customers. During site selection, we only pursue land opportunities that will meet the need of our customers, meaning sites at location where our customers will want to live in.

In addition, our land acquisition strategy involves identifying sites that closely complements our standardized product portfolio, which are developed through continuously research as to our target customers' need and preferences. Our products are continuously fine-tuned based on customer feedback through extensive after-sales surveys, and also through market research as to the latest trend and development. In addition, we established a product research facility where we invite prospective customers to provide their perception to our model units and will adjust our product portfolio accordingly.

In addition, the current macro real estate policies in China are focused on curbing its overheat real estate market, and in particular, speculative property investments. As such, our current products are targeted towards customers who are either first time home purchasers or those purchasing to upgrade their home, products that are positioned in accordance with current market trends and government policies. We believe such products are in demand, and thus less affected by the restrictive regulations and policies introduced by the PRC government.

High Quality Land Bank Led by Discipline Land Acquisition and Prudent Business Expansion Strategies

We engage a disciplined approach to land acquisition by only selecting land parcels that complement our product portfolio and meet the need of our customers, while minimizing potential legal concerns. Most of our other land parcels under development were acquired through public tenders, auctions or listings-for-bidding for land use rights held by local governments. Land parcels granted through such methods are generally free of legal disputes or demolition and resettlement liabilities, which may have otherwise prolonged our development cycle and incur additional costs. In the year ended December 31, 2020, we also acquired 12 projects in first-tier and second-tier cities with the total investment amount of these project being approximately RMB7.55 billion. The proportion of our secondary market acquisition gradually increased. Furthermore, we typically identify and pursue medium-sized land opportunities, with site area usually ranging from approximately 100,000 to 400,000 sq.m. and with established transportation access and ancillary public facilities, representing sites where our target customers will want to live. Such opportunities enables us to effectively manage our land acquisition cost and also to avoid potential adverse impact on our cash flows as a result of significant initial capital commitment to any single development project. Such opportunities also enable us to better manage and shorten our project development cycle and achieve a prompt sales process.

We manage our expansion by prudently allocating resources in target cities and regions. We endeavor to obtain quality project at a low price or reserve price at land auctions. We enter into new regional market in select major cities by first setting up an indigenous operation and management team that is familiar with our corporate culture and development process. In addition, we may

cooperate with other leading real estate developers in new projects. We endeavor to develop one or two representative projects in each of such major cities we have identified. These projects will aim to establish our market presence and brand on one hand, while collecting even more in-depth market information, such as customer preferences and demands, for the evaluation of future development projects on the other. Our systematic management approach enables us to replicate our operation from one city to another at a cost efficient manner. As a result, we believe we are able to increase operational economies of scale in a new city relatively quickly while maintaining our expected return on investment.

Sufficient funding is key to our land acquisition and business expansion. We have established Yan Capital, our real estate fund platform, to support our land development. We plan to strength and expand our fund operation continuously. See “— Yan Capital.”

As a result of the discipline land acquisition and business expansion strategies, we believe that we have accumulated a high quality land bank, which, together with new land acquisition opportunities we may identify on a rolling basis and our Yan Capital platform, will supporting our development for approximately the next four years.

Experienced Management Team Committed to High Corporate Governance Standard

Our success has been, and will continue to be, dependent on our management team that has in-depth understanding of the real estate industry in China. Mr. Yan, our chairman and chief executive officer, has over 20 years of experience in real estate development in China. Our executive directors and senior management have an average of over 10 years of experience in China in their respective fields. The knowledge, experiences and execution capabilities of our management team had been recognized by Enterprise Research Institute of Development Research Centre of the State Council (國務院發展研究中心企業研究所), Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院) which named us as one of the top 10 property developers in China in terms of operating efficiency for 2018, 2019 and 2020.

In order to maintain a high level corporate governance standard, we engaged a third party consulting firm in 2007 to assist us in organizing and developing corporate governance practices, which specify the internal procedures, responsible parties and decision making processes for each key aspect of our daily operation. As of December 31, 2020, we had established standardized procedural guidances divided into different business functions. We have also established an investment committee, which is generally comprised of six members, including vice president, directors of finance and the president for our property development platform, Jingrui Capital and Yan Capital Management. The investment committee is responsible for the review and approval of all potential development proposals. In addition, we have implemented a strong corporate culture that present our employees and management team with diversified and rewarding career paths.

We believe our management’s extensive experience, along with their commitment to a high level corporate governance and sound business practices, will enable us to achieve sustainable long-term growth and maximize value to our shareholders, customers and employees.

OUR STRATEGIES

We aim to be a leading brand name for residential properties in the Yangtze River Delta region as well as in the PRC and will continue to deepen our penetration in existing markets and explore new markets in selected target areas. We strive to become one of the top three leading regional property developers in terms of revenue in the Yangtze River Delta region. We intend to achieve our goal by pursuing the following strategies:

Continue to Implement Our Rapid-Asset-Turnover Model to Strengthen Our Market Leading Position in the Yangtze River Delta Region

We are committed to leverage our rapid-asset-turnover model to further strengthen the growth of our business and generate value for our shareholders, while carefully monitoring the financial risks to our Group. The PRC government has implemented in recent years several policies and measures to control the growth of the residential property market. We believe our rapid-asset-turnover model, which enables us to generate cash flow during a relatively short property development process, positions us well in the current environment to provide us with high growth rate, leading to optimized investment returns to our shareholders. We expect that the demand for residential properties in the Yangtze River Delta region will remain significant due to the continuous growth of overall economy in the PRC and local population and urbanization in the region. To take advantage of such market potential, we intend to strengthen our leading position and increase market shares in the Yangtze River Delta region by expanding our operational scalability, offering more high quality residential properties and property management services. Furthermore, we intend to replicate our success in the Yangtze River Delta region to tap into additional target markets, including the Bohai Economic Rim and major cities with significant growth in Southwest China, by leveraging our strict and systematic management approach and established brand name and reputation.

Continue to Enhance Our Customer-Driven Product Offerings

Our customer-driven approach focuses on developing products that meet the need and expectation of our target customers. Such customers will continue to be first time home purchasers or those purchasing to upgrade their existing living condition, as they have constituted, and will continue to constitute, the dominant portion of property purchasers in the PRC. Such customers' housing needs are expected to further increase as a result of continued economic growth and urbanization in the PRC. We will also increase the number of our product design personnel and further leverage the capabilities of our product research facility to solicit market intelligence on target customer preferences.

We aim to provide customers with customized services to add value for our product and to improve our customer satisfaction. Our technical competence is at the forefront of the industry. Among our developed projects, Hangzhou Majestic Mansion is well recognized by our customers for its online interactive customization service. The project has also received attention and recognition in the industry.

Continue to Increase Our Land Bank by Utilizing Prudent Land Acquisition and Evaluation Procedures

Sufficient land reserves are essential to real estate developers. The success of our property development projects and our business operations and profitability are highly dependent on quality land acquisitions. We plan to continue implementing our prudent land acquisition strategy in order to obtain additional quality land parcels at competitive costs in cities we have established operations as well as in other strategically selected new regions. We expect to improve our internal land acquisition and evaluation procedures and further enhance our standardized analysis model for target market research. Decision as to land acquisition will be made only after comprehensive and in-depth market research and analysis with strict internal review procedures performed, taking into account criteria such as costs, size, location, available transportation, ancillary facilities and the availability of other regional resources. We expect our evaluation model to better assist our site selection and land acquisitions. We will continue to focus our site selection strategy on medium-size land parcels in and near urban development areas, with sensible pricing and strong growth potential, that we believe are suited for our rapid-asset-turnover development processes. We currently have established operations, and expect to deepen market penetration, in core cities in the Yangtze River Delta region, including Shanghai, Hangzhou, Ningbo, Suzhou and Nanjing, and in other first-tier and second-tier cities, such as Beijing, Tianjin, Chongqing and Wuhan. We are in the process of actively exploring opportunities in Pearl River Delta region, such as Shenzhen. As such, we believe we are able to achieve scalability and maximize the economic return for our shareholders by enhancing the amount, quality and combination of our land bank for sustainable growth.

Further Enhance our Systematic Management Approach to Optimize Resource Allocation

We will continue to enhance our systematic management approach to achieve enhanced scalability and reduce development costs. We will continue to strengthen the managerial capability at our headquarters level, which we expect will reinforce the application of our rapid-asset-turnover model, ensure the quality and efficiency of our property development in various cities and provide systematic and extensive supports for our local operations. The local companies will thus be able to further reduce the resources required to successfully manage its daily operations, while continue to increase efficiency in managing project development, marketing and sales and customer services activities. We will also continue to fortify strategic relationships with suppliers and contractors, devote resources to enhancing and modularizing key project management procedures, including procurement as well as marketing and pre-sales/sales activities, aiming at optimizing resource allocation and reducing our development and operational costs. We believe such efforts enable us to further shorten development cycle, thereby preserving sound economic returns for our shareholders.

Further Enhance Our Reputation and Brand Premium and Strengthen Customer Loyalty

We place significant emphasis on enhancing our reputation and improving brand premium, which we believe will further increase our profitability and customer satisfaction. We will continue to devote to developing high quality, comfortable living residential properties with notable architectural and landscape designs, catering to our target customers. We also expect to enhance our profile, reputation and image and aim to augment our brand equity by enhancing our existing property management services, which will amplify the value of our properties and facilitate to increase customer satisfaction and loyalty, as well as provide breadth and stability to our revenue source. In addition, we expect to leverage the evaluation and feedback collected from our customer surveys to further adjust and improve our property management services, which in turn, can contribute to our revenue increase.

Continue to Attract, Retain and Motivate Skilled and Talented Employees

We believe high quality employees who value our corporate culture are essential elements for our sustainable future growth. We intend to continue to attract and retain skilled and talented employees through various initiatives, including through valuable training programs, competitive compensation packages and effective performance-based evaluation and incentive system. We currently design and offer employee training programs tailor made for various positions and managerial skill levels, and will continue to fine-tune such programs to suit the unique skills and expertise of our employees. We will also further arrange for seminars and external training opportunities and sponsor continuing education programs. In addition, we will continue to enhance our corporate culture by fostering an entrepreneurial working environment and empowering our employee with greater responsibilities. We believe such an entrepreneurial culture will enhance knowledge sharing, collaboration and innovation among employees, leading to increased efficiency, foster greater loyalty, job satisfaction, engagement and commitment to their work, resulting in improved return on the overall operation of our Group.

Transition into an Asset-light Operator to our Expand Revenue Streams and Expand into the Entire Real Estate Industry Industrial Chain

In response to China's changing real estate market, we took the initiative to transform from a traditional real estate developer to an asset-light operator ahead of our competitors. After the transition, we will be able to expand our revenue stream, shift our profit structure and avoid undue reliance on traditional development profit.

We aim to integrate the upstream and downstream industrial chains of the real estate industry during our transition. Accordingly, we have established five major business platforms, namely Jingrui Properties, Yan Capital Management, Jingrui Capital, Jingrui Service, and Co-Fortune Capital. Jingrui Properties platform primarily operates our traditional real estate development. Yan Capital Management is our real estate fund platform and is principally engaged in real estate fund raising and asset management business. Co-Fortune Capital aims to equip the other four segments with asset management capability. Jingrui Capital operates and manage our long-term apartment and office properties. Under Jingrui Capital, we currently operate quality properties in first-tier cities, such as Beijing and Shanghai. Jingrui Services aims to be the “the promoter of the ideal life in Chinese Cities”, continuously provide high-level and customized management services to various properties such as commercial plazas and high-end apartments. We believe the diversified business segments will enhance our performance and moderate the volatility of our business.

OUR PROPERTY PROJECTS

Overview of Our Current Projects

As of December 31, 2020, our property portfolio consisted of 109 property projects with an aggregated GFA of approximately 4.9 million sq.m., that were located in 18 cities, including Shanghai, Hangzhou, Suzhou, Ningbo and other major cities in the Yangtze River Delta as well as in Beijing, Wuhan, Tianjin and Chongqing.

As of December 31, 2020, we had completed property projects or project phases with an aggregated GFA of approximately 0.4 million sq.m., projects or project phases with an aggregate GFA of approximately 4.1 million sq.m. that were under development and an aggregate GFA of approximately 0.4 million sq.m. that were held for future development.

While most of our projects during the years ended December 31, 2018, 2019 and 2020 are residential properties, we have also completed several commercial property projects during the same period including Shanghai Upper Riverside.

Classifications of Our Property Projects

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

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

A project or project phase is classified as completed when a completion certificate has been obtained from the relevant government construction authorities.

A project or a project phase is classified as under development when the required project construction commencement permits have been obtained but a completion certificate has not been obtained for all phases of the project.

A project or a project phases is considered to be held for future development when (i) we have obtained the land use rights certificate, but have not obtained the requisite construction permits or (ii) we have signed a land grant contract for the underlying parcel of land with relevant government authorities, but have not obtained relevant land use rights certificate.

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

The commencement date relating to each project as set forth in this offering memorandum or each phase of a project refers to the date construction commenced on the first building of the project or phase. The completion date set out in the descriptions of our completed projects or phases refers to the date on which the completed construction works certified report was obtained for each project or each phase of a multi-phase project. For projects or phases under development or for future development, the completion date reflects our best estimate based on our current development plans.

Site area is calculated as follows:

- for projects or phases for which we have obtained land use rights, based on the relevant land use right certificates; or
- for projects or phases for which we have not obtained land use rights, based on the relevant land grant contracts.

Total GFA is calculated as follows:

- for projects and phases that are completed, based upon relevant property completion certificate or property inspection report;
- for projects and phases that are under development, based upon the relevant construction work planning permit, or based upon other documentation issued by relevant government authorities if the construction work planning permit is not available; and
- for projects and phases that are held for future development, based upon the total GFA indicated in property master plans or based on our internal records and development plans, which may be subject to change.

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

Total saleable GFA is calculated as follows:

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

The following table sets forth a summary of all our completed and partially completed projects as of December 31, 2020.

Completed and Partially Completed Projects

Project Name	Project Type	GFA Available for Sale, Lease or Use by the Group	Percentage of Interest in the Project attributable to the Group	Attributable GFA
		sq.m.	%	sq.m.
Shanghai Jingrui Life Square	Commercial	6,848	100	6,848
Shanghai Jingrui City Park	Composite	6,007	100	6,007
Phase 1		1,675		
Phase 3		4,332		
Shanghai Jingrui The French Lakeside Villa	Residential	2,373	100	2,373
Shanghai Jingrui Xuhui New City	Residential	1,918	100	1,918
Shanghai Jingrui Upper Riverside	Commercial	2,798	100	2,798
Shanghai Jingrui Shenxin Tower	Commercial	3,361	100	3,361
Shanghai Jingrui Keyuan Tower	Composite	10,061	100	10,061
Shanghai Jingrui Elite Residences	Residential	9,916	100	9,916
Shanghai Jingrui Xinmei Mansion Project	Commercial	7,118	100	7,118
Shanghai Jingrui North Zhongshan Road Project in Jing'An District	Composite	3,207	100	3,207
Shanghai Jingrui Zhongshan Building Project in Huangpu District	Composite	3,013	100	3,013
Shanghai Jingrui Yinqiao Apartment Project	Commercial	8,883	100	8,883
Shanghai Maglink	Commercial	112,013	46.17	51,716
Shanghai Jingrui Xingfulai Project	Commercial	4,910	100	4,910
Chongqing Jingrui Online Family	Residential	1,574	100	1,574
Tianjin The Great Habitat Mansion House	Composite	8,537	20	1,707
Tianjin Jingrui Sunny City	Residential	1,316	100	1,316
Tianjin Jingrui No. 1 Tang Gu Bay	Residential & commercial	27,239	100	27,239
Tianjin Jingrui Hanlin	Residential & commercial	12,477	100	12,477
Tianjin No. 6 Tang Gu Bay	Residential & commercial	1,682	50	841
Beijing Jingrui San Quan Apartments Project	Residential	24,300	100	24,300
Beijing Jingrui Foresea Zhongjin Project in Zhongguancun	Office	5,369	100	5,369
Beijing Xinhua Cultural Building Project	Commercial	4,262	50	2,131
Hangzhou Jingrui Yangming Valley	Residential	358	100	358
Shaoxing Jingrui Dignity Mansion	Residential	11,572	100	11,572

Project Name	Project Type	GFA Available for Sale, Lease or Use by the Group sq.m.	Percentage of Interest in the Project attributable to the Group %	Attributable GFA sq.m.
Hangzhou Jingrui Changxing Dignity Mansion	Residential	641	100	641
Ningbo Jingrui Harbour City	Commercial	42,026	50	21,013
Ningbo Xinghai Land	Residential	7,628	50	3,814
Ningbo Jingrui In Times	Commercial	205	100	205
Ningbo Jingrui Xingning Mansion	Residential & commercial	1,060	44	466
Zhoushan Jingrui Peninsula Bay	Residential	1,997	100	1,997
Suzhou Jingrui Guangyun Gusu Building	Commercial	12,081	100	12,081
Changzhou Jingrui Dawn City/England County	Residential	9,814	100	9,814
Changzhou Jingrui Tianxi	Residential	713	100	713
Phase 3		713		
Suzhou Jingrui Changshu Jiangnan Mansion	Residential	38,430	34	13,066
Wuhan Jingrui Tianfu Peninsula	Composite	17,453	54	9,425
Others	Residential	8,115	39.85	3,234
Total		<u>421,275</u>		<u>287,482</u>

The following table set forth a summary of all our projects under development and under planning as of December 31, 2020.

Projects under Development and under Planning

Project	Project Type	Expected Completion Date	GFA under Development	GFA under Planning	Percentage of Interest in the Project attributable to the Group	Attributable GFA
			sq.m.	sq.m.	%	sq.m.
Shanghai Jingrui City Park	Composite	31/12/2023	0	39,628	100	39,628
Phase 2				39,628		
Shanghai Jingrui Jiangshanyue (No. 37-01, Unit SJC10010, Zhongshan Street, Songjiang District)	Residential	22/5/2022	36,067		36	12,984
Jiaxing Jingrui Puyue Lake	Residential	30/12/2021	130,387		40	52,155
Tianjin The Great Habitat Mansion House	Composite	25/9/2021	244,703		20	48,940
Tianjin Sea Blue City	Residential	16/8/2021	247,820		49	121,432
Tianjin Jingrui Yuexitai	Residential & commercial	31/12/2021	86,686		51	44,210
Tianjin Jingrui Lot Huayuan, Binhai New Area	Residential & commercial	25/6/2023	200,871		90	180,784
Hangzhou Jingrui Qinghai (Lot XSCQ1402-08, Ningwei Unit, Xiaoshan)	Residential & commercial	30/9/2022	84,945		100	84,945
Hangzhou Jingrui Haiyi Cuiting (Lot 4, Chongxian Xiangyang)	Residential & commercial	17/12/2021	114,119		51	58,201
Ningbo Jingrui Shuiyin Jiangshan	Residential	25/8/2021	136,531		100	136,531
Suzhou Jingrui Changshu Jiangnan Mansion	Residential	30/9/2022	157,776		34	53,644
Suzhou Jingrui Taicang Yueting (Xinhu Project)	Residential	30/7/2021	93,305		78.9	73,618
Suzhou Taicang Luminaries Park (Lot 15-2, Chengxiang) . .	Residential	20/6/2022	74,383		16	11,900
Changzhou Jingrui North Lot of Juhu Road, Wujin District . . .	Residential	30/11/2022	188,108		51	95,935
Wuxi Jingrui Lot Xiguotu (Jing) 2020-42, Binhu District	Residential	20/12/2022	57,199		42.13	24,098
Yangzhou Jingrui Lot Tangwang Middle School, Guangling District	Residential	30/5/2022	53,696		100	53,696
Yangzhou Jingrui Lot West Lake Suzhuang, New City of West District	Residential	30/11/2022	199,085		30	59,725
Nanjing Xitang Mansion	Composite	20/4/2021	131,269		50	65,635
Nanjing Xijiang Ruifu	Residential	30/5/2022	278,840		30	83,652
Chengdu Jingrui Yaqing Project, Wenjiang Guanghua New City	Residential & commercial	30/12/2022	76,266		80	61,013
Chengdu Jingrui Shijichunqiu Project, Wenjiang Guanghua New City	Residential & commercial	30/4/2023	71,512		90	64,361

Project	Project Type	Expected Completion Date	GFA under Development	GFA under Planning	Percentage of Interest in the Project attributable to the Group	Attributable GFA
			sq.m.	sq.m.	%	sq.m.
Chongqing Jingrui Jiangshan Yufu (Lot District C, Jiulongyuan, Jiulongpo District)	Residential	30/7/2022	147,032		54	79,397
Chongqing Jingrui Bocui Chenzhang (Lot L66 sub-district L, Xiyong Group, Shapingba District)	Residential	30/8/2022	94,998		60	56,999
Hefei Jingrui Haomen Jindi Project	Residential	31/12/2021	122,424		50	61,212
Nanchang Jingrui Hongxing Plaza	Residential	30/11/2022	251,298		51	128,162
Wuhan Jingrui Tianfu Binjiang	Composite	28/5/2021 30/11/2022	238,183	347,034	40 40	95,273 138,814
Wuhan Jingrui Jiangnanyue (Lot 079, Caidian)	Residential	17/6/2022	261,176		30	78,353
Wuhan Jingrui Jiangshanyue (Caidian Sino-French P (2019) 080 Project).	Residential & commercial	15/11/2022	106,137		60	63,682
Others	Residential		222,755	42,033	78.81	208,682
Total.			4,107,571	428,695		2,337,661

The following table sets forth our land bank by cities as of December 31, 2020.

Land Bank

City	Total GFA	Percentage of the Group's Total GFA	GFA Attributable to the Group's Interests	Percentage of GFA Attributable to the Group's Interests
	sq.m.	%	sq.m.	%
Municipalities directly under the central government				
Shanghai	258,120	5.2	174,740	6.7
Beijing	33,931	0.7	31,800	1.2
Tianjin	927,813	18.7	486,096	18.5
Chongqing	243,604	4.9	137,970	5.2
Sub-total	1,463,468	29.5	830,606	31.6
Zhejiang Province				
Hangzhou	204,940	4.1	146,942	5.6
Ningbo	187,450	3.8	162,030	6.2
Shaoxing	53,605	1.1	53,605	2.0
Zhoushan	1,997	—	1,997	0.1
Jiaxing	130,387	2.6	52,155	2.0
Sub-total	578,379	11.6	416,729	15.9

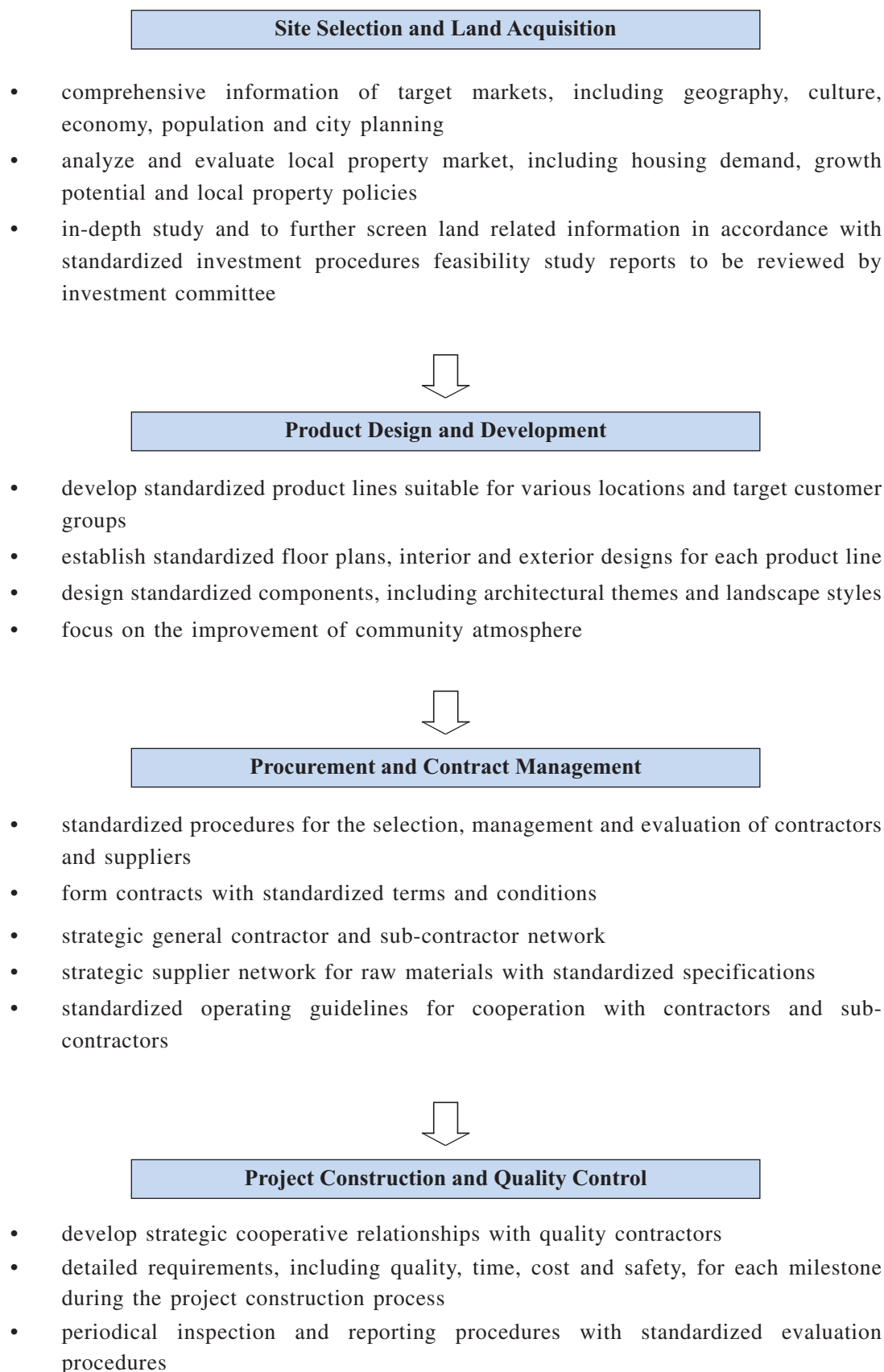
City	Total GFA	Percentage of the Group's Total GFA	GFA Attributable to the Group's Interests	Percentage of GFA Attributable to the Group's Interests
	sq.m.	%	sq.m.	%
Jiangsu Province				
Suzhou	503,039	10.1	283,686	10.8
Nanjing	412,556	8.3	149,846	5.7
Wuxi	57,199	1.2	24,098	0.9
Changzhou	198,635	4.0	106,462	4.1
Yangzhou	252,782	5.1	113,422	4.3
Sub-total	1,424,211	28.7	677,514	25.8
Other Provinces				
Hefei	122,424	2.5	61,212	2.3
Nanchang	251,298	5.1	128,162	4.9
Chengdu	147,778	3.0	125,373	4.8
Wuhan	969,983	19.6	385,547	14.7
Sub-total	1,491,483	30.2	700,294	26.7
Total	4,957,541	100.0	2,625,143	100.0

PROPERTY DEVELOPMENT MANAGEMENT

“Rapid-Asset-Turnover Model” and Systematic Management Approach

We endeavor to develop and offer high-quality residential properties to customers aspiring for high quality and strong functionality who are either first time home purchasers or those purchasing to upgrade their existing living condition, primarily in Shanghai and other major cities in the Yangtze River Delta region. We have established a rapid-asset-turnover model as to our property development projects, focusing on minimizing the time between site acquisition to pre-sale to the completion of our property development projects. Such model is implemented through our systematic management approach to property development, under which we develop our property using standardized procedures, designs, components and modules. We believe such rapid-asset-turnover model can enable us to reduce the cash collection cycle for each of our project in a relative short period, reduce development cost and reliance on external financing, thereby maintaining prudent financial leverage while also establishing consistent product quality and corporate brand image.

The following diagram sets forth our standardized property development process reflecting our rapid-asset-turnover model:





Project Promotion and Marketing

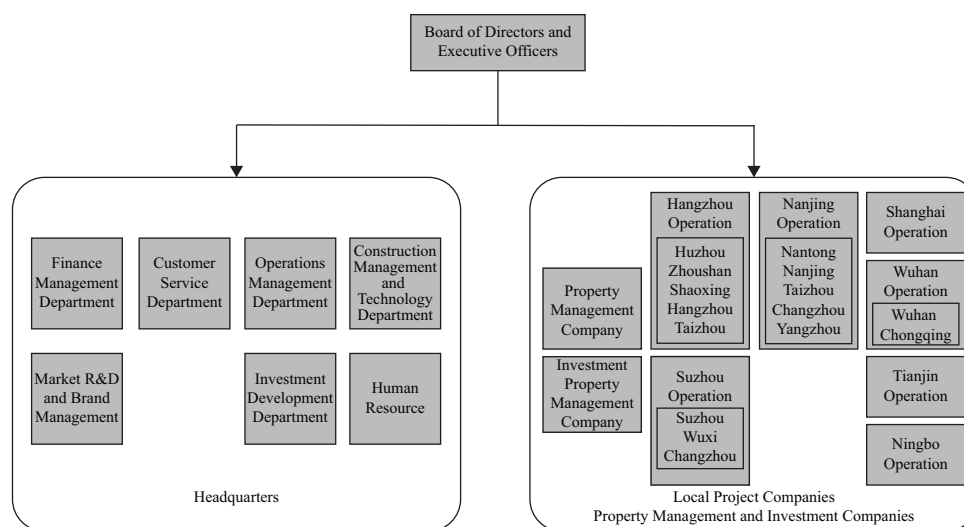
- detailed sales schedules with long-term and short-term sales targets, including prices and transaction volumes
- engage advertising firms to establish promotional plans for each project
- set up on-site demonstration areas
- deploy professional in-house sales and marketing teams or engage third-party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



Property Management and Customer Service

- standardized and comprehensive property management protocols, covering security, cleaning, facility and property maintenance
- specific convenience services upon request

We establish project companies to supervise and manage our property development projects in different cities or regions that we believe will best allow us to address the unique market condition associated with such cities or regions. The senior management of our Group works closely with the management of each of our project companies to provide guidance as to the overall strategic directions of our Group as well as to supervise and oversee the activities of each of the project companies. The following diagram illustrates the management structure of our Group:



The below set forth detailed discussions of our property development process and procedures.

Market Research and Site Selection

Our market research efforts covers general study on cities where we have operations or target regions where we expect to expand into, potential customers and customer demands as well as the availability and estimated cost of suitable land parcels in such areas. We also actively collect industry information, policies and news announcements released by industry consulting firms, local governments and competitors to facilitate our analysis and evaluation. We place significant focus on governments' policies in order to adjust our operations and property developments to ensure that our developments are in line with current macro real estate industry policies and trend and to capture market opportunities.

Our multi-tier market research activities include (i) constant market monitoring efforts carried out by the sales and marketing team at our project company level relating to the respective cities where it operates in order to identify in real time potential opportunities, (ii) research efforts conducted by our sales and marketing and investment departments at the headquarters level relating to cities and areas that we strategically plan to expand into, and (iii) industry studies conducted by our senior management as to national real estate markets.

We assess the potential of the local markets and the target development sites by taking into account a number of factors, including:

- the location and site area of the land parcel;
- local population and purchasing power;
- customer preference and demand;
- transportation access and availability of infrastructure support;
- estimated development costs and time;
- expected investment returns;
- local competitive environment;
- local policies and regulations; and
- suitability of the site for our product positioning.

In line with our rapid-asset-turnover model, we pay particular focus on factors that may affect our development cycle, such as pre-sale conditions which vary from city to city. We strategically select mid-size land parcels at competitive prices as we believe such lands will better fit into our product positioning while meeting the demand of our customers on one hand and help control our development costs and internal resources on the other. The development cycle of our projects differs depending on a variety of factors, including the site area and planned GFA to be complete for the project. During the years ended December 31, 2018, 2019 and 2020, our development cycle for these

project phases ranged from 18 to 30 months. Such development cycle represent the period from the time we received the construction work commencement permits to the time when we obtained the completion certificate. We have also established certain internal financial ratios to evaluate the estimated investment returns that a project must meet in order to proceed.

We follow a strict procedure in our land acquisition. If we decide to pursue a potential development based on initial evaluation, which is generally led by our investment department and involves management at the relevant local project company. Upon the initial evaluation, our investment department will lead the preparation of an in-depth feasibility study by cooperating with other departments at both headquarters and project company level, as necessary. The feasibility study presents general regional or city analysis, property market analysis, project positioning, project design, marketing strategy, construction schedule, cost and return analysis. The feasibility study is then submitted to our investment committee, which generally comprises six members, including executive vice president, directors of finance, strategy, marketing and investment and the regional project company director for the relevant potential project. The investment committee reviews the potential development and if approved, will report to our chief executive officer for final confirmation. For material land investment, such as an investment that accounts for over 15% of our Group's total assets, it will also be submitted to our Board of Directors for approval.

Land Acquisition

Most of our other land parcels for our property developments was acquired directly from PRC government through the bidding process in public tenders, auctions or listings-for-bidding for land use rights held by local governments in accordance with the Provisions on Bidding, Auction and Sale of Land Use Rights. Land parcels granted through such methods are generally free of legal disputes or demolition and resettlement liabilities, which may have otherwise prolonged our development cycle and incur additional costs.

In addition to the foregoing, we also acquire land use rights by (i) investing in or taking over project companies that hold land use rights; (ii) acquiring projects under development from the original project owners; or (iii) establishing joint ventures with other real estate developers for a joint land acquisition. As we believe that acquiring land parcels at competitive prices is critical to our development strategy, we will employ the acquisition strategy that will best meet such goal, taking into account any potential costs associated with demolition and resettlement.

Project Planning and Design

We have strong in-house design capabilities with a dedicated product design department of 53 employees at both headquarters and project companies levels as of December 31, 2020. We have established standardized designs, components and modules for our projects to ensure efficiency and reduce costs. Our comprehensive product database includes standardized design and specifications for building types, floor plans, building decorative styles and appearances, landscaping and interior components.

Our product database is continuously refined and updated based on information that we collect through our existing projects and experiences, including feedback received from customers, to ensure that our product database reflects current industry trend and market demand.

Our product design department is responsible for generating the master plans and design specifications for the project under development, based on its product positioning. It works closely with reputable architecture and design firms to implement design specifications, adjust detailed blueprints and select raw materials, in order to ensure quality control and that the products will be in line with our standardized designs, components and modules. We typically use a tender process in selecting these architects and design firms and request such potential firms to provide a proposal with a fee quote. In making our decision, we consider their proposed design concepts, their reputation for reliability and quality as well as our previous experience working with them and the price of their proposed services. As these pre-selected firms are familiar with our standardized products, they will be able to efficiently assist us and reduce the overall timeframe for design and product development.

In addition, to enhance operating efficiency, our construction management, financial and cost, sales and marketing and contract management departments are also actively involved in project design process, in order to better advise the positioning of our products to meet market demand, which enables for efficient marketing and promotional efforts and expedites the pre-sell of our properties at a later stage.

Contractors and Procurement

Third-party General Contractors

We outsource the construction work to qualified third-party general construction contractors. We endeavor to establish strategic relationships with selected high quality general construction contractors for our multiple property developments. By establishing strategic relationships with contractors who can meet our quality and time requirements and are familiar with our business model and corporate culture, we are able to better control development costs, improve operating efficiency and enhance standardized product implementation. For our property development projects, we will select from one of the strategic general construction contractors to carry out the construction work, with the selection process determined based on the project location, the capacity of the contractors and the technical specification of the projects. We have currently established strategic relationships with approximately 19 general construction contractors, 13 of whom hold the State Grade A General Contractor Qualification (國家特級資質施工總承包企業) and five have the State Grade B General Contractor Qualification (國家一級資質施工總承包企業). The strategic general construction contractors we worked with in 2017 have an established relationship with us for approximately nine years. We reevaluate the contracts with such strategic contractors based on their performance and will assess whether to renew the contracts every two years. We believe employing such pre-qualified contractors reduces our development cycle while ensuring the quality of our properties.

All of our general construction contractors, including strategic general construction contractors, and sub-contractors are initially selected through a tender process and each of them is an independent third party from us. During the years ended December 31, 2018, 2019 and 2020, we engaged 19, 19 and 19 general construction contractors and approximately 349, 294 and 380 sub-contractors and suppliers in 2018, 2019 and 2020, respectively.

The third-party contractors are obliged to undertake the entire construction work in strict compliance with laws and regulations as well as our design specifications and time schedules, as specified in our construction contracts. Payments to construction contractors are made in stages upon the completion of each construction milestones in accordance with the construction contracts. Upon the completion of the entire project, we usually settle approximately 95% of the total contract price while holding back the remaining 5% as retention fee for warranties purpose. The construction contractors are required to provide us with warranties, with a warranty period generally ranging from two to five years, for any losses we may incur as a result of not meeting contractually or statutorily specified quality standards. The unused portion of the retention fee will be returned to the contractors after the warranty period has expired. We may also agree to settle the 5% retention fee in equal annual installments usually over a period of four years. However, we will also be able to clawback any portion of such retention fee already remitted to the contractor to cover any losses we may incur that is greater than the unremitted portion. In addition, under circumstances where the construction schedules are delayed for more than the period of time as stipulated in the contracts, we will also be entitled to a pre-determined amount as penalty payment and, in some cases, we will have the right to terminate the contracts. Our Directors believe that the amount of retention fee we withhold under our construction contracts is in line with the industry practice in the PRC and is sufficient to cover the construction warranties provided to our customers under the sale and purchase agreements.

Our Directors confirm that during the years ended December 31, 2018, 2019 and 2020, and as of the date of this offering memorandum, save as disclosed in “— Legal Proceedings”, we were not subject to any material penalty, claim, or direct loss resulting from unsatisfactory work performed by third-party contractors or from construction delays.

Procurement

Certain building construction materials, such as steel and concrete, are procured by the third-party construction contractors we engage although we typically designate the brands and quality requirements of these construction materials as part of our construction agreements, and identifies the suppliers in which such materials and equipment should be purchased. For our current agreements with strategic general construction contractors, the price for steel and concrete will be determined by the market price discounted by an agreed upon percentage as stated in the agreement. However, for prior agreements with our general construction contractors that are still in effect, we and our contractors usually specify the price range within which the total construction contract price will remain fixed. If the price fluctuate outside such initial specified price range, the parties will share the risks equally, or, if the price fluctuate even further above such secondary price range, we will be solely responsible for the price increase or enjoy the benefit of the price decrease. We may also purchase certain raw materials, such as exterior wall bricks and electricity meter boxes, directly with suppliers and supply the same for the contractors to install.

We have also entered into strategic relationships with sub-contractors and suppliers of key construction materials and equipment to purchase, and in certain circumstances, install such materials and equipment. Such strategic sub-contractors and suppliers are selected through a tender process and we currently maintain such strategic relationship with over 100 sub-contractors and suppliers, covering suppliers for construction materials, exterior and interior decoration materials as well as electronic equipment. The strategic agreements with third-party suppliers generally have a term of two years and we will re-evaluate such suppliers when the agreements expire and assess whether to renew our agreements with them. The strategic agreements usually provide a fixed price range for the new materials to be purchased by us and it does not provide the minimum amounts we are required to procure. We will identify these key strategic sub-contractors and suppliers to our general contractors to purchase and install the relevant construction materials and equipment.

Project Construction

To comply with relevant PRC laws and regulations, before construction can commence, we must first obtain the development rights to the relevant land parcel and the necessary permits and certificates, which include the construction land planning permit, the construction work planning permit and the construction work commencement permit (which will only be issued after the land use rights certificate, the construction land planning permit and the construction work planning permit are obtained). During the years ended December 31, 2018, 2019 and 2020, and up to the date of this offering memorandum, we did not experience any significant delays in obtaining the aforesaid certificates and permits. As of the date of this offering memorandum, except for the projects we had not commenced construction, we had obtained land use rights certificates and all relevant certificates and permits as required by the PRC laws and regulations for all of our projects under development and projects held for future development.

Moreover, we are also required to commence construction of our developments within the time prescribed by PRC laws and regulations, or otherwise our lands may be regarded as “idle land” and as a result we may be subject to certain penalties. Under the Measures on Disposing of Idle Land promulgated by the MLR on April 28, 1999 and revised on June 1, 2012, “idle land” is defined as the granted state-owned construction land that (i) failed to commence construction within one year from the construction date undertaken in its land grant contract; or (ii) its construction has been suspended for over one year and the area in construction is less than one third of the total ought to be in construction or the invested capital is less than 25% of the total amount of capital ought to be invested.

All our projects in the PRC have commenced their construction pursuant to the schedule requirements in their land grant contracts, construction permits and governmental consents, no land owned by the Group would be regarded as idle land.

We develop and manage our projects through our construction management department at the headquarters level and also through the individual construction management teams of our project companies. The construction management department at our headquarters level makes major strategic determinations and sets strategic parameters for our project construction process, including overall project construction planning and periodic targets, scope and size of construction work, selection of key construction contractors and the procurement of key raw materials and equipment. Construction management departments at the project company level oversee the day-to-day construction process of their respective projects. The construction management department at our headquarters coordinates with various project companies on an on-going basis through various progress meeting and reporting mechanisms.

Project Monitoring and Control

Time Control

Our rapid-asset-turnover policies requires significant operating efficiency and project execution capability. We have established a project schedule management system which specifies the timeframe in which each milestone needs to be achieved during the project development process. We divide project monitoring into three levels. The highest level is overseen by our senior management, responsible for overall development timeline, monitoring the progress of major milestones, such as the timing of construction commencement, the beginning of the pre-sale process and sales velocity. The next level is overseen by the construction management department at our headquarters level, which target its review on the inspection of major construction related milestones. Finally, our local project companies will be in charge of monitoring the daily progress of the construction processes, and provide reports to our headquarters upon the completion of each said milestones. Such project schedule management system enables us to monitor the pace of each project development in a timely manner and to quickly identify any potential delays. Once a potential delay is identified, our local project companies and our construction management department will aim to implement remedial measures to shorten the time frame for future milestones to ensure that the overall project timeline will not be compromised or to reduce the impact of such delay. In addition, we provide detailed project construction timeline in contracts with third-party construction contractors and will closely monitor that such timeline is met.

Quality Control

High quality residential properties are critical to our reputation and business success. We have placed, and will continue to place, significant emphasis on quality control over our project development to ensure regulatory compliance and high quality residential products. Quality control starts with the selection of high quality construction contractors, and we have already established strategic relationships with five such construction contractors. See “— Project Construction.” We inspect and review the qualification and performances of these contractors regularly to ensure they are performing up to our standards. We also perform extensive due diligence in the selection of other third-party service providers as well, including external architecture and design firms and raw material suppliers, based on their reputation, track record, qualification and financial condition.

We have also established a comprehensive set of standardized technical and quality inspection guidelines that provide detailed requirements as to quality control standards and specifications for all major aspects of our construction processes. Our quality inspection guidelines calls for regular inspection of all our construction sites to ensure quality and safety at the project company level. In addition, our construction management team at the project company level is required to submit a monthly quality control report to the construction management department at our headquarters level. The construction management department at the headquarters level will organize extensive on-site inspections on a quarterly basis and carry out random spot checks from time to time. Such inspections includes on-site document reviews, employee interviews, work condition and product quality checks, information collection regarding safety and environmental issues. If any material concern is detected, our construction management department will inform the relevant project companies to take remedial measures within five days and will conduct additional inspections to ensure the deficiency is eliminated. Our construction management teams at both our project company and headquarters level are comprised of qualified engineers and construction technicians.

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

Cost Control

Led by our financial department and involving construction management, sales and marketing, design, contract management departments at our headquarters as well as management of the project companies, we have established a centralized and standardized procedure to set the relevant budget for our projects, including how to assess the different cost components. For each project development, the relevant project company, as approved by its general manager, shall prepare a master budget, which will be submitted to the contract management and financial departments at the headquarters level and then ultimately approved by our chief executive officer.

We have established a dedicated contract management department at our headquarters to record and monitor all construction and supplier contracts entered into. The contract management department review and ensure that the relevant contracted amount and payment schedule is in accordance with those set forth in our master budget. The contracts are recorded in our contract management system that forms part of our management information system. The contract management system provide us with the capability to keep track of payment schedules which help us to manage our payments and cash flow. Our financial department reviews and verifies the actual costs incurred in detail and compare such costs with the master budget and with similar expenses incurred at our other projects on a monthly basis. We believe such cost control procedures enables our management to identify and anticipate situations where actual cost may exceed the initially approved budget and to take the appropriate remedial measure in a timely manner as a result. In the event that the master budget for a project need to be revised, approval from our senior management must be obtained. In addition to our cost control procedures, our standardized and centralized procurement policy also contributed to our ability to control development cost.

Sales and Marketing

Pricing

Prior to the launch of pre-sale for each project, our strategy department at our headquarters level, in consultation with our other departments, including sales and marketing, financial and customer service, will establish the overall marketing budget and target ASPs based on the original feasibility study conducted for the project. Marketing budget plans and target prices are then reviewed and modified at the end of each year by our strategy department, based on the then market condition and actual pre-sale activities of each project.

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

Due to the highly competitive and evolving nature of real estate industry in China, we are required to constantly monitor the changing market condition and adjust the sales prices of our projects as appropriate. Price adjustment, whether upwards or downwards, is usually proposed by the sales and marketing team at the project company level, which will then be carefully reviewed and require approval by the management of the relevant project company and the sales and marketing department at our headquarters level as well as our senior management.

Marketing Efforts

Our in-house sales and marketing team was established at both the project company and our headquarters level. The sales and marketing department at our headquarters is in charge of controlling project marketing budget, provide strategic marketing advices and local sales and marketing staffing. The sales and marketing teams of our local project companies, on the other hand, are responsible for the production and execution of detailed project marketing plans.

Except for the nine projects which currently engaged external real estate sales agencies, each of the local project company has its own sales and marketing personnel. Our sales and marketing team is generally involved from the early stage of project development to ensure that our property developments are well-positioned and priced by providing valuable information relating to our target market, local pricing information, customers and estimated sales velocity. We believe by establishing and strengthening our own sales and marketing team, and leveraging the supports of our other departments, we are better positioned to gain deeper understanding of the market place in order to improve our marketing and pricing efforts, and better able to identify industry trends and customer demands that can benefit in optimizing our products. Furthermore, we believe the interest of our own sales and marketing team are better aligned with our Group as compared to external real estate sales agencies, our own sales and marketing team is better positioned more motivated and efficient. We expect to use our own internal sales and marketing team to promote and sell all of our properties in the future.

We implement traditional marketing efforts, including outdoor billboards, advertisement on newspapers, magazines, television and internet. We also take advantage of various new marketing channels to expand our reach to potential customers. For example, in cities where e-commerce is popular, such as Changzhou, Tianjin and Chongqing, we coordinate with well-known e-commerce websites to promote our properties. Our sales and marketing staff will also distribute project promotion information via direct mails, text messengers or phone calls.

We believe we provide relative competitive incentives to our sales and marketing staff, based on the performance evaluation of such individual sales and marketing personnel and their marketing teams.

Pre-sales

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

- the land premium is paid in full and the land use right certificate must have been obtained;
- the construction work planning permit and the construction work commencement permit must have been obtained;
- in terms of the commodity buildings put into pre-sale, at least 25% of the total amount of investment fund has been injected into the development and the progress of construction and the expected completion and delivery dates have been ascertained; and
- the pre-sale has been registered and a pre-sale permit has been obtained.

In addition, property developers are also required to use a standard pre-sale contract prescribed by the local authorities.

Delivery and After-sales Services

Payment Arrangements

Our customers can make the payment in one lump sum by cash, or by install payments with mortgage financing. We typically asked our customers to pay a non-refundable deposit before entering into the sales or pre-sales contract. The deposit will be forfeited if the customer decides not to sign the formal sales or pre-sales contract. The deposit will be deducted from the purchase price if the customer later opts to settle the payment in full by cash. We usually require customers to pay 30% of the total purchase price on the contract date and to settle the remaining 70% within one month after entering into the sales or pre-sales contracts.

Customers may also choose to fund their purchases using mortgage loans provided by commercial banks. In this case, they will be required to pay a non-refundable down payment of approximately 30% to 60% of the purchase price upon entering into the sales contract in accordance with the terms stipulated in the contract, depending on whether it is their first mortgage. The remainder of the purchase price will normally be paid by the mortgagee bank within one to three months, depending on the approval process of relevant mortgagee banks. Under the relevant PRC laws and regulations, our customers may obtain mortgage loans with a repayment period of up to 30 years. In addition, these customers must pay to us the outstanding balance of the purchase price that is not covered by the mortgagee banks.

In line with market practice in China, we assist our customers with obtaining mortgage loans and provide guarantees as security for mortgage loans provided to the customers. We do not conduct independent credit checks on the purchasers but rely on credit checks conducted by relevant banks. As with other property developers in the PRC, we are usually required by the banks to guarantee the

customers' obligations to timely repay the mortgage loans on the property. The guarantee periods normally last until the release or satisfaction of the repayment obligations after (i) the relevant property ownership certificate is delivered, or (ii) the mortgage loans are settled between the mortgagee banks and our customers. If a purchaser defaults under a mortgage loan, we are obligated to repay all debt owed by the purchaser to the mortgagee bank under the loan, after which the mortgagee bank will assign their rights under the loan and the mortgage to us and, after registration of change of mortgagee, we will have full recourse to the property.

As of December 31, 2018, 2019 and 2020, our outstanding guarantees in respect of the residential mortgages of our customers amounted to RMB3,862.0 million, RMB4,363.1 million and RMB5,416.5 million (US\$830.1 million), respectively. Our general policy is that for purchasers purchasing through mortgage loans, if purchasers default on subsequent payment after the initial down payment, the full amount of their down payment is forfeited. During the years ended December 31, 2018, 2019 and 2020, we have not encountered defaults by purchasers that, in aggregate, had a material adverse effect on our financial condition and results of operations.

Delivery of Properties for Sale

We aim to deliver properties to our customers within the time frame prescribed in the sale/pre-sale and purchase contracts. Under the current PRC rules and regulations, we are required to obtain a "Record of Acceptance Examination Upon Project Completion" prior to delivering properties to our customers.

Delivering quality properties and providing high purchasing experiences to our customers are important factors to the success of our business. During construction, we will invite certain customers to visit the project under development and inspect the quality on one hand and collect customer feedback on the other. Prior to delivery of properties to our customers, our construction and engineering management department conducts on-site inspections to ensure such properties are in compliance with statutory requirements and satisfactory condition. Our property management company also conducts on-site inspections as to the functionality of the units. We then arrange for our customers to inspect their purchased unit prior to the expected delivery date to ensure the properties meet our prescribed standards as well as our customers' expectations. Once requisite records and certificates are obtained and the relevant acceptance inspection is conducted, we will notify our customers in respect of delivery. We will assist customers in applying for property ownership certificates and stay closely in touch with them after delivery to gather feedback for future improvement of our products and services.

After-sales Services

We have a dedicated customer service team that provide comprehensive after-sales services. Our customer service team is also responsible for collecting and analyzing customer data through customer satisfaction surveys in order to improve service quality, identify customer preferences and provide such feedback to construction management team to improve our operation, including project design and marketing strategies.

We have also established a membership program in certain of our properties in which purchasers of such property are automatically enrolled. The membership program provides our customers with rewards when they purchase properties from us or recommend new customers to purchase our properties, which enables our members to receive discounts when they purchase other properties from us in the future. The membership program also offer other premium services or activities as well, such as discounts with local merchants near our properties. We believe such membership program enables us to establish better relationships with customers, build customer loyalty, foster brand awareness, solicit timely customer feedbacks and also to handle customer complaints. We intend to rollout such membership program to our other projects as well in the near future.

To monitor and also to further enhance our customer services, we have engaged Gallup Consulting to conduct annual customer satisfaction surveys in recent years for our projects. In 2012, the survey indicates that our overall customer satisfaction is at the top end in the industry pursuant to Gallup Consulting's industry database.

Customer Complaint Resolutions

We are subject to various customer complaints from time to time during our ordinary course of business. A significant number of such complaints relate to the common construction and installation defects of properties in our industry. These construction and installation defects are usually minor and have not caused any material adverse impact on our sales proceed collection. To develop and deliver high quality properties, we have adopted a series of quality control measures, including (i) improving our property quality through optimizing our design, development and engineering techniques, (ii) selecting, engaging and establishing strategic relationships with general contractors for construction that have proven credential and established track record, (iii) enhancing our monitoring over the project construction process, including engaging qualified construction supervision companies and increasing the frequency of on-site inspections during the construction process, (iv) increasing the frequency of on-site inspections by our construction management team and property management team before delivering each property to our customers; and (v) after the delivery, our customer service team, which is staffed with property maintenance engineers, actively follows up with customer complaints. We have implemented property maintenance management procedures since June 2010, which provide detailed procedures that our customer service team is required to follow in response to customer complaints, in particular, complaints about property quality. For example, our customer service is provided on a 24/7 basis and our maintenance engineers are usually required to conduct on-site inspection and repairment or maintenance work within 30 minutes (or 15 minutes on an urgent basis) after receiving a customer complaint about property quality. Third-party engineering or installation companies may be engaged by us in case the maintenance work requires additional professional expertise. Our customer service team is required to record and archive all the information relating to a customer complaint according to our property maintenance management procedures, including every on-site inspection report and communication and correspondence with the relevant customer. According to these the maintenance management procedures, the responsible maintenance engineer is required to pay a return visit within one month upon the completion of the repairment or maintenance work to ensure such work meets the quality standards and to collect customer feedback. Our customer service management team is required to review the written records of customer complaints on monthly basis and submits its review report to our construction engineering team for reference.

In addition, we are also subject to customer complaints in relation to the delay in delivery of property title documents subject to the purchase agreements entered into with our customers, due to various reasons, including longer time required for completing the relevant procedures than expected or delay in commencing the relevant procedures, including but not limited to the examining procedure by the relevant land use right authorities and the registration, approval and certificate production procedures by the relevant property right authorities. In order to enhance customer satisfaction and mitigate customer complaints in this regard, we amended our internal property development master plan and management procedures in July 2011 to include the requirement that the application for and obtain of property title documents shall be completed within a specific timeframe according to the relevant development master plan for each of our project. We have also increased our communication with the relevant government authorities to actively follow up on the status of certificate applications, aiming to speed up the registration and approval process. By strictly implementing such procedures, we are able to timely apply for and deliver the property title documents to our customers pursuant to relevant purchase agreements, which in turn efficiently reduces the number of customer complaints relating to the delay in delivery of property title documents. Our Directors are of the view that our current control measures over property title document application procedures are sufficient, which has contributed to the decrease in the number of customer complaints we received during the years ended December 31, 2018, 2019 and 2020.

INVESTMENT PROPERTIES

As of December 31, 2020, we had 14 completed investment properties.

We determine whether our properties will be sold or retained for investment purposes in the early stages of developing each of our projects, and whether to acquire minority stakes in certain property development projects, by taking into consideration various factors such as location, land use plans, regional market conditions, supporting commercial facilities and our commercial interests. Although we currently focus on the development of residential properties for sale, we may in the future decide to increase our investment property portfolio in response to changing market condition and customer demand.

PROPERTY MANAGEMENT SERVICES

We place great emphasis on property management as we believe it enhances property value for our customers and improves our brand and reputation. As part of our integrated operation, our property management team normally becomes involved in the early stage of property development process and participates throughout the overall project planning and design stage to provide advice from property management perspective based on their understanding of the habits and behaviors of potential residential property owners. Our property management team also commences its service prior to the launch of pre-sale and plays supporting role at the project for our on-site sales and marketing team.

We provide property management services to owners of all properties developed by us through our wholly owned subsidiary, Shanghai Jingrui Property Management, which holds the level one property management permit and is a standing member of China Property Management Institute (中國物業管理協會) and one of the first members and the vice chair corporation of the Trade Association of Shanghai Property Management (上海市物業管理行業協會). Shanghai Jingrui Property Management also obtained ISO9001, ISO14001 and OHSAS18001 certifications for its quality

management, environmental and health and safety systems, respectively, issued since 2007. Headquartered in Shanghai, Shanghai Jingrui Property Management currently has 11 subsidiaries and 44 branch offices in China, currently serving properties with an aggregate GFA of approximately 40.0 million sq.m., which also includes non-residential properties developed by third-parties. The services generally include security, cleaning, property and facility maintenance and other ancillary services.

We typically enter into property management contracts with property owners which specify the services to be offered, the scale of such services, the quality requirements and the fees to be charged for such services. We charge our customers management fees on a monthly or quarterly basis. According to relevant PRC laws and regulations, the standard rate set out in the property management contracts cannot be raised without the approval of the majority of property owners. Under PRC laws, property owners have the right to engage or dismiss a property management company with the consent of more than half of the total number of the owners and the owners who exclusively hold more than 50% interest in the total construction area of the building. As of the date of this offering memorandum, our property management teams had not been dismissed from the management of any properties it serves.

Our outstanding property management services have won numerous prizes and awards. For example, Shanghai Jingrui Property Management was awarded the “Outstanding Contribution Prize” Shanghai (上海行業突出貢獻獎) by China Property Management Institute (中國物業管理協會) in 2011 and the Trade Association of Shanghai Property Management (上海市物業管理行業協會) in 2012, respectively. Our properties under its management, including Taizhou Jingrui Royal Bay in Taizhou, Changzhou Jingrui Dawn City in Changzhou, and Tianjin Jingrui Sunny City in Tianjin, were named as Excellent Residential Community (優秀住宅小區) by respective local Bureau of Land Resources and Housing Management.

As of December 31, 2020, our property management had a total of 1,817 employees.

ASSET LIGHT INITIATIVES

Yan Capital Management (優鉞資產)

Yan Capital Management, as the real estate fund platform, is an important asset management vehicle of the Group and is principally engaged in real estate fund raising and asset management business. Since its establishment, Yan Capital has firmly cultivated fund raising, fund design and investor protection capability, extensively expanded its presence in the capital market and established a cooperative network to access to investors’ resources for real estate development and optimize the capital structure.

In 2017, Yan Capital promoted and established three funds with a total size of approximately RMB860.0 million. In 2018, Yan Capital promoted and established six funds with a total size of approximately RMB2 billion. The proceeds from fund raising in 2018 amounted to approximately RMB800.0 million. As of December 31, 2019, Yan Capital Management promoted and established 14 funds with a total size of approximately RMB6.6 billion. The proceeds from fund raising externally in 2019 amounted to approximately RMB2.3 billion. As of December 31, 2020, Yan Capital Management has established and promoted 19 funds, with an aggregate size of approximately RMB7.7 billion (US\$1,175.4 million) and the total size of existing funds as of December 31, 2020 is RMB3.7 billion (US\$562.5 million). The proceeds from fund raising externally in 2020 amounted to approximately RMB940.0 million (US\$144.1 million), which is the first time raised from offshore fund, further expanding the fund raising channels.

Co-fortune Capital (合福資本)

Co-Fortune Capital, as an asset-light investment platform of the Group, aims to equip the other four major segments with asset management capability. Through “Jingrui”, the brand name of our listed company, Co-Fortune Capital strives to cultivate its investment management capability in the real estate eco-system. As of December 31, 2020 total investment projects reached 15 with an aggregate investment of RMB1,060 million (US\$150.0 million).

Jingrui Capital (景瑞不動產)

In March 2020, we established Jingrui Capital platform by combining Joyride Apartment (悅樺公寓) and Carry Capital (錯瑞辦公) platforms. Jingrui Capital is designed for investment, development, renovation and operation of rental apartments and office buildings. Jingrui Capital is committed to the holding, management and operation of long-term apartments and office properties, and providing end-to-end services to investors with the guidance of achieving high-quality asset management scale and concentrating on urban renewal and land matching.

In 2019, Jingrui Capital acquired Shanghai Xingfulai Project, with an additional apartment area of 4,910 sq.m. The Maglink Project (Shanghai Lufa Plaza Project), the acquisition of which was completed in February 2019, is currently under renovation. Most of the projects held by us, such as Shanghai Jingrui Keyuan Tower Project and Beijing Jingrui San Quan Apartments Project, have commenced operation, which are bringing stable rental income to the Company. Meanwhile, to realize incremental benefits, we are also actively looking for opportunities to exit from the existing projects, including whole and partial exit from Beijing Chengyuan Building A Project, Beijing Xinhua Wenhua Building Project and Beijing Jingrui Shangyuan Project. In the year ended December 31, 2020, the time-point occupancy rate of apartment projects and office projects reached 94.1% and 86.4%, respectively, realized a total rental income of RMB231.9 million (US\$35.5 million).

Jingrui Service (景瑞服務)

With the economic development and consumption upgrade, the value of services has been highly recognized in the capital market in recent years. In March 2020, Jingrui established the “Jingrui Service” platform with Jingrui Properties as its carrier. Adhering to the management concept of “focusing on ideal life” and “being the promoter of ideal life in Chinese cities”, Jingrui Service has built high-quality communities with quality consciousness to pursue continuous improvement of management services and provide high-standard and customized property management services for customers by meeting customers’ increasing demands with positive and enthusiastic attitudes.

In the year ended December 31, 2020, with the rapid process of urbanization, the business scale of Jingrui Service has gradually expanded. With the guidance of “relying on Shanghai, deeply developing in the Yangtze River Delta and then covering the whole China”, it has established property service companies in 50 cities, such as Tianjin, Chongqing, Zhejiang, Jiangsu, Anhui and Henan and has undertaken property services in various types of properties, including villas, high-end apartments, commercial squares, government office buildings, etc. The contracted GFA has approximately 46.8 million sq.m and achieved a total revenue from property management service of RMB526.4 million (US\$80.7 million).

COMPETITION

The property market in China is highly fragmented and competitive. Our existing and potential competitors include major domestic developers and, to a lesser extent, foreign developers primarily from Asia, including leading developers from Hong Kong, who have business operations in Shanghai and other major cities in the Yangtze River Delta region. We compete with them in relation to a number of factors, including land acquisition, brand recognition, financial resources, prices, product quality, service quality and other factors. Some of these competitors may have better track records, greater financial, human and other resources, larger sales networks and stronger brand recognition.

In particular, the residential property market in the Yangtze River Delta region has been highly competitive in recent years. Property developers from the PRC and overseas have entered the property development markets in Shanghai and other major cities in the Yangtze River Delta region. The rapid development of these major cities in recent years has led to a diminishing supply of undeveloped land in desirable locations in the Yangtze River Delta region. Moreover, the PRC government has implemented policies tightly controlling the amount of new land available for development. These factors have increased competition and land grant premiums in relation to land made available for development.

We believe that the major competitive factors in the residential property development industry include the geographic location, management expertise, financing, access to transportation infrastructure, size of land reserves and land bank, product quality, brand recognition by customers, customer services and support, pricing and design quality. There's no assurance that we will be able to continue competing effectively in our industry. See "Risk Factors — Risks Relating to Our Industry — The PRC property market industry is highly competitive."

We believe that, with our rapid-asset-turnover model, systematic management approach, standardized product portfolio and strategic focus on customers who are either first time home purchasers or those purchasing to upgrade their existing living condition, we have demonstrated resiliency to market changes and competition. Further, given our premium brand and strong execution capabilities, we believe we can react promptly to the challenges in the PRC property market.

RISK MANAGEMENT



We recognize that risk management is critical to the success of any property developer in the PRC. Key operational risks that we face include changes in general market conditions and the regulatory environment of the PRC property market, availability of suitable land sites for developments at commercially acceptable prices, local economic environment, expansion risks relating to entering into new cities or geographic regions, ability to timely complete our construction projects with sound quality, available financing to support our growth, competition from other property developers and our ability to promote and sell our properties in a timely fashion. See "Risk Factors" for a discussion of various risks and uncertainties we face.

In addition, we also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. See "Financial Information — Qualitative and Quantitative Disclosure about Market Risks" for a discussion of these market risks.

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

- Our Board of Directors is responsible and has general powers over the management and conduct of the business of our Company, and is in charge of the overall risk control of our Group. Any significant business decision involving material risks, such as decisions to expand into new geographic regions or to incur significant corporate finance transactions, are reviewed, analyzed and approved at the board level to ensure a thorough examination of the associated risks at our highest corporate governance body.
- Our management team at headquarters level is in charge of the daily business operations and risk monitoring of our Group, and is responsible for the supervision of the respective fields of operations on a daily basis as well as the supervision and approval of any material business decisions of our project companies. We adopt a centralized approach to review and approve the business plan and structure. We have also developed a standardized property development process, which comprises over 200 standardized procedures divided into 17 business functions, that govern each step of our property development activities. See “— Property Development Management.” Our financial and accounting matters are directly controlled and reviewed at our headquarters level to ensure the consistency and accuracy. We have also established a contract management department that centralizes major procurement and construction contracts entered into to monitor the risks associated with such contracts, and also an audit and legal department to ensure regulatory and contractual compliance.
- Our final site selection decisions are made by our investment committee. This committee was specifically formed to review and approve such business development and consists of six members including executive vice president, directors of finance, strategy, marketing and investment and the regional project company director for the relevant potential project.
- For particular operational and market risks, control measures are adopted at an operational level. For example, we control major construction risk by engaging qualified construction contractors with strict contractual requirements while maintaining daily quality control supervision.
- We enforce strict control and accountability policies and manuals at an individual employee level and conduct on-going training. Our policies and manuals are updated consistently based on our operational needs. We seek to maintain a corporate culture with a high level of responsibility, integrity and reliability to manage our operational and market risks.

INTELLECTUAL PROPERTY

We place significant emphasis on developing our brand image and resort to extensive trademark registrations to protect all respects of our brand image. We conduct our business under  and trademarks for which we have registered in the PRC. We have registered our  trademark in Hong Kong. We have also registered the domain name of www.jingrui.com for the website of our Group on the Internet. As of the date of this offering memorandum, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us.

INSURANCE

We maintain assets insurance policies for our properties and assets and carry employer's liability insurance for medical and related expenses that our employees may incur as a result of personal injuries at their workplaces or on the construction sites of our property developments. We also maintain insurance policies including property insurance and third party liability insurance, with respect to certain of our investment properties.

According to applicable PRC laws and regulations, property developers are not required to maintain insurance coverage in respect of their property development operations. As such, we do not maintain and do not require our construction contractors to maintain insurance coverage on our properties developed for sale other than with respect to those developments over which our lending banks have security interests, or for which we are required to maintain insurance coverage under the relevant loan agreements.

Under PRC laws, construction companies as employers are required to purchase insurance for their construction workers. As we engage third-party contractors to carry out construction for our projects, we currently do not maintain such insurance ourselves.

We do not maintain insurance policies for properties that have been delivered to our customers. Instead, Shanghai Jingrui Property Management which provides property management services for all of our projects, maintains all property risk insurance and public liability insurance for common areas and amenities of these properties.

Our Directors are of the view that the insurance coverage of our Group is adequate and is in line with customary industry practices of property developers and is adequate. However, there are risks for which we do not have sufficient or any insurance coverage for losses, damages and liabilities that may arise in our business operations.

ENVIRONMENTAL MATTERS

Property developers in China are subject to a number of environmental laws and regulations including the Environment Protection Law of the PRC, the Prevention and Control of Noise Pollution Law of the PRC, the Environmental Impact Assessment Law, and Administrative Regulations on Environmental Protection in relation to Construction Projects.

Our Directors expect that we will continue to incur compliance costs with applicable environmental rules and regulations at a similar rate. During the years ended December 31, 2018, 2019 and 2020, no fines or penalties for non-compliance of PRC environmental laws and regulations were imposed on us. As of the date of this offering memorandum, we had not encountered any material issues in passing inspections conducted by the relevant environmental authorities upon completion of our properties.

LEGAL PROCEEDINGS

As a property developer in the PRC, we are subject to the risk of legal or arbitration proceedings, disputes or claims in the ordinary course of business. During the years ended December 31, 2018, 2019 and 2020, we were not involved in material litigation proceedings concerning the quality of our products and services or contractual arrangements with our contractors.

PRC REGULATIONS

Set out below is a summary of certain aspects of PRC legal and regulatory provisions relating to our operations and business. These include laws and regulations relating to land, real estate development, real estate management, foreign investment enterprises, taxation, intellectual property and environment.

ESTABLISHMENT OF A PROPERTY DEVELOPMENT ENTERPRISE

To engage in the development and operation of each single real estate project in the PRC, it is necessary to establish an independent property development enterprise at the place where the project located. According to the Regulations on Administration of Development of Urban Property (《城市房地產開發經營管理條例》) (the “Development Regulations”) promulgated by the State Council on July 20, 1998 and amended on January 8, 2011 and March 24, 2019 and March 27, 2020, an enterprise which is to engage in development of property shall satisfy the following requirements: (1) its minimum registered capital shall be RMB1 million; and (2) it shall employ at least four full-time professional property/construction technicians and at least two full-time accounting officers, each of whom shall hold relevant qualification certificates. The Development Regulations also stipulate that the local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the amount of registered capital of, and the qualifications of professionals retained by, property development enterprises.

The minimum registered capital required under the Development Regulation is only applicable to the legal establishment of property development companies. In recent years, the government has required much higher registered capital for issuing project development approvals to property development companies. As provided under the Notice on Adjusting the Minimum Capital Requirement for Fixed Assets Investment (《關於調整固定資產投資項目資本金比例的通知》) promulgated by the State Council on May 25, 2009 and the Circular of the State Council on Adjusting and Perfecting the Capital System of Fixed Asset 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》) promulgated by the State Council on September 9, 2015, the minimum registered capital of a project company for developing affordable residential houses and regular commodity residential houses is required as 20% of its predicted total investment amount and for other property projects, the minimum requirement is 25%.

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which came into effect on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law, and became the legal foundation for foreign investment in the PRC. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law, Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law, the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law.

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.

Where a foreign-invested enterprise is to be established to engage in property development, the relevant requirements under the laws and regulations regarding foreign-invested enterprises must also be observed and relevant approvals be obtained. Under the Special Management Measures (Negative List) for the Access of Foreign Investment (2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》) promulgated on June 23, 2020 by MOFCOM and the National Development and Reform Commission (the “NDRC”), foreign invested entities may not operate in industries that fall into the prohibited scope on the negative list, and if foreign invested entities are to operate in non-prohibited scope on the negative list, they must obtain permission from competent authorities in the PRC. Apart from these, any industry that does not fall within the negative list shall be administered under the principle of equal treatment to domestic and foreign invested entities.

The category of industry provided by the “Foreign Investment Industrial Guidance Catalog” and the total investment amount determined based on the feasibility report, which reflects the assessment of the overall economic viability of the proposed project company, determine the levels of the approval authorities. On December 12, 2016, the NDRC issued the Circular of the State Council on Promulgating the Catalogue of Investment Projects Subject to Governmental Approval (2016 Version) (《政府核準的投資項目目錄(2016年本)》) (the “Catalog 2016”) and on January 14, 2017, the NDRC issued the Circular of the National Development and Reform Commission on Effectively Implementing Foreign Capital-related Work in the Catalog of Investment Projects Subject to Governmental Approval (2016 Version) (《國家發展改革委關於做好貫徹落實<政府核準的投資項目目錄(2016年本)>有關外資工作的通知》) (the “Circular 111”). According to the Circular 111, the foreign investment projects set forth in the following shall be subject to the approval system:

- (i) any project of the restricted category with a total investment (including capital increase) amounting to USD300 million or more as included in the Catalog for the Guidance of Foreign Investment Industries shall be approved by the NDRC, and if the total investment (including capital increase) amounts to US\$2 billion or above, it shall also be submitted to the State Council to be recorded;
- (ii) any project in the restricted category, as included in the Catalog for the Guidance of Foreign Investment Industries, with a total investment (including capital increase) of less than USD300 million shall be approved by the provincial government; and
- (iii) any foreign investment projects not falling in the above two categories but listed in Items 1 to 10 of the Catalog of Investment Projects Subject to the Catalog 2016 shall be approved in accordance with the provisions in Items 1 to 10 of the Catalog 2016.

In 2006, the government has promulgated a series of regulations to raise the threshold for foreign investment into property development industry. On July 11, 2006, MOHURD, MOFCOM, the NDRC, the PBOC, the State Administration for Industry and Commerce and SAFE jointly promulgated the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (《關於規範房地產市場外資准入和管理的意見》) (the “Opinion”) (revised on August 19, 2015). On August 14, 2006, MOFCOM promulgated the circular (the Circular on the Thorough Implementation of the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market, 《關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉的通知》) to enhance the implementation of the Opinion. On September 1, 2006, MOHURD and SAFE jointly issued and on May 4, 2015 jointly amended another circular (the Circular on Regulating the Foreign Exchange Administration of the Real Estate Market, 《關於規範房地產市場外匯管理有關問題的通知》) to illustrate SAFE administration measures for the implementation of the Opinion. These regulations provide that:

- Foreign entities or individuals intends to purchase real estate not for their own use in China must apply for the establishment of a foreign-invested enterprise pursuant to relevant regulations of foreign investment in real estate. Such purchase could only do through the established foreign-invested enterprise, to the extent that it is permitted according to the approved business scope of the foreign-invested enterprise.
- The ratio between a Foreign-invested property development enterprise’s registered capital and its total investment shall comply with the following provisions:
 - (1) Where the total investment of a Sino-foreign joint equity enterprise is US\$3.0 million or less, its registered capital shall be at least 70 per cent of its total investment.
 - (2) Where the total investment of a Sino-foreign joint equity enterprise is between US\$3.0 million and US\$10.0 million (US\$10.0 million inclusive), its registered capital shall be at least half of its total investment. Where the total investment of such an enterprise is less than US\$4.2 million, its registered capital may not be less than US\$2.1 million.
 - (3) Where the total investment of a Sino-foreign joint equity enterprise is between US\$10.0 million and US\$30.0 million (US\$30.0 million inclusive), its registered capital shall be at least 40 per cent of its total investment. Where the total investment of such an enterprise is less than US\$12.5 million, its registered capital may not be less than US\$5.0 million.
 - (4) Where the total investment of a Sino-foreign joint equity enterprise exceeds US\$30.0 million, its registered capital shall be at least one-third of its total investment. Where the total investment of such an enterprise is less than US\$36.0 million, its total investment may not be less than US\$12.0 million.
- Foreign-invested property development enterprises could only been issued one-year term interim approval certificate and business licenses, until they have fully paid land premium to the government according to relevant land grant contract and obtain corresponding land use right certificate of the granted land.

- For any foreign investor intends to acquire shares of any property developer in the PRC, it shall have sufficient self-owned fund and shall fully pay the total contract price in one lump sum; furthermore, satisfactory employee arrangement plan and consent from financial institutions having loans owed by the target company are also required for getting approval of such acquisition.
- Where the land premium has not been fully paid, or arrived capital fund has not reached 35% of the required total investment of its development project, such foreign-invested property development company will not be permitted to borrow money from overseas.
- On October 28, 2015, MOFCOM and SAFE amended and promulgated the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in Real Estate Industry (《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》), which stipulates, among others, that: Foreign investment in high-end real estate should be strictly controlled.
- Only the foreign investor(s) having achieved land use rights or building ownership or having entered into land grant contract with government authorities will be approved for setting up new property development company in China.
- Acquisition or establishing of property development companies in PRC by domestic residents through offshore vehicle(s), the way so called “round-trip investment”, are strictly controlled and need to go through additional approval or filing procedure.
- Any guarantee to shareholders of foreign-invested developers in terms of pre-determined proceeds or similar investment return are not permitted and any constitutional legal documents of foreign-invested developer containing such provision will not get approved.
- Information of all foreign-invested developers approved by local governments is required to be filed with MOFCOM; and any foreign-invested developer failed to be filed with MOFCOM or pass annual inspection jointly conducted by government authorities will not be permitted to do foreign exchange of its capital.

On November 22, 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment in Real Estate Industry (《關於加強外商投資房地產業審批備案管理的通知》), which provides, among other things, that foreign-invested property development companies are prohibited to purchase real estate projects having been completed or under construction for speculation purpose.

According to Circular of the State Administration of Foreign Exchange on Printing and Distributing the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors and Relevant Supporting Documents (國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知) promulgated on May 10, 2013 and amended on October 10, 2018, real estate FIEs’ foreign shareholders’ increase of capital contribution, any equity transfer of FIEs from Chinese investors to foreign investors, and FIEs’ expanding business scope to real estate development require proof that the FIE has made file with the Ministry of Commerce as a real estate development enterprise filing with the Ministry of Commerce.

On August 19, 2015, the Ministry of Housing and Urban-rural Development and other authorities issued the Circular on Adjusting Policies on Market Access and Administration of Foreign Investment in the Real Estate Market (《關於調整房地產市場外資準入和管理有關政策的通知》) (the “Circular 122”). Circular 122 removed the requirement that a foreign invested real estate company must fully pay its registered capital before obtaining domestic loans, foreign loans, and settlement of foreign exchange loans and the ratio of registered capital to total investment of foreign invested real estate companies is also subject to the requirement of ordinary foreign invested entities. The Circular 122 also clarifies that qualified foreign institutions and individuals may purchase houses in China, provided that for the cities implementing policies on house purchase limits, the purchase of houses by overseas individuals shall comply with local policies.

On July 12, 2019, NDRC published a Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (《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》) which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts which will become due within one year, and the real estate developer is required to specify in the documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts to be refinanced, such as amount, maturity date and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter to NDRC regarding the authenticity of its foreign debt issuance.

QUALIFICATIONS OF A PROPERTY DEVELOPMENT ENTERPRISE

Classifications for the qualifications of property development enterprises

In accordance with the Provisions on Administration of Qualifications (《房地產開發企業資質管理規定》) promulgated and implemented by MOHURD on March 29, 2000 and amended on May 4, 2015 and December 22, 2018, for each newly established property development enterprise, it shall make filing with the local construction authority within 30 days upon the issuance of its business license and, if qualified, will be issued a one year term interim qualification classification certificate. An enterprise may not engage in any development and sale of property without a qualification classification certificate. The term of such interim certificate can be extended up to two years on case by case basis. However, if no project has been started by the developer within the initial one year period, the term is not permitted to be extended.

Within 1 month before the expiration of the interim certificate, the developer shall apply with the authority to classify its qualification and issue a formal qualification classification certificate. In accordance with the Provisions on Administration of Qualifications, qualifications of a property development enterprise are classified into four classes, in consideration of the assets, professional personnel and its capacity reflected by the projects it developed. The approval system is tiered and different classes of qualification shall be examined and approved by corresponding level of authorities subordinate to MOHURD. The class 1 qualifications shall be subject to both preliminary examination by the construction authority at provincial level and then final approval by the construction authority under the State Council. Procedures for approval of developers of class 2, 3 or 4 shall be formulated by the construction authority of provincial level. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the authority.

The business scope of a property development enterprise

According to the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of the property within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 developer may undertake property development projects throughout the country without any limit on the scale of the project. A developer of class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scopes of business shall be formulated by the construction authority at provincial level.

The annual inspection of a property development enterprise's qualification

Pursuant to the Provisions on Administration of Qualifications, real estate development authorities perform annual inspection on qualified developers. Developers who fail to meet the qualification requirements or violate relevant rules may have their qualification classification certificates degraded or revoked.

DEVELOPMENT OF A PROPERTY PROJECT

Land for property development

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. According to the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) initially promulgated in 1986 and having its latest revision passed and promulgated in 2019, all land in urban areas of a city or town is state-owned, and all land in the rural areas and suburban areas and all farm land area, unless otherwise specified by law, collectively-owned. The State has the right to resume its ownership of land or the land use right in accordance with law if required for the public interest (and compensation must be paid by the state).

Although all land in the PRC is owned by the State or by collectives, individuals and entities may obtain land use rights and hold such land use rights for development purpose. Individuals and entities may acquire land use rights in different ways, the two most important being land use right grants from local authorities and land use right transfers from land users who have already obtained land use rights.

Under the Provisional Regulations of the People's Republic of China on the Grant and Transfer of the Land-Use Rights of State-owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) (the "Provisional Regulations on Grant and Transfer") promulgated by the State Council on May 19, 1990, a system of grant and transfer of the right to use state-owned land is adopted. Under this system, the State retains the ultimate ownership of the land. However, the right to use the land, referred to as land use rights, can be granted by the state and local government at or above county level for a maximum period of 70 years for specific purpose pursuant to a land grant contract and upon payment to the State of a premium for the grant of land use rights.

The Provisional Regulations on Grant and Transfer prescribe different maximum periods of grant for different uses of land as follows:

Use of land	Maximum period (Years)
Commercial, tourism, entertainment	40
Residential	70
Industrial.	50
Educational, scientific, culture, public health and sports	50
Comprehensive utilization or others	50

On May 9, 2002, MLR promulgated the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (《招標拍賣掛牌出讓國有土地使用權規定》) to regulate that land for commercial use, tourism, entertainment and commodity housing development shall be granted through the way of tender, public auction or listing-for-sale. These Rules were revised by MLR on September 28, 2007 and renamed as the Rules Regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale (《招標拍賣掛牌出讓國有建設用地使用權規定》), which additionally requires that land for industrial use and a lot of land for whatever uses, so long having more than one intended grantee, also need to be granted through the way of tender, public auction or listing-for-sale. Local land administration authorizes above the county level may represent the State as grantor to make announcement in public media of the land approved to be granted according to the government's general land supply plan. Such announcement should include basic particulars of the lot of land in granting, qualification requirements for the bidders, the criteria for selection of winning bidder and other bidding conditions such as the defined use of the land, a certain amount of deposit. During the course off tender, public auction or listing-for-sale, bidding prices submitted by all bidder(s) are public and the most competitive bidder will be decided as the grantee and enter into a land grant contract with the grantor. Detail specifications for using the land, including dwelling size, plot ratio and the time limit for commencement and completion of construction, should be specified in each land grant contract. Upon paying in full the land premium pursuant to the terms of the contract, a land-grantee may apply to the relevant land bureau for the land use right certificate.

From 2003, the government has issued quite a lot rules and regulations to, from different administration approaches, restrain the excessive increase of housing prices and to promote the sound development of real estate market. The principle rules and regulations including:

- The Notice on Relevant Issues Concerning Strengthening the Examination and Approval of Urban Construction Land (《關於加強城市建設用地審查報批工作有關問題的通知》) promulgated by MLR on September 4, 2003 and repealed on June 26, 2019;
- The Notice on Effectively Stabilizing House Price (《關於切實穩定住房價格的通知》) promulgated by the General Office of the State Council on March 26, 2005;
- The Opinion on the Work of Stabilizing Housing Price (《關於做好穩定住房價格工作的意見》) promulgated by the MOHURD and other six departments on April 30, 2005;
- The Notice on Adjusting the Housing Structure and Stabilizing Housing Prices (《關於調整住房供應結構穩定住房價格意見的通知》) promulgated by the General Office of the State Council on May 24, 2006;

- The Notice on Further Regulation and Controlling Investment in Fixed Assets and Strictly Control the Number of New Projects (《關於加強固定資產投資調控從嚴控制新開工項目意見的通知》) promulgated by the General Office of the State Council on June 13, 2006 and repealed by the State Council on November 27, 2015;
- Certain Opinions regarding the Implementation of Ratio Requirements for the Structure of Newly Constructed Residential Unites (《關於落實新建住房結構比例要求的若干意見》) promulgated by the MOHURD on July 6, 2006;
- The Notice about Relevant Matters on Strengthening Control on Land (《關於加強土地調控有關問題的通知》) promulgated by the General Office of the State Council on August 31, 2006;
- The Notice about Relevant Matters on Policy Adjusting Concerning the Land Use Fee for Newly Created Construction Land (《關於調整新增建設用地土地有償使用費政策等問題的通知》) promulgated by the Ministry of Finance, MLR and PBOC on November 7, 2006 and amended by the Ministry of Finance and MLR on April 22, 2009;
- The Opinions on Resolving Difficulties of Housing for Urban Low-income Households (《關於解決城市低收入家庭住房困難的若干意見》) promulgated by the State Council on August 7, 2007 and amended by the State Council on December 3, 2010;
- The Notice on Implementation of the Opinions of the State Council on Solving Difficulties of Housing for Urban Low-income Households and Further Strengthening the Control of Land Supply (《關於認真貫徹《國務院關於解決城市低收入家庭住房困難的若干意見》進一步加強土地供應調控的通知》) promulgated by MLR on September 30, 2007 and amended on December 3, 2010;
- The Administration Rules on Land Inventory (《土地儲備管理辦法》) promulgated by the Ministry of Finance, PBOC and MLR on November 19, 2007 and amended on January 3, 2018;
- The Notice on Further Enhancing the Control on Revenue from and Expenditure for Land Grant (《關於進一步加強土地出讓收支管理的通知》) promulgated by the Ministry of Finance, MLR, PBOC, Ministry of Supervision and National Audit Office on November 18, 2009;
- The Notice on Issues of Enhancing Supply and Supervision of Land for Real Estate Development (《關於加強房地產用地供應和監管的有關問題的通知》) promulgated by MLR on March 8, 2010;
- The Notice on Further Strengthen the Administration and Control of Real Estate Land and Construction (《關於進一步加強房地產用地和建設管理調控的通知》) promulgated by MLR and MOHURD on September 21, 2010;
- The Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Estate Land to Promote Healthy Development of Land Market (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》) promulgated by MLR on December 19, 2010;

- The Notice on Further Implementing the Measures on Control of Real Estate Market (《關於進一步做好房地產市場調控工作有關問題的通知》) promulgated by the State Council on January 26, 2011, which was further enhanced by the State Council in the Notice on Continue the Work of Control of Real Estate Market (《關於繼續做好房地產市場調控工作的通知》) promulgated on February 26, 2013;
- The Catalog of Restricted Land Use Projects and Catalog of Prohibited Land Use Projects (《限制用地項目目錄》、《禁止用地項目目錄》) latest updated and promulgated by MLR and NDRC on May 23, 2012; and
- The notice on Further Strengthening the Administration of Income from and Expenditure for Land Grant (《關於進一步強化土地出讓收支管理的通知》) promulgated by the Ministry of Finance and MLR on September 17, 2015.

These rules and regulations adopted the following policies in terms of supply of land for property development:

- To focus on ensuring the supply of land for development of low to medium end ordinary residential house, for which the annual supply volume shall be not less than 70% of the total residential land supply, while restrict land supply for high-end, low-density residential projects and prohibit new land supply for villa projects;
- To ensure that the residential units with a floor area of less than 90 square meters shall account at least 70% of the total construction area of all new residential real estate projects approved after June 1, 2006;
- To more strictly control the approval for transforming agriculture land to construction land;
- To prohibit any transfer of land or transfer of real estate project before capital invested in the project (excluding land premium) has not reached 25% of assessed total investment;
- To implement scrutiny over all uncompleted property projects and impose penalties on the land-grantee(s) whose land has not been constructed in accordance with the term required under the land grant contract and even the government may resume the land use right of any land idled for over two years;
- To raise the standard for land use fee (a fee charged by central or provincial level government to subordinate local government) of newly added construction land and the land use fee for each category was doubled from January 1, 2007;
- To implement a regime of construction land inventory and supply plan so as to control supply of land in concerning of market demand;
- To prohibit local governments to grant any land to develop commodity real estate project before completion of expropriation of and compensation for old buildings on such land;
- To regulate that, for each residential real property project, the granted land area shall not exceed 7 hectares in small cities or towns, or 14 hectares in medium-sized cities, or 20 hectares in large cities and plot ratio shall not be lower than 1.0;

- To regulate that, when granting any land for developing commodity real estate, restricted selling price, number of units and GFA of each kind of units shall be included as requirements need to be satisfied and as well liabilities for failure to meet such requirements need to be specified in corresponding land grant contract;
- To regulate that, for bidding a lot of land, deposit for participation of bidding shall not be less than 20% of beginning price and the bidder(s) shall prove that such deposit is self-owned money, instead of borrowing from any financial institution, shareholder or any third party; furthermore, when winning a bidding, at least 50% of land premium shall be paid within one month of signing of land grant contract and the remaining shall be paid within the term as required under the contract.

On January 21, 2011, the State Council abolished the above regulation and at the same time promulgated the Regulation on the Expropriation of and Compensation for Houses on State-owned Land (《國有土地上房屋徵收與補償條例》, the “Expropriation and Compensation Regulation”). This new regulation provides that the State may expropriate houses legally owned by individuals and/or entities only for public interest purpose in the following circumstances:

- i. Required for national defense and diplomacy purpose;
- ii. Required for government projects of construction of energy, transportation, water power and other infrastructures;
- iii. Required for government projects in respect of technology, education, culture, sanitation, sports, environment and resource protection, disaster defense, relics protection, social welfare, public utilities and public facilities;
- iv. Required for housing projects for low-income households implemented by the government;
- v. Required for the reconstruction of areas with intensive dilapidated buildings and backward infrastructure to be implemented by the government pursuant to urban planning regulations; and
- vi. Required for other public interests permitted under the laws and regulations.

In such projects for public interest purpose, property developers are no longer acting as a party in demolishing and compensation work and instead the governments at municipal or county level are responsible for, and have the right to set up housing expropriation departments to organize and carry out such work in their administrative regions. The new regulation provides that the amount of compensation for the houses being expropriated shall not be less than its market value, which shall be determined by qualified real estate appraisal institutions according to the Rules for Appraisal of Expropriated Houses on State-owned Land (《國有土地上房屋徵收評估辦法》) promulgated by MOHURD on June 3, 2011. House owners or occupiers may choose monetary compensation or resettlement. In case of resettlement, either the government or the corresponding house owners or occupiers shall pay the difference between the expropriated house and the house provided for resettlement.

However, the Expropriation and Compensation Regulation does not mention the way that how the buildings on land should be demolished and compensated if the land is planned to be used for developing commodity real estate. According to principal provided under the Property Law of the People's Republic of China (《中華人民共和國物權法》) implemented from October 1, 2007, replaced by the Civil Code of the People's Republic of China (the "Civil Code") (No. 45 Order of the President of the PRC) (《中華人民共和國民法典》) (主席令第45號) which was issued by the National People's Congress on May 28, 2020 and comes into effect on January 1, 2021, if not for public interest purpose, the government do not have the right to expropriate real properties legally owned by individuals and/or entities and therefore, in case of commercial development, only when all buildings on the target land have been purchased and owned by a developer, it can demolish such buildings.

Punishment on idle land

According to the Urban Real Property Administration Law of the People's Republic of China (《中華人民共和國房地產管理法》) ("the Urban Real Property Administration Law" (《城市房地產管理法》)) promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and revised in August 2007, August 27, 2009 and August 26, 2019, property developers who have been granted land use rights should develop the land in accordance with corresponding land grant contract, including the time for commencement of construction; and the government may impose fine at the amount up to 20% of land premium for land idled for over one year and may resume granted land use right for any land idled for over two years. This policy was strengthened in subsequent regulations.

Under the Measures on Disposing of Idle Land (《閒置土地處置辦法》) promulgated by the MLR on April 28, 1999 and revised on June 1, 2012, "idle land" is defined as the granted state-owned construction land that (i) failed to commence construction within one year from the construction date undertaken in its land grant contract; or (ii) its construction has been suspended for over one year and the area in construction is less than one third of the total area ought to be in construction or the invested capital is less than 25% of the total amount of capital ought to be invested.

Under the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (《關於進一步加強房地產用地和建設管理調控的通知》) promulgated by MLR and MOHURD on September 21, 2010, it is regulated that property developers shall commence construction of its project within one year from the date of delivery of the land as set forth in corresponding land grant contract and shall complete construction within three years thereafter. If any land parcel is left idle for over one year due to the reason of the developer, such developer will be banned from participating in future land-granting activities.

Planning of a property project

According to the Measures for Control and Administration of the Grant and Transfer of the Right to Use State-owned Urban Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by MOHURD on December 4, 1992 and implemented on January 1, 1993 and amended on January 26, 2011, a real estate developer shall, after signing land grant contract, shall apply for a construction land planning permit (建設用地規劃許可證) from the municipal planning authority. After obtaining the construction land planning permit, the real estate developer shall then organize the necessary planning and design work. A planning and design proposal in respect of the real estate project shall be submitted to the municipal planning authority following 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》) (the "Urban and Rural Planning Law" (《城鄉規劃法》)) implemented from January 1, 2008 and amended on April 24, 2015 and April 23, 2019, and a construction works planning permit (建設工程規劃許可證) must be obtained from the municipal planning authority.

The Urban and Rural Planning Law (《城鄉規劃法》) provides that where any construction project is commenced without obtaining a construction work planning permit (建設工程規劃許可證), or where construction has not proceeded in accordance with approved construction work planning permit, the planning authority at or above county level may issue an order to cease such construction. In the case that the construction can be remedied to conform to the relevant planning rules, the planning authority may order the developer to rectify the construction in a prescribed period of time and a fine from 5% to 10% of the total construction cost may be imposed. Where the construction cannot be remedied to conform to relevant planning rules, the planning authority may order to demolish such construction or, demolition will be issued or, where demolition is not possible, to forfeit the illegal property and/or illegal income derived from the property and a fine to the extent of 10% of the construction cost will be imposed.

Construction of a property project

According to the Measures for the Administration of Construction Permits for Construction Projects (《建築工程施工許可管理辦法》) promulgated by MOHURD on October 5, 1999 and amended on July 4, 2001, June 25, 2014 and September 19, 2018, a property developer shall, after obtaining the construction land planning permit and the construction work planning permit, apply for a construction work commencement permit (建築工程施工許可證) from the construction authority at or above county level, which is a governmental permit for commencing the construction work of a project. In a commodity real estate project, the construction authority will issue such construction work commencement permit to a developer when the following conditions have been satisfied:

- i. land grant contract has been signed and the construction land planning permit has been obtained;
- ii. the construction work planning permit has been obtained;
- iii. all required demolishing work is completed and the site is substantially ready for construction;
- iv. the construction engineering contractor(s) having competent qualifications has been employed through appropriate approach;
- v. designing drawings for construction have been passed the examination by construction authority;
- vi. reasonable measures to ensure construction quality and security have been passed the examination by construction authority;
- vii. qualified construction supervision institution has been employed;
- viii. sufficient capital for commence the construction has been arrived, which in principle, for construction contracts with term less than one year, shall not be less than 50% of the contract price and, for construction contracts with term longer than one year, shall not be less than 30% of contract price; and
- ix. other conditions may be required by the competent construction authority.

According to the above Measures for the Administration of Construction Permits for Construction Projects, any project, unless its total investment is less than RMB300,000 or its total GFA is less than 300 square meters, if begins to construct before obtaining construction work commencement permit, will be stopped and fined by construction authority. On the other hand, if any project fails to commence construction within 3 months after obtaining its construction work permit, it shall get approval from competent construction authority for extension, which in normal will not be longer than 3 months, otherwise the construction work commencement permit will be revoked.

Completion of a property project

According to the Development Regulations (《城市房地產開發經營管理條例》) promulgated by State Council on July 20, 1998 and amended on March 19, 2018 and March 24, 2019, the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》) promulgated by State Council on January 30, 2000 and amended on October 7, 2017 and April 23, 2019, the Rules of Acceptance Examination Documents Filing of Completed Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by MOHURD on April 4, 2000 and amended on October 19, 2009 and the Rules on Acceptance Examination Upon Completed Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated by MOHURD on December 2, 2013, when the construction of a project is completed, the following examinations and formalities need to be conducted before deliver the project for use:

- to complete a construction completion report by the general construction engineering contractor, which need be co-signed by both of the general contractor and the developer;
- to pass the examination conducted by competent construction planning authority and obtain a certification which proving the project is completed in accordance with the approved planning specifications;
- to pass the examination conducted by qualified construction supervision institution and architecture designing institution in regard of the quality of the project and obtain a quality examine report issued by such institutions;
- to compile engineering and construction management material of the project;
- to complete trial of major construction materials, parts and equipments and prepare a trial report;
- to pay engineering contractors contract price pursuant to relevant contract;
- to obtain quality warranty guarantee of the project issued by general engineering contractor;
- to pass the examination conducted by competent local public security authority, fire station, environment protection authority and obtain corresponding certificate issued by such authorities;
- given that all the above examinations are passed, the relevant general engineering contractor, construction supervision institution, architecture designing institution shall co-sign a project completion opinion; and
- to file the above documents to the competent local construction authority, which if accept all such documents will issue to the developer a filing certificate to prove the completion of construction in legal perspective.

Pursuant to the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》) amended and promulgated on October 7, 2017 and April 23, 2019, no project can be delivered for use before completion of the above examination and filing formalities, otherwise its developer will be fined at an amount from 2% to 4% of the total contract price of the project construction and be liable for all damages and losses caused therefore.

SALE/PRE-SALE OF COMMODITY PROPERTY

Commodity property can be sold before or after its completion. These sales are regulated and conducted in accordance with the provision of the Regulations on Administration of Sale of Commodity Property (《商品房銷售管理辦法》), or the Sales Regulations, promulgated by MOHURD on April 4, 2001, the Measures on Administration of Pre-sale of Commodity Property (《城市商品房預售管理辦法》), or the Pre-Sale Regulations promulgated by MOHURD on November 15, 1994 and amended on August 15, 2001 and July 20, 2004.

For units of a commodity property sold before completion (a “Pre-sale”), a developer must take the necessary pre-sale registration with competent real estate development authority at or above county level and obtain a pre-sale permit (商品房預售許可證). A Pre-sale will take place if: (a) the land premium has been paid in full and the land use right certificate has been obtained; (b) the construction land planning permit, the construction work planning permit and the construction work commencement permit have been obtained; (c) in terms of the commodity buildings put into pre-sale, at least 25% of the total amount of investment fund has been injected into the development and the progress of construction and the expected completion and delivery dates have been ascertained; and (d) the pre-sale has been registered and a pre-sale permit has been obtained.

Under the Sale Regulations, commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: (a) the property development enterprise shall have a business license and a qualification certificate of a real property development enterprise; (b) the enterprise shall obtain a land use right certificate or other approval documents for land use; (c) the enterprise shall have the construction work planning permit and construction work commencement permit; (d) the building shall have been completed and been inspected and accepted as qualified; (e) the resettlement of the original residents shall have been completed; (f) the essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other essential utilities and public facilities shall have been made ready for use, or a date for their construction and delivery shall have been specified; (g) the property management plan shall have been completed. Before the post-completion sale of a commodity building, a property development enterprise shall submit the property development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the property development authority.

According to the Development Regulations (《城市房地產開發經營管理條例》) and the Pre-sale Regulation, for any pre-sold units, the developer shall apply for registration of the pre-sold commodity units with relevant real property administration authorities within 30 days after signing pre-sale contract with the buyer. The function of such registration is to prevent a second transfer of any pre-sold real property. Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of the MOHURD and other Departments on Stabilizing House Prices (《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》) issued on May 9, 2005, a buyer of a pre-sold commodity property is prohibited from transfer the pre-sold property before the construction of the property is completed and the buyer obtains the title deed of the commodity property and in the event when the applicant for issuing of title deed of the real property is different from the person that registered in pre-sale of the property, the real property administration authority will reject to issue title deed for such property.

On April 13, 2010, MOHURD issued the Notice on Further Enhancing the Supervision 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》). Pursuant to the notice, any deposit, down payment or payment in whatever nature made to developer(s) for any commodity property before getting pre-sale permit is strictly prohibited. On the other hand, the information of all units that having been permitted for pre-sale, including number of units and price of each unit, shall be published within 10 days upon being issued of pre-sale permit. In the Regulations on Sales of Commodity Properties at Expressly Marked Price (《商品房銷售明碼標價規定》) promulgated by NDRC on March 16, 2011, the requirement of publishing price of each unit of commodity property is expanded to also cover units in post-completion sale.

Mortgages of property

The mortgage of real estate in the PRC is governed by the Property Law (《物權法》), the Security Law of the People's Republic of China (《中華人民共和國擔保法》) implemented on October 1, 1995 which are both replaced by Civil Code of the People's Republic of China (the "Civil Code") (No. 45 Order of the President of the PRC) (《中華人民共和國民法典》) (主席令第45號) which was issued by the National People's Congress on May 28, 2020 and came into effect on January 1, 2021, the Law of the PRC on the Urban Real Property Administration Law (《城市房地產管理法》) and the Rules on the Administration of Mortgages of Urban Real Property (《城市房地產抵押管理辦法》) promulgated by MOHURD on May 9, 1997 and amended on August 15, 2001. When a mortgage is lawfully created on the ownership of a completed building, the same will be simultaneously created on the land use rights of the land where the building is erected; and vice-versa when a mortgage is created on a lot of granted land, the same will be simultaneously created on the buildings having erected on the land. For buildings newly-erected on the land after the registration of mortgage are not deemed as mortgaged property; however in the event that the mortgaged property is auctioned off, the new buildings added on the land may be auctioned together but the mortgagee shall not be entitled to the priority compensation from the proceeds of the auction of the new buildings.

Pursuant to the Property Law, a real estate mortgage becomes effective on the date of the registration with local real estate administration authority. To make registration of mortgage on a real property, the written mortgage contract as well as the loan contract secured by the mortgage and the land use right certificate or the title deed of real property must be submitted the registration authority. In the case that the mortgagor fails to repay the loan secured by the mortgage, the mortgagee may institute a proceeding in the court to claim for repayment of the loan by proceeds from the auction of the mortgaged property. The mortgagee has priority on such proceeds and the portion of the proceeds that exceeds the amount of indebtedness shall belong to the mortgagor and any shortfall shall be paid by the mortgagor.

Leasing

Under the Law of the PRC on the Urban Real Property Administration Law (《城市房地產管理法》) and the Administration Rules of Leasing of Commodity Property (《商品房屋租賃管理辦法》) promulgated by MOHURD on December 1, 2010, the parties to a leasing of real property shall enter into a written leasing contract, which should be filed with the local real property administration authority within 30 days upon execution. Any failure to comply with such filing requirement would lead to a fine.

REAL ESTATE LOANS

Loans to real property development enterprises

The government has promulgated quite a few regulations in respect of the administration of bank loans granting to commodity real property projects, including:

- The Circular on Further Strengthening the Management of Real Property Loans (《關於進一步加強房地產信貸業務管理的通知》) issued by PBOC on June 5, 2003;
- The Guideline for Risk Control in Commercial Banks' Real Property Loans (《商業銀行房地產貸款風險管理指引》) issued by CBRC on August 30, 2004;
- The Circular on Strengthen the Administration of Real Property Development Loans (《關於加強商業性房地產信貸管理的通知》) issued by PBOC and CBRC on September 27, 2007;
- Supplementary Notice on Strengthen the Administration of Real Property Development Loans (《關於加強商業性房地產信貸管理的補充通知》) issued by PBOC and CBRC on December 5, 2007; and
- The Notice on Adjusting the Minimum Capital Requirement for Fixed Assets Investment (《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.

According to the above regulations, commercial banks are required to focus their business on supporting real estate projects targeted at mid to lower-income households and appropriately restrict the granting of real estate loans to projects for the construction of luxury apartments and houses and bank loans to be granted to commodity real property project shall be in compliance with the following principles:

- The real property developer shall have injected at least 30% of the total investment of the project from its own fund;
- Banks are prohibited to provide any loan to any real property development enterprise as working capital or for payment of land premium;
- Banks shall supervise and manage real property development loans granted to developers being used for the projects applying for such loan;
- No loan shall be granted for any real property project which have not obtained requisite land use right certificate, construction land planning permit, construction work planning permit and construction work commencement permit;
- No loan shall be offered to property developers who have been found by governmental authorities as hoarding land and buildings; and
- Banks are prohibited from accepting commodity buildings or units that have been idled for over more than 3 years as collateral for loans.

On July 19, 2013, PBOC promulgated the Notice on Further Promote Interest Marketization (《關於進一步推進利率市場化改革的通知》) to cancel the control of bottom line of financial institutions' lending rates, which used to be 70% of benchmark rate published by PBOC. The personal housing loan floating interest rate range remained unchanged.

On December 28, 2020, the PBOC and CBRC jointly issued the Notice on Establishing the Centralization Management System for Real Estate Loans of Banking Financial Institutions (關於建立銀行業金融機構房地產貸款集中度管理制度的通知), which became effective on January 1, 2021. Pursuant to the notice, a PRC financial institution (excluding its overseas branches) are required to limit the amount of real estate loans and personal housing mortgage loans to a capped ratio of the total amount of RMB loans extended by such financial institution. The financial institution will have a transition period of two years or four years to comply with the requirements, subject to certain conditions. Pursuant to the notice, PBOC and CBRC will have the authority to take measures such as, among other things, imposing additional capital requirements on the financial institutions.

On March 26, 2021, the General Office of CBIRC, the General Office of MOHURD and the General Office of PBOC jointly issued the Notice on Preventing the Illegal Flow of Loans for Business Purposes into the Real Estate Sector (關於防止經營用途貸款違規流入房地產領域的通知), pursuant to which, in order to prevent business-use loans from illegally flowing into the real estate sector, and to support the development of the real economy, some measures, such as strengthening borrower qualification verification, strengthening credit demand review, strengthening loan term management, strengthening loan collateral management, strengthening post-loan management and etc. will be adopted and implemented. All banking and insurance regulatory bureaus, local housing and urban-rural construction departments, and branches of the PBOC shall jointly carry out a special investigation on the illegal flow of business-use loans into real estate, complete the investigation before May 31, 2021, and increase supervision and rectification of illegal problems and penalties.

Trust financing

- On October 1, 2001, the Trust Law of the People's Republic of China (《中華人民共和國信託法》) came into force to regulate the legal relationship in trust, which as interpreted under the law refers to that the settler, based on his faith in trustee, entrusts his property rights to the trustee and allows the trustee to, according to the will of the settler and in the name of the trustee, administer or dispose of such property in the interest of a beneficiary or a trustee.
- On March 1, 2007, the Administration Measures on Trust Financing Company (《信託公司管理辦法》) came into force, which provides that the establishment and operation of trust financing companies are administrated by CBRC and all trust financing companies need to obtain a Financial Institution License issued by CBRC. Trust financing companies may manage or dispose of trust property, subject to the terms of trust document, in the manner of investment, sale, inter-bank deposits, purchasing for reselling, lease or loans, etc.
- From 2008 to 2010, CBRC issued several regulatory notices to enhance the administration on trust loans advanced by trust financing companies to real estate development project, including a Circular on Relevant Matters regarding Strengthening the Supervision of Real Estate Business of Trust Financing Companies (《關於加強信託公司房地產信託業務監管

有關問題的通知》) issued on February 11, 2010, pursuant to which trust financing companies are prohibited to provide loans for payment of land premium and loans should not be provided to property projects that (i) have not obtained the requisite land use right certificates, construction land planning permit, construction work planning permits and construction work commencement permits; (ii) neither its developer nor its controlling shareholder had been issued of real estate developers qualification certificate at or above Class 2; (iii) the fund invested in the project by the developers' own capital is less than the minimum line required by the government at that time.

- Pursuant to the Administration Measures on Trust Financing Company (《信託公司管理辦法》), “trust companies” shall mean the financial institutions which are incorporated in accordance with the Company Law of the People’s Republic of China and are engaged mainly in trust business in the PRC. “Trust business” shall mean the business operation that the trust company undertakes as a trustee of a trust and handles the trust matters under a fiduciary capacity for the purpose of operating business and receiving remunerations. The minimum amount of registered capital of a trust company shall be RMB300 million or the equivalent value in a freely convertible currency.
- On November 12, 2010, the CBRC issued 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》) to require all trust companies to conduct self-examination immediately on the compliance risk of the real estate trust business. Business compliance and risk exposure shall be analyzed on case-by-case basis, including whether the real estate development projects to which loans were issued by trust companies have satisfied the conditions such as the availability of all the “Four Permits” (namely, the land use rights certificate, construction land planning permit, construction work planning permit and construction work commencement permit), whether the real estate developer or its controlling shareholder have obtained Class 2 qualification, and whether capital ratio of the project has reached the national minimum requirement. All banking regulatory bureaus shall strengthen compliance supervision and risk control over real estate business of trust companies within their jurisdiction. If problems are discovered during self-examination and inspection, measures shall be taken immediately to order the trust company for rectification and non-compliance behavior shall be penalized in accordance with the relevant rules and regulations.

Investment in Real Estate Developers and Projects

On February 13, 2017, the Asset Management Association of China issued the Administrative Rules for the Filing of Private Equity and Asset Management Plans by Securities and Futures Institutions No. 4 — Investment in Real Estate Developers and Projects by Private Equity and Asset Management Plans (《證券期貨經營機構私募資產管理計劃備案管理規範第4號—私募資產管理計劃投資房地產開發企業、項目》) (the “Rule 4”). According to the Rule 4, any private equity and asset management plan that is adopted to make either direct or indirect investment into any ordinary residential property projects located in any of 16 specified cities, including Beijing, Shanghai, Guangzhou, Shenzhen and Xiamen, where the property prices are rising too fast, shall temporarily not be allowed to file for recording purposes. The Rule 4 requires that the asset manager fulfill its obligations in a downward penetrating examination. Also, the Rule 4 provides that a private equity and asset management plan shall not be used to finance any real estate developer, whether in the form of bank entrusted loans, trust plans or transfers of beneficial interests in assets, for the purpose of acquiring land use rights or supplementing working capital, or for use, directly or indirectly, to facilitate any illegal margin loans for down payments.

Housing loans to individual buyers

Loans granted to individuals for purchasing residential real properties are classified in two categories, one is commercial housing loans granted by banks and the other is housing loans at preferred interest rate granted by housing fund administration institutions through commercial banks.

The policies for housing loans to individuals have been adjusted periodically and became more and more stringent in recent years. According the Notice on Further Implementing Real Estate Market Control Measures (《關於進一步做好房地產市場調控工作有關問題的通知》) promulgated by the General Office of the State Council on January 26, 2011, the Notice on Continue the Work of Control of Real Estate Market (《關於繼續做好房地產市場調控工作的通知》) promulgated by the General Office of the State Council on February 26, 2013, and the Notice on Continue the Work of Control of Real Estate Market (《關於進一步做好房地產市場調控工作有關問題的通知》) promulgated by MOHURD on May 19, 2018, the current principle policies for individual housing loans include:

- individual housing loans are only permitted to grant for purchasing of post-completion residential real property or pre-sold residential real property, of which the construction of the building's main structure has been completed;
- for individual housing loans to be used to fund the purchasing of the first residential property for a family, the contract price having been paid by the purchaser being granted of the loan shall not be less than 30%;
- for individual housing loans to be used to fund the purchasing of the second residential property for a family, the percentage of downpayment should not be less than 60% and may be further increased at the decision of each city, (in Beijing, the percentage is increased to 70%) and the interest rate of such loans shall not be lower than 110% of the benchmark rate;
- no individual housing loan is permitted to be granted to any individual who cannot provide income tax payment receipt or social insurance premium payment receipt to prove he/she has been working for at least one year in the city where the commodity property to be purchased is located; and
- except for individual housing loan, no other banking finance product is permitted to be used to purchase residential real property.

It is also provided in the Notice on Further Implementing Real Estate Market Control Measures (《關於進一步做好房地產市場調控工作有關問題的通知》), any local family which have owned at least two units of residential property are prohibited to purchase other residential real property in the city; and for non-local families which can provide relevant income tax payment receipts or social insurance premium payment receipts to prove they have been living in the city for over one year, are permitted to only purchase one residential real property in the city. According to the Notice on Further Regulating Administration on Purchase of Houses by Overseas Institutions and Foreigners (《關於進一步規範境外機構和個人購房管理的通知》) promulgated by MOHURD and SAFE on November 4, 2010, each foreigner can only purchase one residential property in PRC for his/her own residential purpose; and for overseas institutions which have established branches or representative offices in the PRC is permitted to only purchase non-residential commodity properties for business use in the city where it is registered.

On February 1, 2016, the PBOC and CBRC issued the Circular on Issues Concerning Adjusting Individual Housing Loan Policies (《關於調整個人住房貸款政策有關問題的通知》) which requires that: (i) in the cities without restrictive measures for purchasing houses, the minimum down payment for the purchase shall, in principle, be 25% of the house price with regard to the residential mortgage for first time purchasers of common residential houses, and the said percentage may be lowered by five percentage points in different regions; with respect to resident households that own a residential house with an outstanding residential mortgage but apply for another residential mortgage in order to purchase a second house so as to improve living conditions, the minimum down payment for the purchase shall be at least 30% of the corresponding house price; (ii) in the cities with restrictive measures on purchasing houses, the individual housing loan policies shall be subject to the original provisions.

On March 24, 2016, the General Office of Shanghai Municipal People's Government issued the Circular on Several Opinions by the Shanghai Housing Urban and Rural Construction Management Committee and Three Other Departments on Further Consummating Housing Security Systems on and Promoting the Healthy and Stable Development of the Real Estate Market (《上海市人民政府辦公廳轉發市住房城鄉建設管理委等四部門關於進一步完善本市住房市場體系和保障體系促進房地產市場平穩健康發展若干意見的通知》), which requires relevant units under the Shanghai Municipal Government to establish a real estate market supervision committee, increase land supply for housing, strictly implement the housing purchase restriction policy, implement the differentiated housing credit policy, strengthen market supervision inspection, and enforcement, promote low-rent housing and public rental housing, increase talent apartment housing, consummate the establishment, supply and management of common property security housing, and promote the transformation of old areas and "villages in the city".

On August 11, 2016, Suzhou Municipal People's Government issued the Notice on Further Strengthening the Implementation of Real Estate Market Management in Suzhou City (《關於進一步加強蘇州市區房地產市場管理的實施意見的通知》) (the "Notice 119") which formulates several opinions, among others, to increase the supply of land in the market, adjust the land supply conditions, improve the management of real estate pre-sale procedures, strengthen the price management of commercial housing and consummate the differential housing credit policy. According to the Notice 119, for any family which has owned a residential property with an outstanding residential mortgage, the family is required to pay a down payment of no less than 50% of the purchase price in Suzhou city; and for any family which owns at least two residential properties with outstanding residential mortgages, the family is prohibited from taking out additional residential mortgages.

On November 25, 2016, the Shanghai Housing Urban and Rural Construction Management Committee, People's Bank of China Shanghai Branch and China Banking Regulatory Commission Shanghai Regulatory Bureau promulgated the Notice on Promoting the Stable, Healthy and Orderly Development of Shanghai's Real Estate Market and Further Consummating the Differential Housing Credit Policy (《關於促進本市房地產市場平穩健康有序發展進一步完善差別化住房信貸政策的通知》) (the "Circular 1062"), which, among other things, provides that:

- each housing administrative authority shall strengthen supervision of housing transactions, verify the housing status and information of purchasers and issue inspection results according to relevant rules and regulations;

- for any family that purchases its first residential property (namely, the families that do not have any residential properties in Shanghai nor any record of residential mortgages or housing provident fund loan) with a residential mortgage, the family is required to pay a down payment of no less than 35% of the purchase price;
- if any of the following conditions is met, for any family which purchases an ordinary residential property with a residential mortgage, the family is required to pay a down payment of no less than 50% of the purchase price, and for any family which purchases a non-ordinary residential property with a residential mortgage, the family is required to pay a down payment of no less than 70% of the purchase price:
 - (a) The family has no residential property in Shanghai but has record(s) of commercial housing loan or housing provident fund loan; or
 - (b) The family has one residential property in Shanghai.

On November 29, 2016, the Shanghai Housing Provident Fund Management Committee issued the Circular on Adjusting the Policies of Shanghai Municipality on Housing Provident Fund for Individual Loans (《關於調整本市住房公積金個人貸款政策的通知》) (the “Circular 18”) which, among other things:

- provides that, for any family which has no residential property in Shanghai nor any record of obtaining a housing provident fund loan, the residential property bought by such family shall be treated as the first residential property for its loan application and the credit policy remains unchanged.
- provides that, for any family which has no residential property in Shanghai but has records of historical loans, or has one residential property and intends to purchase the second residential property to improve the family’s living conditions, the residential property bought by such family shall be treated as the second residential property for the purpose of improving living conditions for its loan application. Under such circumstances:
 - (a) the interest rate of housing provident fund for individual loans is adjusted to 110% of the lending interest rate of a first-time residential property purchaser of the same period;
 - (b) the maximum loan amount is adjusted to RMB800,000 (or RMB1,000,000 if additional housing fund is applicable) for a family and RMB400,000 (or RMB500,000 if additional housing fund is applicable) for an individual; and
 - (c) the down payment shall be no less than 50% of the purchase price for an ordinary residential property and no less than 70% of the purchase price for a non-ordinary residential property.

- prohibits the Shanghai Housing Provident Fund Management Center from providing a loan to any applicant if:
 - (a) the family's record already shows two loans;
 - (b) the purpose of purchasing a second residential property by the family is not for improving living conditions.

Insurance of a property project

There are no mandatory provisions in PRC laws, regulations and government rules which require a property development enterprise to take out insurance policies for its property projects. However, PRC commercial banks may require the property development enterprise to purchase insurance if the commercial bank intends to grant a development loan to the property development enterprise.

Environmental protection

Pursuant to the requirements of relevant laws and regulations such as the Law of Appraisal Measures for the Impact on Environment of the PRC (《中華人民共和國環境影響評價法》) promulgated by the Standing Committee of the National People's Congress on October 28, 2002, and amended on July 2, 2016 and December 29, 2018, and the Regulations of Environmental Protection in Construction Projects (《建設項目環境保護管理條例》) implemented by the State Council in November 1998 and amended on October 1, 2017, before commencement of a construction project, the property developer of such project shall engage qualified institution to carry out an appraisal of the impact the construction project will have on the environment and submit an appraisal report to the local environmental protection administration authority for filing. If the appraisal result is acceptable to the local environmental protection administration authority, it will issue a consent for commencement of the construction. While the project is in progress, the developer should comply with the rules and measures for environmental protection stated in the appraisal report. Such measures must be incorporated into the design, construction and operation of the general construction. Upon completion of the project, the developer should apply to the supervisory body for environmental protection for the inspection and acceptance of the completed environmental protection facilities. Only those projects that have been inspected and accepted by the authority may go into operation or be delivered for use.

Construction safety

Under relevant laws and regulations such as the Laws of Safe Production of the PRC (《中華人民共和國安全生產法》) promulgated on June 29, 2002 and revised by the Standing Committee of the National People's Congress in August 2014, the property development enterprise should apply to the supervisory department on safety for the registration of supervision for work safety in construction before the commencement of construction. Constructions without such registration will not be granted a construction work commencement permit by the supervisory body. Contractors for the construction should establish the objectives and measures for work safety and improve the working environment and conditions of workers in a planned and systematic way. A work safety protection scheme should also be set up to carry out the work safety job responsibility system. At the same time, contractors should adopt corresponding site work safety protective measures according to the work protection requirements in different construction stages and such measures shall comply with the labor safety and hygiene standards of the State.

Under the Construction Law of the People's Republic of China (《中華人民共和國建築法》) promulgated on November 1, 1997 and revised by the Standing Committee of the National People's Congress in April 2011 and April 2019, general construction contractor shall take overall responsibility for the safety in the construction site. Each subcontractor is required to comply with the protective measures adopted by general contractor and to purchase insurance policies covering accident injury for its employees on site.

MAJOR TAXES APPLICABLE TO PROPERTY DEVELOPERS

Enterprise income tax

In 2007, the PRC government adopted the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), or EIT Law, and the related implementation rules, which became effective on January 1, 2008 and later amended on February 24, 2017 and December 29, 2018. Under the PRC EIT Law, a unified income tax rate at 25% on profit is applied to all PRC enterprises, including foreign-invested enterprises. Under the PRC EIT Law, enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and are generally subject to the unified 25% corporate income tax rate on their global income.

Value-added tax

Pursuant to the Provisional Measures on Administration of Levying and Collection of Value-added Tax on Sale of Real Estate Projects by Real Estate Development Enterprises Which Develop Such Projects (《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》) promulgated on March 31, 2016 and amended on June 15, 2018 by the State Administration of Taxation, a value-added tax at the rate of 5% on sales amount, which shall be computed according to the general tax computation method, based on the balance by deducting the corresponding land price for the real estate projects sold in the current period from the total money and out-of-pocket expenses obtained, is applicable to us.

Land appreciation tax

According to the requirements of the Provisional Regulations of The People's Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) (the “Land Appreciation Tax Provisional Regulations”) which were implemented from January 1, 1994 and amended on January 8, 2011, and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》) (the “Land Appreciation Tax Detailed Implementation Rules”) which were promulgated and came into effect on January 27, 1995, for each transfer of real property, a land appreciation tax, or LAT, is payable by seller(s) on appreciation in value representing the balance of the proceeds received on sales, after deducting various prescribed items. The allowable deduction include the following items:

- payment made for obtaining land use rights;
- costs and expenses occurred for the land development and construction of the property;
- construction costs and expenses occurred for newly built buildings and ancillary facilities, or assessed value of old buildings and structures;

- taxes paid for transfer of the real property; and
- other deductible items as specified by the Ministry of Finance (including 20% deduction of the first two items mentioned which is applicable only for property developers).

LAT is charged at progressive rates ranging from 30% to 60% of the appreciation value (i.e. the balance as described above).

Appreciation value	LAT rates (%)
For the portion	
Not exceeding 50% of allowable deduction	30
Over 50% but not more than 100% of allowable deduction	40
Over 100% but not more than 200% of allowable deduction	50
Over 200% of allowable deduction	60

An exemption from payment of LAT may be available if the taxpayer constructs ordinary residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC laws.

Before a project is completed and/or the amount of allowable deduction is identified, the local tax authority may levy LAT on revenue from pre-sale at certain rates determined by the relevant local authority. According to the Notice on Strengthening the Levy and Administration of Land Appreciation Tax (《關於加強土地增值稅徵管工作的通知》) issued by the State Administration of Taxation on May 25, 2010, which requires that the minimum LAT prepayment rate shall be 2% for provinces in the east region, 1.5% for provinces in central and northeast regions, and 1% for provinces in the west region, local tax authorities shall also define different LAT prepayment rates applicable to different types of the properties.

According to the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (《國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知》) (the “2007 LAT Notice”) issued on December 28, 2006, and amended on June 15, 2018 by the State Administration of Taxation when construction of a project is completed, or a transfer of the entire uncompleted project or a transfer of the entire lot of land occurs, the developer shall pay LAT based on the appreciation amount identified by the local tax authority after tax auditing; however, in the following circumstances local tax authorities may also order the developer to pay LAT for the entire project even when not all units of a project has been sold out:

- for a project having completed construction, the GFA of units having been sold out, leased or reserved for self-use account for more than 85% of the GFA of all units available for sale;
- the sales or pre-sale permit of the project was issued 3 years ago and the sold out units still do not reach the ratio of 85%;
- the taxpayer has applied to de-register its tax registration certificate, while has not completed the auditing of LAT for the project; and
- other circumstances may be supplemented by the local tax authorities at or above the provincial level.

Urban land use tax

Pursuant to the latest amended version of the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas (《中華人民共和國城鎮土地使用稅暫行條例》) promulgated by the State Council on January 8, 2011, revised on December 7, 2013 and March 2, 2019, land use tax in respect of urban land is levied according to the area of relevant land at different rates ranging from RMB0.6 to RMB30.0 per sq.m.

Real estate tax

According to the PRC Provisional Rules on Real Estate Tax (《中華人民共和國房產稅暫行條例》) promulgated by the State Council on September 15, 1986 and amended on January 8, 2011 and the PRC State Council Order 546 (《中華人民共和國國務院令2008第546號》) issued on December 31, 2008 and amended on January 8, 2011, for enterprises in the PRC, no matter domestic or foreign-invested, real estate tax is calculated at the rate of 1.2% on the value of self-owned real estate or at the rate of 12% on rental income derived from real estate.

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Collection of Real Estate Tax on Foreign-funded Enterprises and Foreigners (《關於對外資企業及外籍個人徵收房產稅有關問題的通知》) promulgated by the Ministry of Finance on January 12, 2009, and the Circular Concerning the Implementation of the Levy of Real Estate Tax on Foreign-funded Enterprise and Foreigners (《關於做好外資企業及外籍個人房產稅徵管工作的通知》) issued by the State Administration of Taxation on January 6, 2009, from January 1, 2009, domestic and foreign-invested enterprises and foreign individuals will all be subject to the Interim Regulations of the People's Republic of China on Building Tax.

In May 2010, the State Council issued the Notice on Endorsing and Forwarding the National Development and Reform Commission's Opinions on Further Developing the Key Reforms of the Economic System in 2010 (《國務院批轉發展改革委關於 2010年深化經濟體制改革重點工作意見的通知》) (repealed on November 27, 2015), which calls for the gradual implementation of real estate tax reform in the PRC. Further, the Report on the Work of the Government (《2018年國務院政府工作報告》) issued in March 2018 called for the promotion of real estate tax legislation.

Stamp duty

Under the Interim Regulations of the People's Republic of China on Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated by the State Council on August 6, 1988, implemented on October 1, 1988 and amended on January 8, 2011, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

On October 22, 2008, the Ministry of Finance and the State Administration of Taxation issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (《關於調整房地產交易環節稅收政策的通知》) (amended on September 29, 2010) and temporarily exempted stamp duty for individuals selling or buying houses starting from November 1, 2008.

Municipal maintenance tax

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council on February 8, 1985 and amended on January 8, 2011, taxpayers subject to value-added tax or business tax shall be required to pay municipal maintenance tax levied on the amount of payable value-added tax or business tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

However, according to the Notice on Unifying the Municipal Maintenance Tax and Education Surcharge System of Domestic Enterprises, Foreign-Invested Enterprises and Individuals (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) as issued by the State Council on October 18, 2010, the municipal maintenance tax will become applicable to foreign-invested enterprises as of December 1, 2010.

Education surcharge

Under the Interim Provisions on the Imposition of the Education Surcharge (《徵收教育費附加的暫行規定》) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990, August 20, 2005 and January 8, 2011, taxpayers subject to value-added tax or business tax shall pay an education surcharge levied based on the amount of payable value-added tax or business tax.

Unless such taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (《國務院關於籌措農村學校辦學經費的通知》), issued on December 13, 1984 under the Supplementary Notice Concerning Imposition of Education Surcharge (《國務院關於教育費附加徵收問題的補充通知》) issued by the State Council on October 12, 1994, and the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises (《關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知》) issued by the State Administration of Taxation on February 25, 1994 and repealed on January 4, 2011, the education surcharge shall not be applicable to enterprises with foreign investment until further notice is issued by the State Council.

However, according to the Notice on Unifying the Municipal Maintenance Tax and Education Surcharge System of Domestic Enterprises, Foreign-Invested Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) as issued by the State Council on October 18, 2010, the municipal maintenance tax and education surcharge will become applicable to foreign-invested enterprises as of December 1, 2010.

MAJOR TAXES APPLICABLE TO REAL PROPERTY BUYERS AND OWNERS

Deed tax

Pursuant to the Interim Regulations of the People's Republic of China on Deed Tax (《中華人民共和國契稅暫行條例》) promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997 and amended on March 2, 2019, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be subject to the payment of deed tax. The rate of deed tax is 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine their effective rates of deed tax.

On September 29, 2010, the Ministry of Finance, the State Administration of Taxation, and the MOHURD promulgated the Notice on Adjusting Preferential Policies for Deed Tax and Individual Income Tax for the Real Estate Transaction Process (《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》), which provides that for any residential property purchased as the sole residential property for the purchaser and his or her family members (including his or her spouse and minor dependents), the rate of deed tax is reduced to 50% of the statutory rate if the GFA of the residential property is at or above 90 sq.m. and to 1% if the GFA of the residential property is below 90 sq.m.

Real estate tax

Pursuant to the PRC Provisional Rules on Real Estate Tax (《中華人民共和國房產稅暫行條例》), real properties owned by individuals for non-business uses are exempted from real estate tax. In May 2010, the State Council issued the Notice on Endorsing and Forwarding the National Development and Reform Commission's Opinions on Further Developing the Key Reforms of the Economic System in 2010 (《國務院批轉發展改革委關於2010年深化經濟體制改革重點工作意見的通知》) but was repealed on November 27, 2015, which calls for the gradual implementation of real estate tax reform in the PRC. According to principle of this notice, Chongqing and Shanghai have promulgated local regulations to impose real estate tax on residential real property owned by individuals.

Stamp duty

On October 22, 2008, the Ministry of Finance and the State Administration of Taxation issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (《關於調整房地產交易環節稅收政策的通知》 (amended on September 29, 2010)), which provides that from November 1, 2008 stamp duty is exempted for individuals selling or buying houses.

MEASURES ON STABILIZING HOUSING PRICE

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》) on March 26, 2005, requiring measures to be taken to restrain housing prices from increasing too fast and to promote the healthy development of the property market. On May 9, 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Stabilizing the Prices of Residential Properties (《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》), which provides that:

- *Intensifying planning and control and improving the housing supply structure.* Where there is excessive growth in housing prices and insufficient supply of medium to low priced commodity houses and affordable residential housing, housing construction should mainly involve projects for the development of medium to low priced commodity houses and affordable residential houses. The construction of low-density, high-quality houses shall be strictly controlled. With respect to projects for the construction of medium-or-low-price commodity houses, prior to the assignment of land, the municipal planning authority shall, according to control planning, set forth conditions for the plan and design of such elements as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth requirements such as sale price, type and area. Such conditions and requirements will be set up as preconditions to the

assignment of land to ensure an adequate supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permits for property development projects. Housing projects that have not been commenced within two years must be re-examined, and those that turn out to be noncompliant will have their planning permits revoked.

- *Intensifying control over the supply of land and rigorously enforcing the administration of land.* Where there is rapid excessive growth in the price of land for residential use, the proportion of land for residential use to the total land supply should be raised, and the land supply for the construction of regular commodity housing at medium or low prices and affordable residential housing should be increased. Land supply for villa construction shall be continuously suspended, and land supply for high-end housing property construction shall be restricted.

On May 24, 2006, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments 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》). As to the adjustment of housing supply and stabilization of housing prices, the opinion provides that:

- *Adjustment to the housing supply structure.* (i) The construction of medium and small-sized regular commodity houses at medium or low prices should be especially developed to satisfy the demands of local residents. (ii) From June 1, 2006, for each and every commodity building newly examined and approved for the commencement of construction, the proportion of the area of housing (including economically affordable housing) with a unit floor area less than 90 sq.m. must reach 70% of the total development and construction area. In case of adjustment of the above-mentioned proportion, if required in special cases, the municipalities directly under the central government, separately planned cities and provincial capital cities must submit the special request for adjusting proportion to MOHURD for approval. The projects that have been examined and approved but have not received a construction works commencement permit shall where necessary adjust the set style of housing according to the above-mentioned requirements.
- *Adjustment to tax, credit and land policies.* (i) Commencing June 1, 2006, business tax applicable to the transfer of a residential property by an individual within five years from the date of purchase will be levied on the basis of the full amount of the sale proceeds. For an individual transferring an ordinary residential property five years or more from the date of purchase, business tax will be exempted. For an individual transferring a house other than an ordinary residential house for five years or more from purchasing, the business tax will be levied on the basis of the balance between the income from selling the house and the purchase price. (ii) In order to restrain property development enterprises from purchasing land and buildings with bank credits, any developer applying for loans shall have at least 35% of capital required for the project development. Commercial banks should restrict the grant or extension of revolving credit facilities in any form to property development enterprises with a large amount of idle land and/or vacant commodity buildings. Commodity buildings which are vacant for more than 3 years should not be accepted as a guarantee by the commercial banks. (iii) From June 1, 2006, the first installment of individual house loans should be no less than 30%. When a borrower applies for individual house loans for his own use and the floor area of the unit is less than 90

sq.m., the first installment remains at 20%. (iv) At least 70% of the land supply for residential property developments must be used for low-to-medium-cost and small to medium-size units and low-cost rental properties. On the basis of the restriction of price and housing style, the land supply shall adopt the method of competitive bidding of land price and housing price to determine the property development enterprise. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly prohibited. (v) When construction has not yet started one year after the construction commencement date agreed in the land use rights assignment contract has elapsed, charges for idle land should be collected at a higher level; when the construction has not started two years after the construction commencement date agreed in the land use rights assignment contract have elapsed, the right to use land can be taken back without compensation. The land will be regarded as idle land if: the development and construction of the land has started on time, but the developed area 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 has been continuously suspended for no less than one year without approval.

- *Further rectifying and regulating the property market.* (i) Any project with a construction land planning permit which has not started construction should be re-evaluated. If the project is not in accordance with the controlling requirements of the plan, especially the requirements of the set style structure, the construction works planning permit, the construction works commencement permit and the pre-sale permit should not be issued. Projects which have been altered or the construction of which have exceeded the provisions shall be disposed of or confiscated according to law. (ii) The property administration authority and the administration of industry and commerce should investigate any illegal conduct such as contract fraud. Illegal conduct involving commodity building pre-completion sales without the necessary conditions should be ordered to stop and punished. With respect to the property enterprises that store up housing and maliciously manipulate and raise housing prices, the competent authorities shall enforce monetary punishment according to laws and regulations, and the responsible persons concerned may have their business licenses revoked and/or shall be investigated and prosecuted.

To implement the Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices, MOHURD promulgated Certain Opinions Regarding the Implementation of the Ratio Requirement for the Structure of Newly Constructed Residential Units (《關於落實新建住房結構比例要求的若干意見》) on July 6, 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

- From June 1, 2006, in any city (including counties), housing with a floor area of less than 90 sq.m. should reach 70% of the total floor area of commercial commodity buildings newly approved or constructed.
- The governments should guarantee the conditions of planning and design of newly-built commodity buildings meet the requirements of structure and proportion. Any digression from the above-mentioned requirements without authorization is forbidden and a construction works planning permit should not be issued by municipal planning and

authorities. If there is any noncompliance with the planning permit, a construction works commencement permit should not be issued by the construction authority and a permit for pre-sale of commodity buildings should not be issued by property development authority.

According to Several Opinions of the General Office of the State Council on Providing Financial Support for Economic Development (《國務院辦公廳關於當前金融促進經濟發展的若干意見》), issued by General Office of the State Council on December 8, 2008, the State Council (a) implemented and promulgated relevant credit policies and measures to support people's purchase of their first ordinary home or improved ordinary home; (b) provided more credit support for the construction of low rent houses and affordable residential houses and the reconstruction of shed areas for low-income urban residents; and (c) initiated the pilot operation of real estate trust investment funds to diversify the financing channels of real estate enterprises.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of the Property Market (《關於促進房地產市場平穩健康發展的通知》), which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide reasonable guidance for the purchase of property, restrain speculative investment in property, and strengthen risk prevention and market supervision. Additionally, the Circular explicitly requires a family (including a borrower, his or her spouse and children under 18) who have already entered into a mortgage for the purchase of a house to pay a minimum down payment of 40% of the purchase price of a second or any additional house which they apply to purchase.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Price from Increasing Too Rapidly in Certain Cities (《關於堅決遏制部分城市房價過快上漲的通知》), 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 sq.m. Further, the notice stipulates that interest rates for mortgage loans for the second property cannot be lower than 110% of the PBOC benchmark lending rate and interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially. To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), according to which the minimum down payment has been raised to 30% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond. Moreover, the PBOC and CBRC jointly issued the Notice on Issues Concerning Further Improving the Different Housing Credit Policies (《關於進一步完善差別化住房信貸政策有關問題的通知》) on September 24, 2015, pursuant to which the minimum down payment has been adjusted to 25% for the cities without restrictive measures for purchasing houses. On September 29, 2010, the Ministry of Finance, State Administration of Taxation and MOHURD jointly issued the Notice to Adjust the Preferential Policies on Deed Tax and Individual Income Tax Regarding Real Estate Transaction (《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》), according to which, as of October 1, 2010, the deed tax for individuals who purchased ordinary residential property with floor area under 90 sq.m. as his sole family residence, will be reduced to 1 percent, and those who sell their homes and buy new ones within one year would not be eligible for reductions or exemptions on individual income tax on the profits from the sales.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (《關於進一步做好房地產市場調控工作有關問題的通知》), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer, furthermore, the minimum down payment for second home purchases mortgage loan was raised to 60%.

On March 30, 2015, the Ministry of Finance and the State Administration of Taxation jointly issued a new “Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties” (《關於調整個人住房轉讓營業稅政策的通知》), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within two years from such individual owner’s purchase, and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than two years from such individual owner’s purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after two years from the individual owner’s purchase. This notice became effective on March 31, 2015.

On February 15, 2011, the Beijing Municipal Government promulgated the Notice on Further Strengthening Control over Beijing Property Market (《北京市人民政府辦公廳關於貫徹落實國務院辦公廳文件精神進一步加強本市房地產市場調控工作的通知》), which among other things, provides that (i) a local family that owns one house in Beijing (including a family that holds an effective Beijing Certificate for Work and Residence), and (ii) a non-local family with an effective Certificate for Temporary Residence that does not own a house in Beijing and has paid social insurance or individual income tax for five consecutive years, are permitted to purchase one additional house in Beijing (including newly-built and second-hand houses).

Furthermore, (i) a local family that owns two or more houses in Beijing, and (ii) a non-local family that owns one house or more in Beijing, or fails to provide both an effective Certificate for Temporary Residence and evidence of payment of social insurance or individual income tax for consecutive five years, is suspended from purchasing a new house in Beijing. In addition to Beijing, other cities, including Tianjin, Shanghai, Suzhou, Nanjing, Qingdao, Chengdu, Foshan and Harbin, have also announced their new purchase limit policies which are almost the same as the requirements in the Notice Concerning Further Strengthening the Macroeconomic Control of Real Property Market.

On February 20, 2013, the executive meeting of the State Council chaired by Former Premier Wen Jiabao issued a document emphasizing the strict implementation of tightening measures for the real estate market. The measures include completing a system of responsibility for stabilizing housing prices; restraining purchases of residential housing for investment and speculation purposes; expanding the supply of both ordinary commodity housing and of land; accelerating construction of affordable housing projects; and strengthening market supervision.

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 requires, among other restrictive measures:

- (i) Improving the responsibility system for stabilizing housing prices. Municipalities directly under the central government, cities listed on state plans and provincial capitals (excluding Lhasa), must set an annual objective for controlling housing prices and publish annual new commodity housing price control target in the first quarter of the year;

- (ii) Firmly restraining purchases of residential housing for investment and speculation purposes. Municipalities directly under the central government, cities listed on state plans and provincial capitals (excluding Lhasa) which have implemented restrictions on the real estate market are required to cover all administrative areas of the cities as restricted areas, and restricted housing shall include new commodity housing and second-hand housing. Non-local residents who possess one or more residential properties and fail to provide one-year or longer tax payment certificates or social insurance payment certificates are to be barred from purchasing any residential properties located in the administrative area. For cities where housing prices are increasing at an excessively high rate, local branches of the PBOC may further raise the down-payment rate and mortgage interest rate for the purchase of a second residential property. In addition, the state will strictly enforce a 20% individual income tax on home sale profits;
- (iii) Expanding ordinary commodity housing units and increasing the supply of land. The overall housing land supply in 2013 shall not be lower than the average actual land supply in the past five years. Financial institutions, subject to credit requirements, are to prioritize requests for loans 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 September 29, 2014, the People's Bank of China and the China Banking Regulatory Commission promulgated the Circular on Further Improving Residential Housing Financial Services (中國人民銀行、中國銀行業監督管理委員會《關於進一步做好住房金融服務工作的通知》), which stipulates, among other things, that for a household that borrows a loan to purchase its first ordinary owner-occupied residential property, the minimum down payment ratio of such loan shall be 30%, and the floor of the loan interest rate shall be at 0.7 times the benchmark lending rate. Where a household that owns an existing property for which the property purchase loan has been paid off applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant banking financial institution shall adopt the lending policies applicable to the first owner-occupied residential property. In cities where "property purchase control measures" have been cancelled or are not implemented, if a household that owns two or more existing properties for which the property purchase loans have been paid off applies for a new loan to purchase yet another new property, the relevant banking financial institution shall specifically determine the down payment ratio and the loan interest rate in a prudent manner based on the borrower's repayment capability, credit standing and other factors. A banking financial institution may according to the local urbanization development planning, disburse housing loans to non-local residents who satisfy policy conditions.

On March 30, 2015, Circular of the PBOC, the MOHURD and the China Banking Regulatory Commission promulgated on Issues concerning Individual Housing Loan Policies (中國人民銀行、住房城鄉建設部、中國銀行業監督管理委員會《關於個人住房貸款政策有關問題的通知》). According to this regulation, where the household of a resident who owns one home of which relevant housing loan has not been settled files a new application for a commercial individual housing loan for purchasing an ordinary home to be used as its owner's residence for the purpose of improving its living conditions, the minimum down payment ratio is adjusted to not less than 40%.

RECENT DEVELOPMENTS IN RELATED LOCAL GOVERNMENT REGULATIONS

Since 2016, certain local governments in the PRC have announced a series of measures designed to stabilize the growth of the property market to a more sustainable level. Such measures were also announced in some of the cities we operate in, including but not limited to, Shanghai, Hangzhou, Suzhou, Nanjing and Tianjin, among others. The tightening measures in effect primarily include:

- (1) limiting the number of residential homes that households with local “hukous” are able to purchase;
- (2) limiting the purchase of residential home by household without local “hukous”, and in some cases other eligibility criteria will be required (such as proving they have paid income tax or made social security contributions up to the requirement);
- (3) raising down-payment ratio requirement (or even disallowing mortgages), depending on how many residential houses the buyers already own. For example, a family which has owned a residential property with an outstanding mortgage is required to pay a down payment of no less than 50% of the purchase price in Suzhou city;
- (4) implementing stricter management of pre-sale procedures, such as not allowing developers to sell the projects before getting a pre-sale permit, and ensuring developers closely follow the rules during the pre-sale process; and
- (5) tightening requirements for land bidding deposit.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our board of directors currently consists of seven directors, comprising four executive directors and three independent non-executive directors. The functions and duties of the board include convening shareholders' meetings, reporting on the board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

The following table sets forth certain information with respect to our directors as of the date of this offering memorandum.

Name	Age	Position and role
YAN Hao	52	Executive director, co-chairman and chief executive officer (overall strategic planning and business direction and day to day business and management)
CHEN Xin Ge	52	Executive director and co-chairman (overall strategic planning and business direction)
XU Hai Feng	47	Executive director and vice president (overall operation and management of the Group's real estate business)
CHEN Chao	42	Executive director, Vice President and Chief financial officer
HAN Jiong	52	Independent non-executive director and a member of Audit Committee, the chairman of Remuneration Committee and a member of Nomination Committee and Risk Management Committee, responsible for supervising and providing independent judgment to our Board and for overseeing the policy and structure of the remuneration for the Directors and senior management and making recommendations on employee benefit arrangement
QIAN Shi Zheng	69	Independent non-executive director and chairman of Audit Committee and Risk Management Committee, responsible for reviewing and supervising the financial reporting process and internal control system as well as overseeing the audit process
LO Wing Yan William	60	Independent non-executive director and a Member of Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee, responsible for supervising and providing independent judgment to our board and performing other duties and responsibilities as assigned by our board

Executive Directors

Yan Hao is one of the founders and the co-chairman and chief executive officer of our Group. He was appointed as an executive Director of our Company on October 6, 2013 and an authorized representative of our Company on January 18, 2020. Mr. Yan is responsible for the overall strategic planning and business direction and the day to day business and management of our Group. Mr. Yan also serves as the chairman of our Nomination Committee. Mr. Yan obtained an EMBA degree from Fudan University (復旦大學) in June 2004. He has more than 20 years of experience in the PRC real estate industry. Mr. Yan co-founded Jingrui Properties (Group) (formerly known as Shanghai Jingrui Property Development Company) in 1993 with Mr. Chen Xin Ge, and has since served as the deputy general manager, building our business to its current scale from 1993 to 1999 and the chief executive officer since 1999, being responsible for overseeing our day to day operations, strategic directions and business growth.

Chen Xin Ge is one of the founders and the co-chairman of our Group. He was appointed as an executive Director of our Company on October 6, 2013. Mr. Chen is responsible for determining the overall strategic planning and business direction of our Group together with Mr. Yan. Mr. Chen also serves as a member of our Remuneration Committee. Mr. Chen graduated from Capital University of Economics and Business (首都經濟貿易大學) in March 2001. He also completed the EMBA Program at Cheong Kong Graduate School of Business in September 2007 and obtained a diploma of Executive Master of Business Administration. Mr. Chen has more than 20 years of experience in the PRC real estate industry. Mr. Chen co-founded Jingrui Properties (Group) (formerly known as Shanghai Jingrui Property Development Company) in 1993 with Mr. Yan, and has since served as the general manager, building our business to its current scale from 1993 to 1999 and the chairman of board of directors since 1999, being responsible, along with Mr. Yan, for the strategic directions and business growth of our Group.

Mr. Xu Hai Feng is the vice president of Jingrui Properties (Group). He was appointed as an executive director on 15 March, 2018. Mr. Xu graduated from Tongji University (同濟大學) in June 1998 with an engineering degree. He also obtained an executive master of business administration from China Europe International Business School (中歐國際工商學院) in September 2013. After graduation, Mr. Xu joined Shanghai Pu Nan Public Transport Co., Ltd. (上海浦南大眾公共交通有限公司), from which he left in April 2001 to join the Group as a senior manager of HR department, and is primarily in charge of formulating and implementing the human resources strategy of the Group. From June 2009 to July 2017, Mr. Xu served successively as the deputy general manager of Jingrui Properties' company in Chongqing, the human resources administrative director of Jingrui Properties, assistant to the president of Jingrui Properties and the executive vice president of Jingrui Properties. He has been in charge of human resources matters and real estate business of the Group. Mr. Xu served as the executive president of Jingrui Properties from August 2017 to June 2018, being responsible for the overall operation and management of the Group's real estate business. Mr. Xu was appointed by the Company as the vice-president of the Company on June 22, 2018 and concurrently served as the chairman and president of Jingrui Properties.

Mr. Chen Chao is the vice-president of the Group, and the chief financial officer of the Company and the chairman of Yan Capital Management. He was approved as an executive Director on March 30, 2020. Upon joining the Company in July 2018, Mr. Chen is responsible for financial matters, financing, capital markets and fund business. Mr. Chen joined Xiamen Tianjian Certified Public Accountants Co., Ltd. (廈門天健有限責任會計師事務所) as the audit project manager in June

2001. In November 2006, he joined Xiamen ITG Group Corp., Ltd. (廈門國貿集團股份有限公司) (stock code:600755) as the deputy general manager of the finance department and concurrently financial controller of Xiamen Guomao Real Estate Group (廈門國貿地產集團). From July 2012 to June 2019, he served as the vice president of Yuzhou Properties Company Limited (禹洲地產股份有限公司) (stock code: 01628), who was in charge of finance, capital, legal affairs, risk control and other businesses. He also acted as the vice president of Yuzhou Financial Holding Group (禹洲金控集團), the leader of the South China region and the chairman of Yuzhou Property Group (禹洲物業集團). He has more than 18 years of experience in financial management. Mr. Chen obtained a bachelor's degree in accounting from Xiamen University and a MBA degree from Xiamen University in June 2001 and September 2011, respectively with the qualification of Chinese Certified Public Accountant.

Independent Non-executive Directors

Han Jiong was appointed as an independent non-executive Director of our Company on October 6, 2013. Mr. Han has been appointed as a member of our Audit Committee, the chairman of our Remuneration Committee, a member of our Nomination Committee and a member of our Risk Management Committee and is responsible for supervising and providing independent judgment to our Board, and in particular, as the Chairman of our Remuneration Committee, he is responsible for overseeing the policy and structure of the remuneration for the Directors and senior management and recommendations on employee benefit arrangement. Mr. Han graduated from East China University of Political Science and Law (華東政法大學) in July 1992, and qualified as a lawyer in the PRC in February 1993. He joined Shanghai Jinmao Law Firm (上海金茂律師事務所) in July 1992, and was an associate when he left in December 1998. He was a founding partner of Llinks Law Offices (通力律師事務所) which was opened in November 1998, and he is currently a director of the firm's management committee and an executive partner. Mr. Han was a member of the Seventh and Eighth CSRC Public Offering Review Committee from January 2005 to April 2007, was appointed by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) as a member of the First and Second Review Committee for the Enterprise Annuity Fund Management Association (企業年金基金管理機構評審委員會) from June 2005 to August 2009. He was a council member of the Shanghai Bar Association (上海市律師協會) from April 2008 to April 2015.

Qian Shi Zheng was appointed as an independent non-executive Director of our Company on October 6, 2013. Mr. Qian has been appointed as the Chairman of our Audit Committee and a member of our Risk Management Committee and is responsible for reviewing and supervising the financial reporting process and internal control system as well as overseeing the audit process of the Group. Dr. Qian received a bachelor's degree in accounting from Shanghai University of Finance and Economics in 1983, and obtained a doctorate degree in management science and engineering from Fudan University in July 2001. Dr. Qian has been an associate professor at Fudan University specialized in accounting since 1995. Dr. Qian joined Shanghai Industrial Investment (Holdings) Co., Ltd. in January 1998 and has served as its vice president from September 2005 to 2012. Mr. Qian currently serves as an independent non-executive director of Lonking Holdings Limited (stock code: 3339), Hanhua Financial Holding Co., Ltd. (stock code: 3903) and Red Star Macalline Group Corporation Ltd. (stock code: 1528), all are listed on the Stock Exchange. Mr. Qian is currently teaching in Fudan University (復旦大學) and has over 20 years of teaching and work experience in the finance and accounting fields.

Lo Wing Yan William, JP, was appointed as an independent non-executive Director on October 6 2013. Dr. Lo has been appointed as a member of our Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee and is responsible for supervising and providing independent judgment to the Board and performing other duties and responsibilities as assigned by the Board. Dr. Lo holds a master's degree and a Doctorate from the University of Cambridge in England in March 1986 and March 1988, respectively. Dr. Lo was also a Bye-Fellow of Downing College, the University of Cambridge. In 1999, he was appointed as a Justice of Peace (JP) by the government of Hong Kong. From 2003 to 2016, he served as a member of Shantou Committee of the Chinese People's Political Consultative Conference. Dr Lo started his business career at McKinsey & Company and had subsequently held various top management posts at HK Telecom, Cable & Wireless plc, Citibank, WPP plc, China Unicom, I.T Limited, South China Media Group and Kidsland International Holdings Ltd. He is renowned for being the founder of Netvigator, the largest Internet business in Hong Kong, as well as iTV (the predecessor of NowTV), the first interactive and on-demand TV service in the world. Dr. Lo has held numerous Government appointments during his career and is currently a member of the Cyberport Advisory Panel and a Member of the Hospital Governing Committee of HK Red Cross Blood Transfusion Service and a Advisory Committee member of Chinese Medicine, Hong Kong Baptist University. Dr. Lo is at present an Advisor of the Our Hong Kong Foundation and has been invited by the United Nations ESCAP to lead a task force for its Sustainable Business Network Committee to look at financial inclusion leveraging fintech in the region too. He was a board member of the Broadcasting Authority as well as the ASTRI and the Science Park. He was also a founding member of the Stock Exchange of Hong Kong's Growth Enterprise Market (GEM) Listing Committee.

Dr. Lo is currently the Founder & Chairman of Da Z Group Co. Limited and a governor of The Charles K.Kao Foundation for Alzheimer's Disease Limited. Dr. Lo is also a governor of an independent school in Hong Kong, the ISF Academy, as well as a chairman of Junior Achievement Hong Kong. Dr. Lo is currently the independent non-executive director on the board of a number of publicly listed companies in HK, including Television Broadcasts Limited (SEHK: 511), CSI Properties Limited (SEHK: 497), South Shore Holdings Limited (SEHK: 577), Oshidori International Holdings Limited (SEHK: 622), OCI International Holdings Limited (SEHK: 329). He is also an independent non-executive director of the New York Exchange listed Nam Tai Property, Inc. (NYSE: NTP). Dr. Lo also served as an independent non-executive director of BOE Varitronix Limited (formerly known as Varitronix International Limited), a company listed in HK (SEHK: 710) from July 2004 to June 2016, an executive director and vice chairman of Kidsland International Holdings Limited, a company listed in HK (SEHK: 2122) from April 2017 to December 2018, an executive director and chairman of SMI Holdings Group Limited, a company listed in HK (SEHK: 0198, and was delisted on 14 December 2020) from January 2019 to April 2019, an independent non-executive director of Ronshine China Holdings Limited, a company listed in HK (SEHK: 3301) from January 2016 to June 2019, an independent non-executive director of Hsin Chong Group Holdings Limited, a company listed in HK (SEHK: 404, and was delisted on 31 December 2019) from June 2018 to September 2019, an independent non-executive director of Brightoil Petroleum (Holdings) Limited, a company listed in HK (SEHK: 0933, and was delisted on 20 October 2020) from June 2019 to December 2020, and an independent non-executive director of SITC International Holdings Company Limited, a company listed in HK (SEHK: 1308) from September 2010 to October 2020.

Senior Management

The senior management team of our Group, in addition to the executive Directors listed above, includes Ms. Jiang Bing Xian, our company secretary and general legal counsel of the Company

Ms. Jiang Bing Xian is company secretary and general legal counsel of the Company. Ms. Jiang joined the Company in November 2004. She was appointed as the joint company secretary in June 2017, and acts as sole company secretary since May 2021. Meanwhile, Ms. Jiang was responsible for investor relations and capital market affairs from June 2017 to May 2021. In May 2021, Ms. Jiang was appointed as general legal counsel of the Company. Ms. Jiang obtained a bachelor's degree in Laws from East China University of Political Science and Law in July 2004 and a master's degree in Laws from China University of Political Science and Law in January 2015.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Qian Shi Zheng, Lo Wing Yan William and Han Jiong, our independent non-executive Directors. Qian Shi Zheng has been appointed as the chairman of the audit committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The remuneration committee has three members, namely Han Jiong, Lo Wing Yan William and Chen Xin Ge. Han Jiong, our independent non-executive Director, has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

NOMINATION COMMITTEE

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The nomination committee consists of two independent non-executive Directors, being Han Jiong and Lo Wing Yan William and one executive Director, being Yan Hao, who is the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

For the years ended December 31, 2018, 2019 and 2020, the compensation paid or payable to key management, including to directors (executive and non-executive), chief financial officer, vice presidents and secretary of the board of directors, for employee services, was RMB19.2 million, RMB24.3 million and RMB19.3 million (US\$3.0 million), respectively.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

SUBSTANTIAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding shares as of December 31, 2020 by persons who beneficially own more than 5% of our outstanding shares and underlying shares, as recorded in the register maintained by us pursuant to Part XV of the Hong Kong Securities and Futures Ordinance (Chapter 571), or the SFO.

Name	Capacity	Number of shares held ⁽³⁾	Shareholding percentage ⁽⁴⁾
Beyond Wisdom Limited	Beneficial interest ⁽¹⁾	623,690,613(L)	40.53
Yan Trust	Trustee ⁽¹⁾	623,690,613(L)	40.53
New Decent King Investment Limited	Interest of a controlled corporation ⁽²⁾	409,805,918(L)	26.63
Sunny King International Limited	Beneficial interest ⁽²⁾	409,805,918(L)	26.63
Cantrust (Far East) Limited . .	Trustee ⁽²⁾	409,805,918(L)	26.63

Notes:

- (1) Yan Trust, as a trustee, is deemed to be interested in 623,690,613 shares through its control over Beyond Wisdom Limited and Mr. Yan Hao (as a discretionary trustee) is deemed to be interested in 623,690,613 shares.
- (2) New Decent King Investment Limited is deemed to be interested in 409,805,918 shares through its control over Sunny King International Limited and Cantrust (Far East) Limited, as a trustee, is deemed to be interested in 409,805,918 shares through its control over New Decent King Investment Limited while Mr. Chen Xin Ge (as a discretionary trustee) is deemed to be interested in 409,805,918 shares.
- (3) (L) represents long positions in these securities.
- (4) There were 1,538,813,213 shares in issue as of December 31, 2020.

As of the date of the offering memorandum, Mr. Yan is interested in an aggregate of 649,476,613 shares, representing approximately 42.21% of the issued share capital of the Company. Mr. Chen is interested in an aggregate of 410,587,918 shares, representing approximately 26.68% of the issued share capital of the Company.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and substantial shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was conducted based on normal commercial terms.

As a listed company on the Hong Kong Stock Exchange, we are subject to the requirements of Chapter 14A of the Listing Rules, which require that certain “connected transactions” with “connected persons” be approved by a company’s independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

We have entered into the following related party transactions for the periods indicated:

		Year ended December 31,			
		2018	2019	2020	
		RMB'000	RMB'000	RMB'000	US\$'000
					(unaudited)
(i)	Providing/(repayment of) temporary funding to/(from) related parties				
	— Nanjing Yuesheng	—	1,543	499,410	76,538
	— Ningbo Puhong	—	(17,086)	49,557	7,595
	— Nanjing Yuning	(238,000)	(14,689)	—	—
	— Ningbo Rongan Education	(17,960)	—	—	—
	— Ningbo Jinghang	—	—	—	—
	— Ningbo Jingfeng	(466,000)	798	—	—
	— Nanjing Caicheng	25,375	861,647	49,800	7,632
	— Suzhou Chengrui	62,900	—	—	—
	— Tianjin Ruihui	—	2	—	—
	— Tianjin Xinbi	50,317	—	—	—
	— Tianjin Jinyuan	800	—	—	—
	— Tianjin Junyou	44,613	40,817	—	—
	— Tianjin Xinyou	330	(330)	—	—
	— Changshu Huihuang	39,805	(39,805)	—	—
	— Changshu Junchun	303,534	14,108	—	—
	— Tianjin Ruiyue	713,373	—	—	—
	— Ningbo Jiamu	—	—	(14,800)	(2,268)
	— Tian'an Huafeng	—	—	36,491	5,592
	— Beijing Jingshuo	—	—	40,098	6,145
	— Shanghai Puhong	—	—	24,750	3,793
	— Shanghai Maglink	—	—	7,456	1,143
	— Yangzhou Hengyu	—	—	170,391	26,114
(ii)	Collection/(Repayment) of temporary fund from/(to) related parties				
	— Lvcheng Guixi	42,000	10,500	—	—
	— Ningbo Puhong	—	9,241	9,035	1,385
	— Ningbo Kanghua	(599,000)	—	—	—
	— Ningbo Jiamu	187,000	100,000	—	—
	— Hangzhou Xiaoying	87,696	—	—	—
	— Changshu Zhicheng	(7,250)	(16,000)	4,000	613
	— Suzhou Lingrui	17,000	(7,500)	10,000	1,533
	— Suzhou Chengrui	77,000	16,342	(4,000)	(613)
	— Nanjing Caicheng	775,445	776,884	265,059	40,622
	— Ningbo Rongan Education	13,790	—	—	—
	— Shanghai Jupan	20	—	—	—

Year ended December 31,				
	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000 (unaudited)
— Tianjin Xinghuacheng	16,000	—	—	—
— Jiangnan Zhongying	12,017	46,209	—	—
— Jiangnan Guotai	28,653	38,280	—	—
— Tianjin Xinyou	—	15,345	29,700	4,552
— Tianjin Hesheng	—	82,500	96,010	14,714
— Nanjing Yuning	—	27,250	33,444	5,126
— Ningbo Jingfeng	—	135,000	137,306	21,043
— Changshu Huihuang	—	399,026	—	—
— Nanjing Shansheng	—	47,908	132,325	20,280
— Hangzhou Yuerong	—	24,863	7,651	1,173
— Nanjing Yuesheng	—	—	384,558	58,936
— Taicang Jingchen	—	—	40,575	6,218
— Tianjin Ruihui Development . .	—	—	84,817	12,999
— Shanghai Maglink	—	—	(4,000)	(613)
— Tianjin Changxin	—	—	12,200	1,870
— Beyond Wisdom Limited	—	—	17,916	2,746
— Yangpu Scien-Tech	—	—	6,000	920
— Suzhou Jingya	—	—	(354,662)	(54,354)
(iii) Interest income from related parties				
— Tianjin Yuanming	—	4,233	—	—
— Yangling Guanghui	—	9,901	892	137
— Shanghai Pinzhai	—	791	2,247	344
— Shanghai Ruice	—	—	—	—
— Tianjin Ruiyue	16,865	13,022	—	—
— Nanjing Shansheng	4,209	10,005	—	—
(iv) Senior notes subscribed by a related party, Beyond Wisdom Limited				
— Discounted principal amount . .	155,687	—	—	—
— Fully capitalised interest	7,445	8,739	7,359	1,128
(v) Providing loans to related parties				
— Nanjing Shansheng	61,350	—	—	—
— Tianjin Ruihui Development . .	—	13,183	—	—
— Tianjin Xuming	—	93,510	—	—
(vi) Revenue from providing property management service to related parties				
— Changshu Huihuang	—	1,223	—	—
— Hangzhou Jingcheng	681	—	—	—
— Ningbo Haipanju	643	—	—	—
— Shanghai Zhengmin	—	—	486	74
— Shanghai Maglink	—	—	739	113
(vii) Guarantee provided to joint ventures and associates				
— Tianjin Hesheng	—	90,000	—	—
— Yangling Guanghui	—	392,000	—	—
— Changshu Zhicheng	112,500	31,000	—	—
— Suzhou Lingrui	19,750	—	—	—
— Suzhou Chengrui	31,200	—	—	—
— Tianjin Xinbi	20,000	—	—	—
— Nanjing Caicheng	120,000	344,000	510,000	78,161
— Changshu Junchun	627,000	627,000	—	—
— Taicang Jingchen	—	—	152,100	23,310
— Nanjing Yuesheng	—	—	109,861	16,837
— Tianjin Ruihui Development . .	—	—	100,205	15,357

Year ended December 31,				
	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000
				(unaudited)
(viii) Expenses paid by the Group on behalf of related parties				
— Hangzhou Xiaoying	1,158	1,125	—	—
— Ningbo Jinghang	2	962	—	—
— Ningbo Jiangfeng	1,106	6	—	—
— Changshu Huihuang	624	254	—	—
— Suzhou Chengrui	—	1,731	—	—
— Tianjin Hesheng	—	5,086	1,263	194
— Shanghai Maglink	—	1,688	2,312	354
— Yangling Guanghui	—	8,255	—	—
— Tian'an Huafeng	—	—	34	5
(ix) Loans repaid by related parties				
— Hangzhou Zhenlu	70	—	—	—
— Lvcheng Guixi	28,000	—	—	—
— Hangzhou Xiaoying	93,134	—	—	—
— Tropic Development	173,574	—	—	—
— Nanjing Shansheng	—	61,350	—	—
— Tianjin Ruiyue	—	624,892	—	—
— Yangli Guanghui	—	79,946	19,600	3,004
— Tianjin Ruihui Development ..	—	—	13,183	2,020
— Shanghai Pinzhai	—	—	4,000	613
(x) Providing consulting services to related parties				
— Ningbo Jinghang	8,328	—	—	—
— Ningbo Jingfeng	8,300	3,774	3,402	521
— Tianjin Xinghuacheng	10,876	—	—	—
— Nanjing Shansheng	—	6,643	777	119
— Suzhou Chengrui	—	1,717	—	—
— Jiangnan Guotai	—	2,566	—	—
— Jiangnan Zhongying	—	1,775	—	—
— Changshu Zhicheng	—	802	—	—
(xi) Loan from a related party				
— Chen Xin Ge ⁽²⁾	50,000	—	—	—
(xii) Providing decoration services to a related party				
— Nanjing Caicheng	—	—	3,837	588
(xiii) Receiving decoration services from related parties				
— Shanghai Jidong	—	—	27,716	4,248
— Shanghai Pinzhai	—	—	6,216	953
— Pinzhuang Jianzhu	—	—	58	9
(xiv) Interest expense to a related party				
— Yangpu Scien-Tech	—	—	330	51

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Jingrui Holdings Limited, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the “Trustee”).

The following is a summary of certain provisions of the Indenture, the Notes, the Intercreditor Agreement, the Security Documents, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Intercreditor Agreement, the Security Documents, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference.

Copies of the Indenture will be available for inspection at the corporate trust office of the Trustee at 20th Floor, Citi Tower, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, to Holders upon prior written request.

BRIEF DESCRIPTION OF THE NOTES

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption “— Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral;”
- effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor (other than the Collateral); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

In addition, on the Original Issue Date, subject to the limitations described in “Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the caption “— Security” and will:

- be secured by a lien on the Collateral (subject to any Permitted Liens) shared on a *pari passu* basis pursuant to the Intercreditor Agreement with the holders of the October 2021 Notes, the holders of the July 2022 Notes, the holders of the March 2022 Notes, the holders of the September 2022 Notes, the holders of the February 2023 Notes, the holders of the October 2023 Notes and the holders of Permitted *Pari Passu* Secured Indebtedness; and
- rank effectively senior in right of payment to unsecured obligations of the Company and the Subsidiary Guarantor Pledgors to the extent of the value of the Collateral securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on January 28, 2024, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 12.0% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on March 28 and September 28 of each year commencing March 28, 2022, (each, an “Interest Payment Date”), except that the last payment of interest, to be made on January 28, 2024, will be in respect of the period from and including September 28, 2023 to but excluding January 28, 2024. Interest on the Notes will be paid to Holders of record at the close of business on March 13 or September 13 immediately preceding the relevant Interest Payment Date (each, a “Record Date” when the Notes are in the form of Certificated Notes), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. So long as the Notes are held in global form, each payment in respect of the Global Note (as defined herein) will be made to the person shown as the holder of the Securities in the Notes register as of the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except December 25 and January 1. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under “— Optional Redemption,” “— Redemption for Taxation Reasons,” and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity.

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying and Transfer Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no additional interest on the Notes shall accrue for the period after such date if payment is made on such next succeeding Business Day.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by wire transfer by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying and Transfer Agent currently located at Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, if the Notes are in definitive form and the Company acts as its own paying agent, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the New Note register maintained by the Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their respective right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), as the case may be, are required to be made in U.S. dollars.

The Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the debenture on the Original Issue Date will be Natural Apex Limited, Faithful Gem Limited, Gladly Sheen Limited, Joyful Dawn Limited, Model Sheen Limited, Model Wealth Limited, Sound Pillar Limited, Sheeny Blaze Limited, Sheeny Bright Limited, Dragon Braveness Holdings Limited, Gainful Harmony International Limited, Gainful Hero Holdings Limited, Luxuriant Ocean Limited, Mega Harmony Development Limited, Wise Rainbow Holdings Limited, Strong Pioneer Investment Limited, Wise Amber Limited, Sincere Paragon Limited and Jingrui HK Holdings Limited. These Subsidiary Guarantors consist of all of the Company's Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC (collectively, the "Initial Offshore Non-Guarantors") or the Restricted Subsidiaries organized under the laws of the PRC (collectively, the "PRC Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor on the Original Issue Date.

As of the date of this offering memorandum, the Subsidiary Guarantors and the Initial Offshore Non-Guarantors are holding companies that do not have significant operations. None of the existing or future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. See “Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — We and the Subsidiary Guarantors are holding companies and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.”

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Listed Subsidiaries or Exempted Subsidiaries), as soon as reasonably practicable (and in any event within 30 calendar days) after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or Listed Subsidiary (each such entity, an “Offshore Non-Guarantor Subsidiary” and, together with the PRC Non-Guarantor Subsidiaries and the Initial Offshore Non-Guarantors, the “Non-Guarantor Subsidiaries”); *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries (other than Exempted Subsidiaries or Listed Subsidiaries) do not account for more than 20.0% of the Total Assets.

As of December 31, 2020, the Company and its consolidated subsidiaries had total outstanding bank loans and other borrowings (excluding the April 2021 Notes, the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022 Notes and the February 2023 Notes) of approximately RMB13,388.6 million (US\$2,051.9 million), of which approximately RMB11,885.8 million (US\$1,821.6 million) was secured.

The indebtedness of the Non-Guarantor Subsidiaries constitutes a substantial portion of the total indebtedness of the Company and its consolidated subsidiaries. As of December 31, 2020, the Non-Guarantor Subsidiaries had total outstanding bank loans and other borrowings (excluding the April 2021 Notes, the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022 Notes and the February 2023 Notes) of approximately RMB12,110.5 million (US\$1,856.0 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB3,964.0 million (US\$607.5 million) and contingent liabilities of approximately RMB5,416.5 million (US\$830.1 million).

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.” As of the date of the Indenture, all of the Company’s Subsidiaries will be “Restricted Subsidiaries.” However, under the circumstances described below under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate certain of its Subsidiaries as “Unrestricted Subsidiaries.” The Company’s Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company’s Unrestricted Subsidiaries will not Guarantee the Notes.

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries (including Restricted Subsidiaries organized under the laws of the PRC) may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets (other than the Collateral) serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* with the subsidiary guarantee of such Subsidiary Guarantor for all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

In addition, subject to the limitations described in “Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be secured by a lien on the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor shared on a *pari passu* basis pursuant to the Intercreditor Agreement with the holders of the October 2021 Notes, the holders of the July 2022 Notes, the holders of the March 2022 Notes, the holders of the September 2022 Notes, the holders of the February 2023 Notes, the holders of the October 2023 Notes and the holders of Permitted *Pari Passu* Secured Indebtedness, as described below under the caption “— Security;” and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor to the extent of the value of the Collateral pledged by the Subsidiary Guarantor Pledgor securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantees

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary (x) in the case of a Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% of the

Capital Stock of such Restricted Subsidiary, or (y) in the case of any other entity is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries) to provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of a JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (a) prohibiting the Company or any Restricted Subsidiary from providing a JV Subsidiary Guarantee or (b) requiring the Company or any Restricted Subsidiary to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the “JV Subsidiary Guarantee”) and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than Exempted Subsidiaries), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee and the Holders under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

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

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

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Guarantee Limitations

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering such Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering such JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair their enforceability."

Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under “— Defeasance and Discharge;”
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with or not prohibited by the terms of the Indenture (including the covenants described under the captions “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Certain Covenants — Limitation on Asset Sales,” “— Certain Covenants — Consolidation, Merger and Sale of Assets” and (if applicable) “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates”) resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, merger or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of such Subsidiary Guarantee with a JV Subsidiary Guarantee as described above under the caption “— The JV Subsidiary Guarantees”; or
- in the case of a Subsidiary Guarantor that becomes an Offshore Non-Guarantor Subsidiary in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell or has sold, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, no less than 20.0% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with or as soon as reasonably practicable after the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will each become an Offshore Non-Guarantor Subsidiary and no longer Guarantee the Notes and (b) instruct the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such Offshore Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in each such Offshore Non-Guarantor Subsidiary, (in each case under (i) and (ii) above, without any requirement to seek the consent or approval of the Holders of the Notes), *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries (other than the

Exempted Subsidiaries or Listed Subsidiaries) do not account for more than 20.0% of the Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

SECURITY

The Company and the initial Subsidiary Guarantor Pledgors have pledged in favor of the Collateral Agent the Capital Stock of all of the initial Subsidiary Guarantors held directly by the Company or the initial Subsidiary Guarantor Pledgors (the "Collateral") (subject to Permitted Liens and the Intercreditor Agreement) in order to secure (i) the obligations of the Company under the October 2021 Notes and the indenture for the October 2021 Notes and of such Subsidiary Guarantor Pledgors under their respective subsidiary guarantees of the October 2021 Notes, (ii) the obligations of the Company under the July 2022 Notes and the indenture for the July 2022 Notes and of such Subsidiary Guarantor Pledgors under their respective subsidiary guarantees of the July 2022 Notes, (iii) the obligations of the Company under the March 2022 Notes and the indenture for the March 2022 Notes and of such Subsidiary Guarantor Pledgors under their respective subsidiary guarantees of the March 2022 Notes, (iv) the obligations of the Company under the September 2022 Notes and the indenture for the September 2022 Notes and of such Subsidiary Guarantor Pledgors under their respective subsidiary guarantees of the September 2022 Notes, (v) the obligations of the Company under the February 2023 Notes and the indenture for the February 2023 Notes and of such Subsidiary Guarantor Pledgors under their respective subsidiary guarantees of the February 2023 Notes; and (vi) the obligation of the Company under the October 2023 Notes and the indenture for the October 2023 Notes. The Company has agreed for the benefit of the Holders to pledge and cause each Initial Subsidiary Guarantor Pledgor to pledge the Collateral in order to secure the obligations of the Company under the Notes and the Indenture and the obligations of such Initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee.

The initial Subsidiary Guarantor Pledgors are Natural Apex Limited, Faithful Gem Limited, Gladly Sheen Limited, Joyful Dawn Limited, Model Sheen Limited, Model Wealth Limited, Sound Pillar Limited, Sheeny Blaze Limited and Sheeny Bright Limited.

The Company has also agreed, for the benefit of the Holders, to pledge, and cause each Subsidiary Guarantor to pledge, the Capital Stock owned by the Company or such Subsidiary Guarantor of any Person that becomes a Subsidiary Guarantor or JV Subsidiary Guarantor or additional shares of Capital Stock acquired or otherwise received by the Company or such Subsidiary Guarantor of any Subsidiary Guarantor or JV Subsidiary Guarantor after the Original Issue Date, as soon as practicable (and in any event within 30 days) after such Person becoming a Subsidiary Guarantor or JV Subsidiary Guarantor or upon such additional shares of Capital Stock being acquired or received, as the case may be, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

None of the Capital Stock of the Non-Guarantor Subsidiaries, including any future Restricted Subsidiary that may be organized under the laws of the PRC, any Listed Subsidiary or Exempted Subsidiary, will be pledged on the Original Issue Date or at any time in the future. None of the JV Subsidiary Guarantors will, on the Original Issue Date or at any time in the future, provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Collateral Agent for itself and for the benefit of the Trustee.

Each Subsidiary Guarantor that pledges Capital Stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

The Collateral will be shared on a *pari passu* basis by the holders of the Notes, the holders of the October 2021 Notes, the holders of the July 2022 Notes, the holders of the March 2022 Notes, the holders of the September 2022 Notes, the holders of the February 2023 Notes, the holders of the October 2023 Notes and the holders of Permitted Pari Passu Secured Indebtedness. Accordingly, in the event of a default on the Notes, the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022 Notes, the February 2023 Notes, the October 2023 Notes or the Permitted Pari Passu Secured Indebtedness and a resulting foreclosure on the Collateral in accordance with the Intercreditor Agreement, any foreclosure proceeds would be shared by the holders of the Notes, the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022 Notes, the February 2023 Notes, the October 2023 Notes and the Permitted Pari Passu Secured Indebtedness in equal priority and on a *pro rata* basis.

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all. In the event of a sale of the Collateral, the proceeds realizable from the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (whether before or after giving effect to the *pro rata* entitlement of holders of the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022 Notes, the February 2023 Notes, the October 2023 Notes and the Permitted Pari Passu Secured Indebtedness in and to the Collateral pursuant to the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company’s obligations under the Notes and the Indenture and the Subsidiary Guarantor Pledgors’ obligations under their Subsidiary Guarantees, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture and the Intercreditor Agreement. See “— Release of Security” and “Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the collateral securing the Notes and the Guarantees may not be sufficient to satisfy our obligations under the Notes.”

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor and any Pari Passu Guarantee with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such Pari Passu Guarantee, “Permitted Pari Passu Secured Indebtedness”); *provided* that (1) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock;” (2) the holders of such Indebtedness (or their trustee, representative or agent) (other than any Additional Notes) become party to the Intercreditor Agreement referred to below; and (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Guarantee is substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Collateral Agent an Opinion of Counsel and an Officers’ Certificate with respect to corporate and collateral matters in connection with the Security Documents, stating that either (x) all necessary actions have been taken with respect to the recording, registering and filing of the Security Documents or (y) no such action is necessary to make such Lien effective. The Trustee and/or the Collateral Agent, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents, the Intercreditor Agreement or the Indenture 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 paragraph and the terms of the Indenture (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

(i) The Company, (ii) the initial Subsidiary Guarantor Pledgors, (iii) the Collateral Agent, (iv) Citicorp International Limited, as trustee with respect to the October 2021 Notes, (v) Citicorp International Limited, as trustee with respect to the July 2022 Notes, (vi) Citicorp International Limited, as trustee with respect to the March 2022 Notes, (vii) Citicorp International Limited, as trustee with respect to the September 2022, (viii) Citicorp International Limited, as trustee with respect to the February 2023 Notes, and (ix) Citicorp International Limited, as trustee with respect to the October 2023 Notes have entered into an intercreditor agreement dated as of April 30, 2015 (as may be amended, supplemented or modified from time to time, the “Intercreditor Agreement”), to which the Trustee will accede on the Original Issue Date, pursuant to which the parties thereto agreed that (1) the secured parties thereto and the holders of any future Permitted Pari Passu Secured Indebtedness (or their trustee, representative or agent) will share equal priority and *pro rata* entitlement in and to the Collateral; (2) the Collateral shall only be substituted or released and Liens only be granted on the Collateral to the extent permitted under the Debt Documents; and (3) the conditions under which the Collateral Agent shall enforce the rights of the secured parties thereto with respect to the Collateral and the Indebtedness secured thereby, as described in “— Enforcement of Security” below.

In connection with the Incurrence of any future Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representative, trustee or agent) will accede to the Intercreditor Agreement and become parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution of a supplement to the Intercreditor Agreement and any amendments or modifications thereto required under the terms of the Indenture.

Enforcement of Security

The Liens securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors have been granted to the Collateral Agent. Citicorp International Limited is the initial Collateral Agent under the Security Documents. The Collateral Agent, subject to the Intercreditor Agreement, holds such Liens over the Collateral granted pursuant to the Security Documents and in accordance with the provisions of the Intercreditor Agreement with sole authority as directed by the written instruction of the Trustee or any Creditor Representative (as defined herein) to exercise remedies under the Security Documents (subject to the terms of the Intercreditor Agreement). The Trustee has agreed to act as secured party on behalf of the Holders under the applicable Security Documents, to follow instructions provided to it under the Indenture, the Security Documents and/or the Intercreditor Agreement and to carry out certain other duties.

The Security Documents provide that, following the occurrence of an Event of Default which is continuing, the Collateral Agent has the right to exercise and enforce privileges, rights and remedies thereunder with respect to the Collateral, including to take or retake control or possession of the Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate the Collateral.

The Intercreditor Agreement provides that the Collateral Agent will enforce the Collateral in accordance with a written instruction by any Creditor Representative to do so if it does not receive any conflicting instruction, and in the case of conflicting instructions delivered by two or more Creditor Representatives, the Collateral Agent will seek the instructions of all Creditor Representatives entitled to vote in respect of such matter and will enforce the Collateral upon receiving written instructions from the Majority Creditors. "Majority Creditors" means one or more trustee, administrative agent or other representative in respect of obligations under the Notes, the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022 Notes, the February 2023 Notes, the October 2023 Notes or any Permitted Pari Passu Secured Indebtedness that represent at least 50% of the aggregate principal amount of all obligations under the Notes, the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022 Notes, the February 2023 Notes, the October 2023 Notes and Permitted Pari Passu Secured Indebtedness. The Intercreditor Agreement provides that if after seeking instructions from all Creditor Representatives, the Collateral Agent does not receive instructions from a Creditor Representative within 45 days (or such shorter time as the Collateral Agent may determine in its sole discretion), such Creditor Representative will be deemed to have abstained and the Majority Creditors will be determined as though such Creditor Representative was not entitled to vote in respect of such matter. The Collateral Agent is not obligated to take any action if it identifies such conflict and no written instruction from the Majority Creditors pertaining to such conflict has been received by the Collateral Agent.

All proceeds realized from the Collateral and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, applied as follows:

first, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any fees, costs and expenses (including properly incurred expenses of its counsel) incurred in connection with the Security Documents and the Intercreditor Agreement or in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing remedies under the Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the Collateral Agent is entitled to indemnification under the Indenture, Intercreditor Agreement or the Security Documents;

second, to the extent not reimbursed under the above paragraph, to the Trustee, the trustee for the October 2021 Notes, the trustee for the July 2022 Notes, the trustee for the March 2022 Notes, the trustee for the September 2022 Notes, the trustee for the February 2023 Notes, the Trustee for the October 2023 Notes, the Agents and any Creditor Representatives, to the extent necessary to reimburse the foregoing persons ratably for any fees, costs and expenses (including properly incurred expenses of counsel) incurred in connection with the Indenture or in connection with the collection or distribution of such amounts held or realized or in connection with reasonable expenses incurred in enforcing remedies under the Debt Documents, Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the foregoing persons are entitled to indemnification under the Debt Documents, Intercreditor Agreement and the Security Documents;

third, ratably to each of the Trustee for the benefit of the Holders to satisfy outstanding obligations under the Notes, the Indenture and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, the trustee for the October 2021 Notes for the benefit of the holders of the October 2021 Notes to satisfy outstanding obligations under the October 2021 Notes, the indenture in respect of the October 2021 and the subsidiary guarantees of the subsidiary guarantor pledgors thereunder, the trustee for the July 2022 Notes for the benefit of the holders of the July 2022 Notes to satisfy outstanding obligations under the July 2022 Notes, the indenture in respect of the July 2022 Notes, the subsidiary guarantees of the subsidiary guarantor pledgors thereunder, the trustee for the March 2022 Notes for the benefit of the holders of the March 2022 Notes to satisfy outstanding obligations under the March 2022 Notes, the indenture in respect of the March 2022 Notes, the subsidiary guarantees of the subsidiary guarantor pledgors thereunder, the trustee for the September 2022 Notes for the benefit of the holders of the September 2022 Notes to satisfy outstanding obligations under the September 2022 Notes, the indenture in respect of the September 2022 Notes, the subsidiary guarantees of the subsidiary guarantor pledgors thereunder, the trustee for the February 2023 Notes for the benefit of the holders of the February 2023 Notes to satisfy outstanding obligations under the February 2023 Notes, the indenture in respect of the February 2023 Notes, the subsidiary guarantees of the subsidiary guarantor pledgors thereunder, the trustee for the October 2023 Notes for the benefit of the holders of the October 2023 Notes to satisfy outstanding obligations under the October 2023 Notes, the indenture in respect of the October 2023 Notes, the subsidiary guarantees of the subsidiary guarantor pledgors thereunder and, to the extent applicable, to the holders of any Permitted Pari Passu Secured Indebtedness (or, if applicable, their Creditor Representative) to satisfy outstanding obligations thereunder (in each case, to the extent not paid pursuant to the paragraphs above), in accordance with the terms of the relevant Debt Documents; and

fourth, any surplus remaining after such payments will be paid to the Company, the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. None of the Trustee, the Collateral Agent or any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, continuation, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so. See "Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Intercreditor Agreement may impact the ability of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to pay amounts due under the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Intercreditor Agreement may limit the rights of holders of the Notes to enforce the Collateral."

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Collateral Agent arising out of the Intercreditor Agreement or Security Documents, except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Collateral Agent.

This section, "— Enforcement of Security," shall be subject to any amendments to the Security Documents, the Intercreditor Agreement or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "— Permitted Pari Passu Secured Indebtedness" above.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon legal defeasance, covenant defeasance or discharge of the Notes as provided below under the caption "— Defeasance and Discharge;"
- upon certain dispositions of the Collateral in compliance with the covenant described under the caption "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or in compliance with or not prohibited by the covenant described under the caption "— Certain Covenants — Limitation on Asset Sales" or in accordance with the provision described under the caption "— Consolidation, Merger and Sale of Assets;"
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;

- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to a Subsidiary Guarantor that becomes a Non-Guarantor Subsidiary, the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such Non-Guarantor Subsidiary; or
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor or JV Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture.

No release of Collateral shall be effective until the Company has delivered to the Trustee and the Collateral Agent an Opinion of Counsel and an Officers' Certificate stating that all requirements relating to such release have been complied with and that such release has been authorized by, permitted by and made in accordance with the provisions of the Indenture.

FURTHER ISSUES

In accordance with the terms of the Indenture and subject to compliance with the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and the JV Subsidiary Guarantees, if any) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes.

OPTIONAL REDEMPTION

At any time prior to January 28, 2024, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

At any time and from time to time prior to January 28, 2024, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 112.0% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 15 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any national securities exchange and/or held through the clearing systems, in compliance with the requirements of the principal national securities exchange on which the Notes are listed and/or the clearing systems through which the Notes are held; or
- (2) if the Notes are not listed on any national securities exchange or held through the clearing systems, on a *pro rata* basis, by lot or by such other method as the Trustee in its sole and absolute discretion deems fair and appropriate, unless otherwise required by law.

Notices of redemption may, in the Company's discretion, be subject to the satisfaction of one or more conditions precedent.

No Note of US\$200,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any Certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL TRIGGERING EVENT

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to but excluding the Offer to Purchase Payment Date (subject to the right of Holders of record on the applicable Record Date to receive interest due on the relevant Interest Payment Date falling on or prior to the Offer to Purchase Payment Date).

The Company has agreed in the Indenture that upon a Change of Control Triggering Event it will timely repay all Indebtedness governed by, or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain other debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the then-existing financial resources of the Company, Subsidiary Guarantors and JV Subsidiary Guarantors (if any). There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — We may not be able, or may not be required, to repurchase the Notes upon a change of control and an accompanying ratings decline."

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

NO MANDATORY REDEMPTION OR SINKING FUND

There will be no mandatory redemption or sinking fund payments for the Notes.

ADDITIONAL AMOUNTS

All payments of principal, premium (if any) and interest on the Notes 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, a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC, 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, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

- (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such 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 Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, or interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Holder, to provide information concerning such Holder’s or its beneficial owner’s nationality, residence, identity or connection with any 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 Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

- (c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (“FATCA”), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction pursuant to the implementation of FATCA, or any other agreement pursuant to the implementation of FATCA; or
 - (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a) (b) and (c); 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 under the laws of a Relevant Jurisdiction to be included in the income 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 Notes.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

REDEMPTION FOR TAXATION REASONS

The Notes may be redeemed, at the option of the Company or a Surviving Person, as a whole but not in part, upon giving not less than 15 days’ nor more than 60 days’ notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to but excluding the date fixed by the Company or the Surviving Person, as the case may be, for redemption if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (or in the case of an official position, announced) (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, in each case, with respect to any payment due or to become due under the Notes or the Indenture, the

Company, a Subsidiary Guarantor, a JV Subsidiary Guarantor or a Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, such Subsidiary Guarantor, such JV Subsidiary Guarantor or such Surviving Person, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Subsidiary Guarantor, a JV Subsidiary Guarantor or a Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company or a Surviving Person, as the case may be, will deliver to the Trustee at least 15 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Subsidiary Guarantor, a JV Subsidiary Guarantor or a Surviving Person, as the case may be, by taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

CERTAIN COVENANTS

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock; *provided* that the Company, any Subsidiary Guarantor and any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and Preferred Stock and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Preferred Stock and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

- (2) Notwithstanding the foregoing clause (1), the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):
- (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted *Pari Passu* Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (b) Indebtedness and Preferred Stock of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness and Preferred Stock permitted under clause (c) below; *provided* that such Indebtedness or Preferred Stock of any Non-Guarantor Subsidiary shall be included in the calculation of Permitted Subsidiary Indebtedness;
 - (c) Indebtedness of the Company owed to any Restricted Subsidiary and Indebtedness and Preferred Stock of any Restricted Subsidiary owed or issued to the Company or any other Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Company or any other Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness or Preferred Stock not permitted by this clause (c) and (ii) if the Company is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;
 - (d) Indebtedness (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (g), (n) or (o) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (d) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such

Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;

- (e) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in interest rates, currencies or the price of commodities;
- (f) Pre-Registration Mortgage Guarantees Incurred by the Company or any Restricted Subsidiary;
- (g) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of one or more assets, real or personal property (including the lease or purchase price of land use rights) or equipment used or to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business (whether through one or more acquisitions), including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment, or (y) all or any part of the purchase price or the cost of development, construction or improvement of one or more assets, real or personal property (including the lease or purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such asset, property or equipment or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (g) (together with any refinancings thereof) plus (2) the aggregate amount outstanding of all Indebtedness permitted and then outstanding under clauses (n), (o), (p), (q), (r) and (t) below (together, in each case, with any refinancings thereof), but excluding any Contractor Guarantee Incurred pursuant to such clauses and this clause (g) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount, does not exceed an amount equal to 35.0% of Total Assets at any one time outstanding;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary in the ordinary course of business constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 5 Business Days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company or any Restricted Subsidiary from the disposition of such business, assets or Restricted Subsidiary;
- (k) Indebtedness Incurred by the Company or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (l) (i) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was expressly permitted to be Incurred by another provision of this covenant (other than Guarantees of such Indebtedness of any Non-Guarantor Subsidiary), (ii) Guarantees by any Non-Guarantor Subsidiary of Indebtedness of another Non-Guarantor Subsidiary that was permitted to be Incurred by another provision of this covenant or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;
- (m) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price to the seller of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary becomes obligated to pay such deferred purchase price pursuant to such Staged Acquisition Agreement;
- (n) Indebtedness Incurred by the Company or any Indebtedness Incurred or Preferred Stock issued by any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; *provided* that on the date of Incurrence of all such Indebtedness or issuance of Preferred Stock and in each case after giving effect thereto, the sum of (1) the aggregate amount outstanding of all Indebtedness incurred and Preferred Stock issued pursuant to this clause (n) (together with refinancings thereof) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock

issued pursuant to clause (g) above and clauses (o), (p), (q), (r) and (t) below (together, in each case, with any refinancings thereof), but excluding any Contractor Guarantee Incurred under such clauses and this clause (n) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets at any one time outstanding;

- (o) Indebtedness Incurred by any Restricted Subsidiary which is secured by Investment Properties or by the assets or Capital Stock of a Restricted Subsidiary directly or indirectly owning such Investment Properties; *provided* that on the date of the Incurrence of all such Indebtedness and in each case after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (o) (together with refinancings thereof) plus (2) the aggregate principal amount outstanding of all such Indebtedness Incurred and Preferred Stock issued pursuant to clauses (g) and (n) above and clauses (p), (q), (r) and (t) below (together, in each case, with any refinancings thereof), but excluding any Contractor Guarantee Incurred under such clauses and this clause (o) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount, does not exceed an amount equal to 35.0% of Total Assets at any one time outstanding;
- (p) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, *provided* that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness incurred pursuant to this clause (p) (together with refinancing thereof) and (2) the aggregate principal amount outstanding of all Indebtedness that was Incurred and Preferred Stock issued pursuant to clauses (g), (n) and (o) above and clauses (q), (r) and (t) below (together, in each case, with any refinancings thereof), but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (p) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount, does not exceed an amount equal to 35.0% of Total Assets at any one time outstanding;
- (q) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary, *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate of all Indebtedness Incurred under this clause (q) (together with refinancing thereof) plus (2) the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (g), (n), (o) and (p) above and clauses (r) and (t) below (together, in each case, with any refinancings thereof), but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount, does not exceed an amount equal to 35.0% of Total Assets at any one time outstanding;
- (r) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted

Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (r) (together with refinancing thereof) plus (2) the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (g), (n), (o), (p) and (q) above and clause (t) below (together, in each case, with any refinancings thereof), but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (r) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount, does not exceed an amount equal to 35.0% of Total Assets at any one time outstanding;

- (s) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary become obligated to pay such deferred purchase price pursuant to such Minority Interest Staged Acquisition Agreement;
 - (t) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (t) (together with refinancing thereof) plus (2) the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (g), (n), (o), (p), (q) and (r) above (together, in each case, with any refinancings thereof), but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount, does not exceed an amount equal to 35.0% of Total Assets at any one time outstanding;
 - (u) Indebtedness of the Company or any Restricted Subsidiary maturing within one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (u) at any time outstanding does not exceed US\$35.0 million (or the Dollar Equivalent thereof);
 - (v) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time not to exceed US\$35.0 million (or the Dollar Equivalent thereof);
 - (w) Pari Passu Guarantee; and
 - (x) Indebtedness constituting a Subordinated Shareholder Loan.
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in paragraph (1) of this covenant, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness (or any portion thereof) and only be required to include the amount of such Indebtedness as one of such types.

- (4) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Permitted Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced (plus premium, accrued interest, fees and expenses). Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.
- (5) Accrual of interest, accrual of dividends, the accretion of accreted value, the amortization of debt discount, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s or any Restricted Subsidiary’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary other than the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any Subsidiary Guarantee or JV Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or

- (4) make any Investment, other than a Permitted Investment; if, at the time of, and after giving effect to, the proposed Restricted Payment:
- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
 - (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock;” or
 - (c) such Restricted Payment, together with the aggregate amount of all (1) Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date and (2) payments made by the Company and its Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date (excluding Restricted Payments permitted by clauses (2) through (9) and (11) through (15) of the immediately following paragraph), shall exceed the sum (without duplication) of
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the Measurement Date occurs and ending on the last day of the Company’s most recently ended half-yearly fiscal period or fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus
 - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
 - (iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company’s consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person.

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company, or for the redemption, repurchase or other acquisition of Capital Stock of any Subsidiary Guarantor only, of any Subsidiary Guarantor, or for the redemption, repurchase or other acquisition of Capital Stock of any JV Subsidiary Guarantor only, of any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company, or for the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated

Indebtedness of any Subsidiary Guarantor only, of any Subsidiary Guarantor, or for the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of any JV Subsidiary Guarantor only, of any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

- (5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company or any Restricted Subsidiary, to all holders of any class of Capital Stock of such Restricted Subsidiary;
- (6) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) or (C) payments of dividend or other distributions on Capital Stock of any Restricted Subsidiary engaged in any property development projects held by any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) in connection with an employee benefit plan or employee incentive scheme; provided that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock and dividends or distributions shall not exceed US\$5.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination) for any fiscal year;
- (7) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;
- (8) dividends paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness permitted to be Incurred under clause (n) of the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock;”
- (9) Restricted Payments in an amount not to exceed US\$20.0 million (or the Dollar Equivalent thereof);
- (10) the declaration and payment of dividends on, or the purchase or redemption of, the Common Stock of the Company by the Company in any fiscal year in an aggregate amount not to exceed 25.0% of gross profit for the year on the Company’s consolidated financial statements for the prior fiscal year;
- (11) the distributions or payments of Securitization Fees in connection with Receivable Financings;

- (12) payments, including distributions, made under or in connection with any Perpetual Securities Obligations pursuant to the terms thereof or in connection with a repurchase or redemption thereof;
- (13) the payment of any dividend or distribution payable or paid in Capital Stock of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;
- (14) any purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement;
- (15) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, provided that (A) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (B) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock,

provided that, in the case of clause (2), (3) or (4) above, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clauses (1) and (10) of the preceding paragraph shall be included, without duplication, in calculating whether the conditions of clause (c) of the first paragraph of this “— Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments. For the avoidance of doubt, each Restricted Payment permitted pursuant to any clause of the preceding paragraph (other than clauses (1) and (10) thereof) shall not be included in calculating whether the conditions of clause (c) of the first paragraph of this “— Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than any Restricted Payment set forth in clauses (5) through (15) above) must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payment set forth in clauses (5) through (15) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this “— Limitation on Restricted Payments” covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this “— Limitation on Restricted Payments” covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this “— Limitation on Restricted Payments” covenant and paragraph (18) of the definition of “Permitted Investment” at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of such paragraphs.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm’s length basis.

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness or Pari Passu Guarantee, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;

- (c) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business, and that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries” and “— Limitation on Indebtedness and Preferred Stock” covenants and permitted or not prohibited by the “— Limitation on Asset Sales” covenant;
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type permitted under the “— Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes;
- (g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Company and its Restricted Subsidiaries;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the sale or issuance of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such sale or issuance, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such sale or issuance (including, without limitation, a Permitted Investment under clause (18) of the definition thereof); *provided* that the Company complies with the "— Limitation on Asset Sales" covenant; or
- (4) the sale or issuance of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that such issuance or sale complies with or is not prohibited by the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clause (2)(b), (c) or (p) (in the case of clause (2)(p), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of bank accounts, deposits or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee), directly or indirectly, any Bank Deposit Secured Indebtedness), under the caption "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness of the Company or any Restricted Subsidiary unless the aggregate claims of the creditor under such Guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor Guarantees any Indebtedness of the Company or any Restricted Subsidiary where the aggregate claims of the creditor under such Guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm’s length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not such a holder or Affiliate; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other reasonable and customary compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described under the caption “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee benefit, or share option or similar schemes, for so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited or any Alternative Stock Exchange; and
- (6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any of its Restricted Subsidiaries with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) permitted or not prohibited by the “— Limitation on Restricted Payments” covenant, (ii) Investments in any corporation, association or other business entity made under clause (18) of the definition of “Permitted Investments,” (iii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous, taken as a whole, to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iv) any transaction between or among the Company and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries or between or among the Company or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand and, (v) for as long as the Common Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited, any Affiliate Transaction which is conducted in compliance with the applicable listing rules of The Stock Exchange of Hong Kong Limited; *provided* that in the case of clause (iv) (a) such transaction is entered into in the ordinary course of business and (b) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Subsidiary Guarantor, Minority Joint Venture or Unrestricted Subsidiary, is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or minority partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary).

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired (other than the Collateral), except Permitted Liens, unless the Notes are secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described under the caption “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with the covenant described under the caption “— Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

- (3) at least 75.0% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:
- (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
 - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets that will be used in the Permitted Businesses ("Replacement Assets").

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds equals or exceeds US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness (including the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022 Notes, the February 2023 Notes, the October 2023 Notes and any Permitted Pari Passu Secured Indebtedness) similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to but excluding the date of purchase (subject to the right of Holders of record on the applicable Record Date to receive interest due on the relevant Interest Payment Date falling on or prior to the date of purchase), and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other *pari passu* Indebtedness) to be purchased will be selected in accordance with the procedures set out under “— Selection and Notice.” Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company’s Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; provided, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was permitted or not prohibited when made by the covenant described under the caption “— Limitation on Restricted Payments.”

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans, as contemplated under the caption “Use of Proceeds” in this offering memorandum (or, in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides any credit support for the Indebtedness of such designated Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company which is in default; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens;” (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under the caption “— Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation, which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation, would be permitted to be Incurred by the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock;” (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation, which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation, would be permitted to be incurred by the covenant described under the caption “— Limitation on Liens;” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC and is not an Offshore Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or, if otherwise permitted under the terms of the Indenture, a JV Subsidiary Guarantor in accordance with the terms under the Indenture; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC and is not an Offshore Non-Guarantor Subsidiary or a subsidiary of a JV Subsidiary Guarantor, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged as required under “— Security.”

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except, in each case, to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee, the relevant Security Documents or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This covenant does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from the Rating Agency and no Default or Event of Default has occurred and is continuing (such period, an “Investment Grade Status Period”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from the Rating Agency (the “Reversion Date”), the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (2) “— Certain Covenants — Limitation on Restricted Payments;”
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries;”
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries;”
- (6) “— Certain Covenants — Limitation on the Company’s Business Activities;”
- (7) “— Certain Covenants — Limitation on Sale and Leaseback Transactions;”
- (8) “— Certain Covenants — Limitation on Asset Sales;”
- (9) clauses (3), (4) and 5(x) of the first and second paragraphs of “— Consolidation, Merger and Sale of Assets;” and
- (10) clause (2)(a) of “— Certain Covenants — Provision of Financial Statements and Reports.”

In addition, during an Investment Grade Status Period, the amount of Excess Proceeds from Net Proceeds shall be reset to zero and the Board of Directors of the Company may not designate any Restricted Subsidiary as an Unrestricted Subsidiary.

Covenants and other provisions of these covenants that are suspended during an Investment Grade Status Period will be immediately reinstated upon a Reversion Date. Notwithstanding that the suspended covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with the suspended covenants during the Investment Grade Status Period (or upon termination of the Investment Grade Status Period or after that time based solely on events that occurred during the Investment Grade Status Period with respect to any suspended covenant). On the Reversion Date, all Indebtedness Incurred and Disqualified Stock issued during the Investment Grade Status Period will be classified to have been Incurred or issued pursuant to clause (2)(b) of “— Incurrence of Indebtedness and Issuance of Preferred Stock”; *provided* that any (i) Indebtedness of the Company owed to any Restricted Subsidiary and Indebtedness and Preferred Stock of any Restricted Subsidiary owed or issued to the Company or any other Restricted Subsidiary

Incurred or issued during the Investment Grade Status Period will be classified to have been incurred or issued pursuant to clause (2)(c) of “— Incurrence of Indebtedness and Issuance of Preferred Stock”, (ii) Indebtedness in respect of Hedging Obligations Incurred during the Investment Grade Status Period will be classified to have been Incurred pursuant to clause (2)(e) of “— Incurrence of Indebtedness and Issuance of Preferred Stock” and (iii) Pre-Registration Mortgage Guarantees Incurred during the Investment Grade Status Period will be classified to have been Incurred pursuant to clause (2)(f) of “— Incurrence of Indebtedness and Issuance of Preferred Stock”. Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under “— Limitation on Restricted Payments” will be made as though the covenant described under “— Limitation on Restricted Payments” had been in effect from the first day of the Investment Grade Status Period. Accordingly, Restricted Payments made during the Investment Grade Status Period will reduce the amount available to be made as Restricted Payments under the first paragraph of “— Limitation on Restricted Payments.”

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating if achieved will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized securities exchange on which the Company’s Common Stock are at any time listed for trading, true and correct copies of any financial report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized securities exchange, the Company will file with the Trustee and furnish to the Holders:
 - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements in English (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement audited by a member firm of an internationally-recognized firm of independent accountants;
 - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second fiscal quarter of the Company, copies of its financial statements in English (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third fiscal quarters of the Company, copies of its unaudited financial statements in English (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio based upon the most recent Four-Quarter Period and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; provided, that, the Company shall not be required to provide such auditor certificate if its external auditors refuse to provide such certificate as a result of a policy of such external auditors; and (b) as soon as possible and in any event within 10 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

EVENTS OF DEFAULT

Each of the following events will be defined as an "Event of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) (A) default in the performance or breach of the provisions of the covenants described under the caption "— Certain Covenants — Limitation on Liens" or the failure by the Company to create, or cause the Subsidiary Guarantors to create, a Lien on assets required to constitute Collateral (subject to any Permitted Liens and the Intercreditor Agreement) in accordance with the covenant described under the caption "— Security" and such default or failure continues for a period of 30 consecutive days after the earlier of (x) a Responsible Officer of the Company having actual knowledge of such default or failure and (y) written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes, or (B) default in the performance or breach of the provisions of the covenants described under the caption "— Consolidation, Merger and Sale of Assets," or the failure by the Company to make or consummate an Offer to Purchase in the manner described under the caption "— Repurchase of Notes Upon a Change of Control Triggering Event," or "— Certain Covenants — Limitation on Asset Sales";
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$15.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity, and/or (b) the failure to make a payment of principal of such Indebtedness when due;

- (6) one or more final judgments or orders for the payment of money are rendered against the Company 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\$15.0 million (or the Dollar Equivalent thereof) (in excess of amounts which is covered by the Company's insurance carriers under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or for any substantial part of the property and assets of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) other than pursuant to a solvent reorganization, the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or for all or substantially all of the property and assets of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or (c) effects any general assignment for the benefit of creditors;
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee (other than by reason of the termination of the Indenture or the release of the Subsidiary Guarantee or JV Subsidiary Guarantee of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, in accordance with the Indenture) or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (10) any default by the Company 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

- (11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document (other than by reason of the termination of the Indenture or the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the Indenture) or, other than in accordance with the Indenture, the Intercreditor Agreement and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Trustee or the Collateral Agent ceases to have a first priority security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

Notwithstanding anything herein to the contrary, a failure, default or other event that would otherwise have constituted an Event of Default specified in clause (3)(A), (10) or (11) above shall be deemed not to be an Event of Default if the Company could have (as of the most recent consolidated financial statements of the Company provided as required under “— Certain Covenants Provision of Financial Statements and Reports”) elected to have the Subsidiary Guarantor to which such failure, default or other event relates to be a Non-Guarantor Subsidiary or a JV Subsidiary Guarantor (whether such Subsidiary Guarantor caused the failure, default or other event or whether the Capital Stock of such Subsidiary Guarantor constitutes Collateral).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall (subject to being indemnified and/or secured to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

In the event of a declaration of acceleration of the Notes because an Event of Default specified in clause (5) above has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the default triggering such Event of Default pursuant to clause (5) shall be remedied or cured by the Company or a Restricted Subsidiary or waived by the holders of the relevant Indebtedness within 20 days after the declaration of acceleration with respect thereto and, in each case, (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium, if any, or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, subject to being indemnified and/or secured to its satisfaction, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture, subject to the terms of the Intercreditor Agreement. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall, subject to being indemnified and/or secured to its satisfaction, upon written request of Holders of at least 25% in aggregate principal amount of outstanding Notes, subject to the terms of the Indenture and the Intercreditor Agreement, direct the Collateral Agent to foreclose on the Collateral in accordance with the terms of the Security Documents and the Intercreditor Agreement and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate, subject to the terms of the Indenture and Intercreditor Agreement. See “— Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law, the Indenture or the Security Documents, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expand its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security is assured to it.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the written request within 60 days after receipt of the request and the offer of indemnity and/or security satisfactory to it; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

If the Trustee collects any money pursuant to the Indenture, it shall pay out the money in the following order:

First, to the Trustee and the Agents to the extent necessary to reimburse the Trustee and the Agents for any expenses incurred in connection with the collection or distribution of such amounts held or realized and any reasonable fees, costs and expenses incurred in connection with carrying out their respective functions under the Indenture (including properly incurred legal fees and expenses);

Second, to the Trustee for the benefit of Holders; and

Third, any surplus remaining after such payments will be paid to the Company or to whomever may be lawfully entitled thereto.

In connection with the delivery of the annual financial statements of the Company delivered pursuant to clause (1) of the covenant described under “— Certain Covenants — Provision of Financial Statement and Reports,” the Company shall deliver an Officers’ Certificate to the Trustee certifying that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company’s and its Restricted Subsidiaries’ performance under the Indenture and the Security Documents that the Company and its Restricted Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any Default. See “— Certain Covenants — Provision of Financial Statements and Reports.”

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the “Surviving Person”) shall be a corporation organized and validly existing under the laws of the Cayman Islands, the British Virgin Islands or Hong Kong and shall expressly assume, by a supplemental indenture to the Indenture and supplements or joinders to the Security Documents and the Intercreditor Agreement, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes, the Security Documents and the Intercreditor Agreement, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which payments are made, and the Indenture, the Notes, the Security Documents and the Intercreditor Agreement, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under paragraph (1) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption “— Consolidation, Merger and Sale of Assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture and supplements or joinders to the Security Documents and the Intercreditor Agreement, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, the Notes, the Security Documents and the Intercreditor Agreement, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which payments are made, and the Indenture, the Notes, the Security Documents and the Intercreditor Agreement, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under paragraph (1) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with or is not prohibited by the “— Certain Covenants — Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under New York law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into, or the sale, conveyance, transfer, lease or disposal of all or substantially all assets of any Subsidiary Guarantor or JV Subsidiary Guarantor to the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as (in the case of a consolidation or merger only) the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor that may adversely affect Holders.

NO PAYMENTS FOR CONSENTS

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless, except to the extent limited by applicable law, such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Issuer may exclude (i) Holders or beneficial owners of the Notes that are located in the United States or “U.S. Persons” as defined in Regulation S under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Issuer to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Issuer in its sole discretion.

DEFEASANCE AND DISCHARGE

Legal Defeasance

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) has delivered to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants or appraisal or investment banking firm to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture; and
- (2) immediately after giving effect to such deposit on a pro forma basis, no Default or Event of Default (other than a Default or an Event of Default resulting from the borrowing of funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith), shall have occurred and be continuing on the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

Covenant Defeasance

The Indenture further will provide that the provisions of the Indenture applicable to the Notes will no longer be in effect (“covenant defeasance”) with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets”, its obligations under “— Repurchase of Notes Upon a Change of Control Triggering Event,” all the covenants described herein under “— Certain Covenants,” other than as described under “— Certain Covenants — Government Approvals and Licenses; Compliance with Law,” clause (3) under “— Events of Default” with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause, clause (4) under “— Events of Default” with respect to such covenants that are released as a result of such covenant defeasance, clauses (5), (6), (9), (10) and (11) under “— Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes.

In the event of a covenant defeasance and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will remain liable for such payments.

In the case of either legal defeasance or covenant defeasance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes and the Indenture on the date of the deposit referred to below, and the provisions of the Indenture, the Intercreditor Agreement and the Security Documents will no longer be in effect with respect to the Notes if, either:

- (1) all Notes that have been authenticated and delivered (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust) have been delivered to the Paying and Transfer Agent for cancellation; or
- (2) (a) all Notes not theretofore delivered to the Paying and Transfer Agent for cancellation have become due and payable by reason of the giving of a notice of redemption or otherwise, will become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, and the Company (i) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations that through the payment of interest and

principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity or the applicable redemption date for such payments in accordance with the terms of the Indenture and the Notes and (ii) has delivered to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants or appraisal or investment banking firm to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity or such redemption date for such payment in accordance with the terms of the Indenture;

- (b) such discharge shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound;
- (c) the Company has paid or caused to be paid all sums payable by it under the Indenture, including all amounts payable to the Trustee; and
- (d) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply all deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

SATISFACTION AND DISCHARGE

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (1) either:
 - (a) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Company and thereafter repaid to the Company) have been delivered to the Paying Agent for cancellation; or
 - (b) all Notes not theretofore delivered to the Paying Agent for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Issuer has irrevocably deposited or caused to be deposited with the Paying Agent funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Paying Agent for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable written instructions from the Issuer directing the Trustee or the Paying Agent to apply such funds to the payment thereof at maturity or redemption, as the case may be;
- (2) the Company has paid all other sums payable under the Indenture; and
- (3) such deposit will not result in a breach or violation of, or constitute a default under, any instruments to which the Company is a party or by which the Company is bound (other than the Indenture or the Notes).

In addition, the Company must deliver to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge have been satisfied.

AMENDMENTS AND WAIVER

Amendments without Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee and the Collateral Agent (to the extent that the Collateral Agent is a party to such agreement), to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under “— Consolidation, Merger and Sale of Assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee or Collateral Agent;
- (4) add any Subsidiary Guarantor, JV Subsidiary Guarantor, any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and the corresponding Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee and create or register Liens on such additional Collateral;
- (8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable securities depository;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Collateral Agent to enter into, supplement or amend the Intercreditor Agreement (including the appointment of a collateral agent thereunder), the Security Documents or the Indenture permitting the holders of Permitted Pari Passu Secured Indebtedness (or their representatives) to accede to the Intercreditor Agreement,

as applicable, 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 the Indenture);

- (11) make any other change that does not materially and adversely affect the rights of any Holder; or
- (12) conform the text of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees or the Intercreditor Agreement to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees or the Intercreditor Agreement.

Amendments with Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement or any Security Document may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors and the Subsidiary Guarantor Pledgors with any provision thereof; provided, however, that no such amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency, time or place of payment of principal of, or premium, if any, or interest on, any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes, the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral from the Liens of the Security Documents, except as permitted by the Indenture, the Security Documents and the Intercreditor Agreement;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that materially adversely affects the Holders;
- (11) amend, change or modify any provision of the Indenture, the Intercreditor Agreement or any Security Document relating to the Collateral, in a manner that materially adversely affects the Holders, except as permitted by the terms of the Indenture;
- (12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be exercised or made, as the case may be, or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under “Certain Covenants — Limitation on Asset Sales”;
- (13) change the redemption date or the redemption price of the Notes from that stated under the caption “— Optional Redemption” or “— Redemption for Taxation Reasons;”
- (14) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which materially and adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

NO PERSONAL LIABILITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS, DIRECTORS OR EMPLOYEES

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person, as such, of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws.

CONCERNING THE TRUSTEE, THE COLLATERAL AGENT AND THE AGENTS

Citicorp International Limited is to be appointed as Trustee under the Indenture. Citibank, N.A., London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability, is to be appointed as registrar (the “Registrar”) and paying and transfer agent (the “Paying and Transfer Agent” and, together with the Registrar, the “Agents”) with regard to the Notes. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenant or obligation shall be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs. The Trustee will be under no obligation to exercise any of its rights or power under the Indenture at the request of Holders, unless the requisite number of Holders were instructed the Trustee in writing and have offered to the Trustee indemnity and/or security satisfactory to it against any loss, liability and expense.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors or the JV Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Citicorp International Limited will act as the Collateral Agent under the Security Documents in respect of the security over the Collateral. The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture, the Intercreditor Agreement and the Security Documents. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents, the Indenture or the Intercreditor Agreement that are in conflict with the interests of the Trustee, the Holders and the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any). Neither the Trustee nor the Collateral Agent will be under any obligation to exercise any rights or powers conferred under the Indenture, the Intercreditor Agreement or any Security Document for the benefit of the Holders or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any), unless such Holders and/or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any) have instructed the Trustee in writing and have offered to the Trustee and/or the Collateral Agent indemnity and/or security satisfactory to it against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee, the other Agents and the Collateral Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee, the other Agents or the Collateral Agent in respect of such risks.

BOOK-ENTRY; DELIVERY AND FORM

The Notes will be represented by a global note in registered form without interest coupons attached (the “Initial Global Note”). When issued, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the “Additional Global Notes” and, together with the Initial Global Note, the “Global Notes”).

Global Notes

Ownership of beneficial interests in the Global Notes (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of the Agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying and Transfer Agent in U.S. dollars. The Paying and Transfer Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law.

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents has or will have any responsibility or liability for:

- (1) any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- (2) Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Actions by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the applicable settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream participants on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information concerning Euroclear and Clearstream

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary, Euroclear, Clearstream or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by or on behalf of the Trustee for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

NOTICES

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor) addressed to the Company, such Subsidiary Guarantor or JV Subsidiary Guarantor at its principal office located at 8F, Block B, BenQ Plaza, No. 207 Song Hong Road, Shanghai, 200335, People's Republic of China; or (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

While the Notes are in global form, any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, or if by mail, when so sent or deposited.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

Each of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

GOVERNING LAW

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The relevant Security Documents pursuant to which the Capital Stock of the Subsidiary Guarantors and the JV Subsidiary Guarantors are pledged as described under "— Security" will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor or JV Subsidiary Guarantor is incorporated.

DEFINITIONS

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Additional Amounts” has the meaning set forth under the caption “— Additional Amounts.”

“Additional Notes” has the meaning set forth under the caption “— Brief Description of the Notes.”

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after January 28, 2024, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (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.

“Affiliate Transaction” has the meaning set forth under the caption “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates.”

“Agents” has the meaning set forth under the caption “— Concerning the Trustee, the Collateral Agent and the Agents.”

“Alternative Stock Exchange” means at any time, in the case of the Company’s shares, if they are not at that time listed and traded on The Stock Exchange of Hong Kong Limited, the principal stock exchange or securities market on which the Company’s shares are then listed or quoted or dealt in; *provided* that such principal stock exchange or securities market shall be a stock exchange or securities market located in the United States regulated as such by the U.S. Securities and Exchange Commission (including, without limitation, the New York Stock Exchange and the NASDAQ Stock Market) or a “designated offshore securities market” as defined in Rule 902(b) of the U.S. Securities Act.

“April 2021 Notes” means the 9.45% Senior Notes due 2021 issued by the Company on April 23, 2018, which has been repaid in full in April 2021.

“October 2023 Notes, May 17, 2021 and August 17, 2021” means the 12.50% Senior Notes due 2023 issued by the Company on April 26, 2021.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the principal amount of such Note, plus (y) all required remaining scheduled interest payments due on such Note through January 28, 2024 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale, transfer or other disposition of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided* that “Asset Sale” shall not include:

- (1) sales, transfers or other dispositions of inventory, receivables, other current assets, properties under development for sale and completed properties for sale in the ordinary course of business (including, for the avoidance of doubt, any block sale of properties under development for sale, completed properties for sale or investment properties in the ordinary course of business through sales or transfers of the Capital Stock of Subsidiaries that own, directly or indirectly, such properties (collectively, “Block Sales”));
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant described under the caption “— Certain Covenants — Limitation on Restricted Payments;”
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company and its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating, granting or enforcement of any Permitted Lien;

- (6) a transaction covered by the covenant described under the caption “— Consolidation, Merger and Sale of Assets;”
- (7) any sale, transfer or other disposition by the Company or any Restricted Subsidiary, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary or to any Person that becomes a Restricted Subsidiary upon consummation of such sale, transfer or disposition of assets;
- (8) the issuance by a Restricted Subsidiary of Preferred Stock that is permitted by the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (9) any sale of Capital Stock in, or Indebtedness or other securities of, an Unrestricted Subsidiary; and
- (10) any sale or issuance of capital stock of Modern Jump Limited and Shimmery Amber International Limited pursuant to any agreement in existence as of the Original Issue Date.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by cash deposits, bank accounts or other assets of the Company or a Restricted Subsidiary and/or (ii) Guaranteed by a Guarantee, letter of credit or similar instruments from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange currency or remit money into or outside of the PRC.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“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 Company and its Restricted Subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the U.S. Securities Exchange Act of 1934, as amended), other than one or more Permitted Holders;
- (2) the Company 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 Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company 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 Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified 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 40.0% of the total voting power of the Voting Stock of the Company;
- (4) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (5) individuals who on the Original Issue Date constituted the Board of Directors of the Company (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 Original Issue Date or whose election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company then in office; or
- (6) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Offer” has the meaning set forth under the caption “— Repurchase of Notes Upon a Change of Control Triggering Event.”

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, *provided* that the Notes are rated by at least one Rating Agency, a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors.

“Collateral Agent” means the collateral agent under the Indenture, the Intercreditor Agreement and the Security Documents, which as of the Original Issue Date is Citicorp International Limited.

“Commodity Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding on the Original Issue Date, and includes, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to January 28, 2024 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to January 28, 2024.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is available, Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and

- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) in respect of (x) a Non-Guarantor Subsidiary that is not a Wholly Owned Restricted Subsidiary or (y) a JV Subsidiary Guarantor, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock of the Company or any Restricted Subsidiary or Preferred Stock of a Restricted Subsidiary, in each case, held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary; *provided* that if dividends are paid to a Restricted Subsidiary that is not Wholly Owned, there shall be excluded from this clause (2) an amount equal to (A) the amount of dividends paid to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in such Restricted Subsidiary owned, directly or indirectly, on the last day of such period by the Company, and for the avoidance of doubt, distribution incurred or accrued or payments on any Perpetual Securities Obligation shall not be included in the calculation of Consolidated Fixed Charges.

“Consolidated Interest Expense” means, for any period, the amount that would be included in net interest expense (gross interest expense net of interest income) on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such net interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) to the extent that such interest has been actually paid by the Company or any

Restricted Subsidiary and (7) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period, and for the avoidance of doubt, distribution incurred or accrued or payments on any Perpetual Securities Obligation shall not be included in the calculation of Consolidated Interest Expense.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below);
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains (but not loss) realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries) other than gains from the Block Sales;
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects;
- (7) any net after-tax extraordinary or non-recurring gains,

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference

between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable at the option of the holder thereof for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Credit Facilities” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (*provided that* such increase is permitted under the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) or (4) otherwise altering the terms and conditions thereof.

“Creditor Representatives” means, collectively, the Trustee, the trustee for the October 2021 Notes, the trustee for the July 2022 Notes, the trustee for the March 2022 Notes, the trustee for the

September 2022 Notes, the trustee for the February 2023 Notes, the trustee for the October 2023 Notes and the trustee, agent or other and representatives of any Permitted Pari Passu Secured Indebtedness that have become a party to the Intercreditor Agreement.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

“Debt Documents” means, collectively, the Indenture, the indenture for the October 2021 Notes, the indenture for the July 2022 Notes, the indenture for the March 2022 Notes, the indenture for the September 2022 Notes, the indenture for the February 2023 Notes, the indenture for the October 2023 Notes and the documents evidencing any Permitted Pari Passu Secured Indebtedness.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be repurchased or redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable at the option of the holder thereof for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a Restricted Subsidiary from a bank that are secured by a pledge of deposits or bank accounts made by another Restricted Subsidiary to the lending bank as security for such borrowings, provided that such borrowings are not reflected as borrowings or debt on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placement price; *provided* that any offering or placement referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$40.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank SA/NV.

“Event of Default” has the meaning set forth under the caption “— Event of Default.”

“Excess Proceeds” has the meaning set forth under the caption “— Certain Covenants — Limitation on Asset Sales.”

“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 or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; provided that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

“February 2023 Notes” means the 14.5% Senior Notes due 2023 issued by the Company on November 19, 2020.

“Fitch” means Fitch Ratings Ltd. and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two half-yearly fiscal periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (the “Four Quarter Period”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (1) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;
- (2) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (3) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (4) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (5) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (4) or (5) of this paragraph requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two half-yearly fiscal periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“Four Quarter Period” has the meaning set forth under the caption “— Definitions — Fixed Charge Coverage Ratio.”

“Future Subsidiary Guarantor” has the meaning set forth under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“Global Notes” has the meaning set forth under the caption “— Book-Entry; Delivery and Form.”

“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.

“Guaranteed Indebtedness” has the meaning set forth under the caption “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries.”

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

- (3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person (which shall be valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase or redemption price plus accrued dividends).

Notwithstanding the foregoing, Indebtedness shall not include any (i) capital commitments, pre-sale receipts in advance from customers, deferred payment obligations, or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business, (ii) any Entrusted Loan or (iii) any Perpetual Securities Obligation; *provided* that such Indebtedness is not reflected on the consolidated balance sheet of the Company as borrowings or indebtedness (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided* that:

- (1) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;
- (2) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and
- (3) the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to (2)(e) under the "— Limitation on Indebtedness and Preferred Stock" covenant and (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at or prior to that time due to a default by such Person.

“Indenture” has the meaning set forth under “Description of the Notes.”

“Independent Third Party” means any Person that is not an Affiliate of the Company.

“Initial Global Note” has the meaning set forth under the caption “— Book-Entry; Delivery and Form.”

“Intercreditor Agreement” has the meaning set forth under “— Security.”

“Interest Payment Date” has the meaning set forth under the caption “— Brief Description of the Notes.”

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (i) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation and (ii) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “Aaa,” 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 Company as having been substituted for Moody’s.

“Investment Grade Status Period” has the meaning set forth under the caption “— Certain Covenants — Suspension of Certain Covenants.”

“Investment Property” means any property that is owned and held by the Company or any Restricted Subsidiary for rental yields or for capital appreciation or both, or any property owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating or lease income.

“July 2022 Notes” means the 12.0% Senior Notes due 2022 issued by the Company on July 25, 2019.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Company and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiaries” 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.

“March 2022 Notes” means the 12.75% Senior Notes due 2022 issued by the Company on March 11, 2020.

“Measurement Date” means August 8, 2014.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Minority Joint Venture” means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guarantor Subsidiaries” has the meaning set forth under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

“October 2021 Notes” means the 10.875% senior notes due 2021 issued by the Company on April 4, 2019.

“Offer to Purchase” means an offer to purchase the Notes by the Company from the Holders commenced by mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying and Transfer Agent and each Holder at its last address appearing in the Note register stating:

- (1) the provisions in the Indenture pursuant to which the offer is being made and that (x) all Notes validly tendered will be accepted for payment (in respect of a Change of Control Offer) or (y) all Notes will be accepted on a *pro rata* basis (in respect of an Offer to Purchase made pursuant to the covenant described under “— Certain Covenants — Limitation on Asset Sales”);

- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 15 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the tender agent (the “Tender Agent”) at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof tendered pursuant to an Offer to Purchase. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment all Notes or portions thereof tendered pursuant to an Offer to Purchase in respect of a Change of Control (and, in respect of an Asset Sale, on a *pro rata* basis); and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Tender Agent shall promptly mail or by wire transfer or by wire transfer to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with all applicable securities laws and regulations, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described in the Indenture by virtue of the conflict.

“Offer to Purchase Payment Date” has the meaning set forth under the caption “— Definitions Offer to Purchase.”

“Officer” means one of the executive officers or directors of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officers’ Certificate” means a certificate signed by two Officers; provided, however, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, “Officers’ Certificate” means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or JV Subsidiary Guarantor at the time such certificate is required to be delivered.

“Offshore Non-Guarantor Subsidiary” has the meaning set forth under the caption “— The Subsidiary Guarantees and JV Subsidiary Guarantees.”

“Opinion of Counsel” means a written opinion in a form that is, and from legal counsel who is, reasonably acceptable to the Trustee.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“Pari Passu Guarantee” means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes), any Subsidiary Guarantor or any JV Subsidiary Guarantor; *provided* that (1) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as applicable, was permitted to Incur such Indebtedness under the covenant described under the caption “— Certain Covenants-Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with the Notes, 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.

“Paying and Transfer Agent” has the meaning set forth under the caption “— Concerning the Trustee, the Collateral Agent and the Agents.”

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption “— Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the caption “— Certain Covenants-Limitation on Asset Sales” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Businesses” means any business conducted by the Company and its Restricted Subsidiaries on the Original Issue Date and other businesses reasonably related, ancillary or complementary thereto, including without limitation real estate investment trusts, real estate acquisition, development, leasing, financing and management; and the acquisition, development, management and operation of other facilities or businesses, in each case associated with real estate projects acquired or intended in good faith to be acquired, developed or managed by the Company or any Restricted Subsidiary, including the investment in or management of funds or companies primarily engaged in any such activities.

“Permitted Holders” means any or all of the following:

- (1) Mr. CHEN Xin Ge;
- (2) Mr. YAN Hao;
- (3) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of each of the Persons specified in clauses (1) and (2);
- (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 Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business (including the purchase or acquisition of Capital Stock of such Restricted Subsidiary) or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation entered into in the ordinary course of business designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates and not for speculation;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with or not prohibited by the covenant described under the caption “— Certain Covenants — Limitation on Asset Sales;”
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted

Liens” or made in connection with Liens permitted under the covenant described under the caption “— Certain Covenants-Limitation on Liens;”

- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any Restricted Subsidiary and prepayments made in connection with the direct or indirect acquisition of real property or land use rights by the Company or any Restricted Subsidiary, in each case in the ordinary course of business;
- (16) Guarantees issued in accordance with the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (17) an acquisition of assets, Capital Stock or other securities by the Company to the extent the consideration for such acquisition consists solely of Common Stock of the Company;
- (18) any Investment by the Company or any Restricted Subsidiary in any Person, *provided* that:
 - (i) the aggregate of all Investments made under this clause (18) since the Measurement Date shall not exceed an amount equal to 35.0% of Total Assets at the time of such Investment. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (18) since the Measurement Date resulting from:
 - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
 - (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date under this clause (18) of an obligation of any such Person, or

(C) to the extent that an Investment made after the Measurement Date under this clause (18) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment,

not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person pursuant to this clause (18),

(ii) if any of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (18) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Company or a Restricted Subsidiary or by reason of being a Restricted Subsidiary, Unrestricted Subsidiary or Minority Joint Venture, such Investment shall comply with the requirements set forth under the “— Limitation on Transactions with Shareholders and Affiliates” covenant; and

(iii) no Default has occurred and is continuing or would occur as a result of such Investment; and

(19) any Investment in a subordinated tranche of interests in a Receivable Financing Incurred pursuant to clause (ii) of the definition thereof with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, is necessary or advisable to effect such Receivable Financing.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (18) shall be valued at the time such Investment is made.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (2)(e) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (2)(d) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;” provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets of the type securing the Indebtedness being refinanced;
- (13) Liens under the Security Documents securing the Notes issued on the Original Issue Date and Liens securing the October 2021 Notes, the July 2022 Notes, the March 2022 Notes, the September 2022 Notes, the February 2023 Notes and the October 2023 Notes outstanding on the Original Issue Date and any guarantees thereof;
- (14) Liens on Investment Properties or the assets or the Capital Stock of a Restricted Subsidiary directly or indirectly owning such Investment Properties securing Indebtedness of any Restricted Subsidiary permitted under clause 2(o) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (15) any interest or title of a lessor in the property subject to any operating lease;

- (16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (2)(f) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (18) Liens (including extensions and renewals thereof) upon real or personal property; provided that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(g) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; provided that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 200% of the aggregate principal amount of Indebtedness secured by such Liens;
- (19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens on deposits made in order to secure the performance of the Company or any Restricted Subsidiary in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens granted by the Company or any Restricted Subsidiary in favor of any Trust Company Investor (including the sale or transfer of such Capital Stock to such Trust Company Investor) in respect of, and to secure, the Indebtedness permitted to be Incurred under clause (2)(n) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;

- (23) Liens Incurred on deposits made or bank accounts or other assets to secure Bank Deposit Secured Indebtedness of the type described under clause (2)(p) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (24) Liens on current assets securing Indebtedness permitted to be Incurred under clause 2(u) or 2(v) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (25) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under “— Security — Permitted Pari Passu Secured Indebtedness”;
- (26) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(m) or (2)(s) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (27) Liens securing Indebtedness permitted under clause (2)(o), (2)(q), (2)(r) or (2)(t) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (28) Liens to secure Entrusted Loans; and
- (29) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under clause (1) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;

provided that, with respect to the Collateral, “Permitted Liens” (i) shall only refer to the Liens described in clauses (1), (6), (13) and (25) of this definition and (ii) shall be only granted on a pari passu basis with the Liens granted under the Security Documents.

“Permitted Pari Passu Secured Indebtedness” has the meaning set forth under “— Security — Permitted Pari Passu Secured Indebtedness.”

“Permitted Refinancing Indebtedness” has the meaning set forth under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock.”

“Permitted Subsidiary Indebtedness” means Indebtedness of, and all Preferred Stock issued by, any Non-Guarantor Subsidiary (without duplication); provided that, on the date of the Incurrence of such Indebtedness or Preferred Stock and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock of all Non-Guarantor Subsidiaries (excluding any Indebtedness and Preferred Stock of any Non-Guarantor Subsidiary permitted under clause 2(a), (c), (e), (f), (h) or (l) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 20% of Total Assets.

“Perpetual Securities Obligation” means perpetual securities that are classified as equity in accordance with the relevant generally accepted accounting principles, the aggregate outstanding principal amount of which, if issued by the Company or any Restricted Subsidiary, does not exceed 20% of Total Assets at any time.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

“PRC Non-Guarantor Subsidiaries” has the meaning set forth under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Foreign Investment Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on January 1, 2020 and the Detailed Rules for the Implementation of the Foreign Investment Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on January 1, 2020, as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

“Qualified Exchange” means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock market, Singapore Exchange Securities Trading Limited, The Shanghai Stock Exchange or The Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the U.S. Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the U.S. Securities Act).

“Rating Agency” means Moody’s, or if Moody’s shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Moody’s.

“Rating Category” means (1) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Ca1,” “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

Notes 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 rating from “Ba1” to “Ba2”, as well as from “Ba3” to “B1”, will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption “Consolidation, Merger and Sale of Assets,” that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after the date of public notice of the occurrence of a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by the Rating Agency) of any of the events listed below, or (2) in connection with actions contemplated under the caption “— Consolidation, Merger and Sale of Assets,” the notification by the Rating Agency prior to consummation of such actions (provided that the Company shall give reasonable prior notice to the Rating Agency of its intention to undertake such transaction) that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by the Rating Agency on the Rating Date as Investment Grade, the rating of the Notes by the Rating Agency shall be below Investment Grade; or
- (b) in the event the Notes are rated below Investment Grade by the Rating Agency on the Rating Date, the rating of the Notes by the Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories);

provided that, only with respect to a Change of Control Triggering Event, a Rating Decline shall be deemed to have occurred in connection with the related Change of Control in the event the Notes are not rated by any Rating Agency on the Rating Date.

“Record Date” has the meaning set forth under the caption “— Brief Description of the Notes.” “Reference Period” has the meaning set forth under the caption “— Definitions — Fixed Charge Coverage Ratio.”

“Receivable Financing” means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any of its receivables, mortgages, royalty, other revenue streams or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary

course of business or (ii) by way of selling by such other Person securities that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

“Receivable Financing Assets” means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Registrar” has the meaning set forth under the caption “— Concerning the Trustee, the Collateral Agent and the Agents.”

“Relevant Jurisdiction” has the meaning set forth under the caption “— Additional Amounts.”

“Replacement Assets” has the meaning set forth under the caption “— Certain Covenants — Limitation on Asset Sales”.

“Responsible Officer” means the chief executive officer, president, any vice president, chief financial officer, treasurer or assistant treasurer of the Company.

“Restricted Payments” has the meaning set forth under the caption “— Certain Covenants- Limitation on Restricted Payments.”

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Reversion Date” has the meaning set forth under the caption “— Certain Covenants — Suspension of Certain Covenants.”

“S&P” means Standard & Poor’s Ratings Services and its successors.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Securitization Fees” means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Collateral Agent or the Trustee for the benefit of themselves, the Creditor Representatives and of the secured parties that shall include the Holders in any or all of the Collateral securing, with respect to the Notes, the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

“September 2022 Notes” means the 12.0% Senior Notes due 2022 issued by the Company on June 26, 2020.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; provided that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Significant Subsidiary” means a Subsidiary of the Company which Consolidated Assets exceeds 5% of Total Assets.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subordinated Shareholder Loan” means any loan to the Company or any Restricted Subsidiary from Permitted Holders which (i) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, pursuant to a sinking fund obligation event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) does not provide any cash payment of interest.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (a) 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 (b) 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 (a) and (b) which is “controlled” and consolidated by such Person in accordance with GAAP; *provided*, however, that with respect to clause (b), 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” and consolidated by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; provided that Subsidiary Guarantor does not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Subsidiary Guarantor Pledgor” means each initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; provided that a Subsidiary Guarantor Pledgor does not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Surviving Person” has the meaning set forth under the caption “Consolidation, Merger and Sale of Assets.”

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the United Kingdom, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, any state of the European Economic Area, shall be rated at least “A” by S&P, Fitch or Lianhe Global, or “A2” by Moody’s;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area, the United Kingdom or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the U.S. Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s, “A-1” (or higher) according to S&P or “F1” (or higher) according to Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Fitch or Lianhe Global or “A2” by Moody’s;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any banks or financial institutions organized under the laws of the PRC, Hong Kong or where the Company or any Restricted Subsidiary conducts business operations; and
- (8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations, if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months’ notice.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent half-yearly fiscal period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements); provided that (1) only with respect to clause (2)(g) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or (if any) the budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness; (2) only with respect to clause (2)(r) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock,” with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving *pro forma* effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and (3) with respect to the calculation of the percentage of Total Assets represented by the Consolidated Assets of the Offshore Non-Guarantor Subsidiaries, the amount of Total Assets shall be calculated after giving *pro forma* effect to any sale or issuance of Capital Stock to the relevant Independent Third Parties.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Trading Day” means a day when The Stock Exchange of Hong Kong Limited or, as applicable, 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.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a financial institution, including but not limited to a bank, a trust company, a securities management company, an asset management company or an insurance company, or an Affiliate thereof, that invests in any Capital Stock of a Restricted Subsidiary.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture, each of Citihappy Finance Limited, Gain Billion International Limited, Citibingo Investment Limited, Citibusiness Properties Limited, Citibusiness Investment Limited, Citibright Properties Limited, Central Sky (Worldwide) Limited, Citibridge Investment Limited, Interactive Company Limited, Trinity Joy Limited, Lucky Chain Limited, Viger Company Limited, Citibonus Finance Company Limited, Citihappy Properties Limited, Zenith-Top Properties Limited, Zenith-Top Investment Limited, Zenith-Top International Limited, Zenith-Top Enterprises Limited, Grand Home Limited, Planetop International Company Limited, Planetop Finance Company Limited, Planetop Enterprises Company Limited, Yakult (Hong Kong) Limited, Good Business Limited, Sunkist International Limited, Nice Angel Limited, Splendid Sky International Limited, Planetop Company Limited, Planetime Properties Company Limited, Planetime Enterprises Company Limited, Fords Enterprises Limited, Wilkinson Development Limited, Precious Stone International Limited, Empire Luck International Limited, Brilliant Sky International Limited, Sea Melody International Limited, Loyalty International Limited, Nobles International Limited, Kamley Trading Limited, Fine Bonus Trading Limited, Hang Senca Investment Limited, Caphall Trading Limited, Hang Senca Development Limited, Coming Well Limited, Classic Broad Investment Limited, Sounds Rich Limited, Classic Broad Development Limited, Great Esteem Development Limited, Access Wealth Limited, Houli Enterprises Limited, Success Prospect Industrial Limited, Super Dignity Trading Limited, Nation Harvest Company Limited, Wisemen City Limited, Shineland Limited, Well Hopes Limited, Sounds Great Limited, Global Bright International Investments Limited, LKN Investment International Pte. Ltd., Shanghai Hutai Real Estate Development Co., Ltd., Express Happiness Limited, Joyride Holding Limited, Decent Pillar Limited and Bright Harmony Limited; and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

We have historically funded our growth principally from proceeds from pre-sales and sales of our properties, bank and other borrowings and trust financings. Our financing methods vary from project to project and are subject to limitations imposed by the PRC regulations and monetary policies. As of December 31, 2018, 2019 and 2020, our total outstanding borrowings amounted to RMB18,700.8 million, RMB19,005.3 million and RMB21,444.8 million (US\$3,286.6 million), respectively. Set forth below is a summary of the material loans and other indebtedness.

BANK AND OTHER LOANS

We have historically financed our property developments from commercial banks and micro-credit companies. From time to time, we also enter into other financings with these types of institutions for other corporate purposes. As of December 31, 2018, 2019 and 2020, our outstanding bank and other loans were RMB9,828.7 million, RMB8,251.9 million and RMB10,839.2 million (US\$1,661.2 million), respectively.

We are subject to certain various covenants in the loan contracts between us and certain banks. For instance, some of our operating subsidiaries are subject to covenants that restrict them from carrying out distribution of dividend, any merger, restructuring, spin-off, reduction of registered share capital, material asset transfer, liquidation, change in shareholding or management structure, increase of debt, or establishment of any joint venture without the lenders' written consents. In addition, we are required by certain loan agreements to provide interim financial statements, property development and sales schedules to the relevant bank or trust financing provider upon its request. Under certain loan agreements with commercial banks, we are also usually required to open a specific escrow account with the bank and deposit certain portion of the proceeds from the sales of relevant properties to this account, which are not freely transferable without obtaining the prior consent from the bank. Our subsidiaries may also be subject to certain financial ratios as provided in the loan agreements. Furthermore, as long as such loans are outstanding, some of our relevant operating subsidiaries may not be able to provide guarantees to any third parties that would impair their ability to repay the relevant loans. We are also not permitted to transfer or assign our rights and obligations under certain loan agreements to any third party without the prior consent from the relevant commercial bank.

TRUST FINANCING ARRANGEMENTS

In addition to banking facilities, we also obtain alternative financing from trust financing arrangements.

Trust financing arrangements are funding arrangements provided by trust funds, raised and managed by qualified trust financing providers with the CBRC that acts as trustee of these funds. Compared with bank borrowings, trust financings usually offer greater flexibility in terms of availability, approval schedule and repayment requirements.

Trust financing arrangements in the PRC are available in various forms. Our secured trust financings are broadly categorized into two types:

- Type 1 trust financing arrangements: trust loans in which the equity interest in, or the land use rights held by, the borrowing company or its related parties, are pledged to the trust financing provider (as trustee of the respective trust fund) as security for the loans.

- Type 2 trust financing arrangements: trust loans in which the minority equity interests in the borrowing company are acquired by the trust financing provider (as trustee of the respective trust fund) through equity transfer, with the remaining equity interest held by us in the relevant project subsidiary to the trust company; we undertake to repurchase the minority equity interests at a pre-determined repurchase consideration at the expiry of the term of the respective trust financing arrangements.

Our trust financing arrangements are also secured by other security or guarantees, including corporate guarantees, personal guarantees by our controlling shareholders, or pledges of land use rights of the relevant property projects. Under certain of our type 2 trust financing arrangements, the trust financing providers are entitled to appoint a minority number of directors on the board of our project companies or borrowing subsidiaries. We retain the majority board seats in all the relevant subsidiaries, therefore, we retain control over the decision making of such boards.

The terms of our trust financing arrangements typically range from 12 to 30 months.

We are not permitted to transfer or assign our rights and obligations under the agreements to any third party without the prior consent from the trust financing provider. To ensure the loans for which there are agreed uses are properly applied, we are required to provide interim financial statements, property development and sales schedules to the relevant bank or trust financing provider upon its request. Under certain trust financing agreements, we are required to report to the relevant trust financing provider as to the use of proceeds on a regular basis. We are prohibited from carrying out any merger, restructuring, spin-off, reduction of registered share capital, material asset transfer, liquidation, change in shareholding or management structure, or establishment of any joint venture without the written consent of the relevant bank or trust financing provider.

According to the consolidated financial statements of the Company for the year ended December 31, 2020, the total outstanding balance of the trust financing arrangements of the Group was RMB1,046.5 million (US\$160.4 million).

DOMESTIC BONDS

On March 21, 2016, we issued domestic corporate bonds by way of a public offering in the PRC (“March 2016 Domestic Bonds”) with a principal amount of RMB1.5 billion, bearing interest at the coupon rate of 7% per annum payable annually, and has a term of five years. According to the terms and conditions of the March 2016 Domestic Bonds, we are entitled to adjust the coupon rate and the investors shall be entitled to sell back the March 2016 Domestic Bonds at the end of the third year. The March 2016 Domestic had been repaid in March 2021.

ASSET-BACKED SECURITIES

Jingrui Sanquan Commercial Mortgage Backed Securities

On July 31, 2018, Beijing Jingxiu issued commercial asset-backed securities in the aggregated principal amount of RMB720,000,000 in the PRC (the “Sanquan CMBS”). The Sanquan CMBS are backed by the properties in Jingrui Sanquan Apartment. The senior tranche (Tranche A) was issued in the principal amount of RMB684,000,000 with a coupon rate of 6.6% per annum and maturity date on November 28, 2029. The equity tranche (Tranche B) was issued in the principal amount of RMB36,000,000 with a maturity date on November 28, 2029. It does not have an explicit coupon rate but receives the residual cash flows collected from the balance payment after distributions to Tranche A.

OFFSHORE BONDS

October 2021 Notes

On April 4, 2019, we entered into an indenture (the “October 2021 Indenture”) pursuant to which we issued the October 2021 Notes. As of date of this offering memorandum, US\$180.3 million of the aggregate principal amount of the October 2021 Notes remains outstanding.

Guarantee

Our obligations under the October 2021 Notes are guaranteed by certain of our existing subsidiaries and JV subsidiaries (if any) (together, the “October 2021 Subsidiary Guarantors”), each of which will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the October 2021 Notes under certain circumstances and subject to certain conditions.

Collateral

We and each of certain initial subsidiary guarantor pledgors have pledged, the capital stock of all subsidiary Guarantors owned by the Company or such initial subsidiary guarantor pledgor on a first priority basis subject to permitted liens, if any, and certain conditions in order to secure the obligations of the Company under the October 2021 Notes and the October 2021 Indenture and the obligations of such initial subsidiary guarantor pledgor under its subsidiary guarantee. We and each of certain initial subsidiary guarantor pledgors have also pledged, the capital stock owned by the Company or such subsidiary guarantor of any person that becomes a subsidiary guarantor or JV subsidiary guarantor or additional shares of capital stock acquired or otherwise received by the Company or such subsidiary guarantor of any subsidiary guarantor or JV subsidiary guarantor after the issue date, as soon as practicable (and in any event within 30 days), to secure the obligations of the Company under the October 2021 Notes and the October 2021 Indenture and the obligations of such initial subsidiary guarantor pledgor under its subsidiary guarantee. On the issue date of the October 2021 Notes, the trustee of the October 2021 Notes entered into a Supplement to Intercreditor Agreement with the Collateral Agent. The Intercreditor Agreement governs, among other things, that (1) the parties thereto will share equal priority and pro rata entitlement in and to the collateral; (2) the collateral shall only be substituted or released and liens only be granted on the collateral to the extent permitted under the debt documents; and (3) the conditions under which the collateral agent shall enforce the rights of the secured parties thereto with respect to the collateral and the indebtedness secured thereby. The shared collateral may be released in the event of certain asset sales and certain other circumstances.

Interest

The October 2021 Notes bear interest at the rate of 10.875% per annum, payable semi-annually in arrears on April 4 and October 4 of each year (provided that the final interest payment date for any October 2021 Notes then outstanding shall be on October 4, 2021).

Covenants

Subject to certain conditions and exceptions, the October 2021 Notes, the October 2021 Indenture and subsidiary guarantees limit our and certain restricted subsidiaries' ability to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare or pay dividends on, or make other distributions in respect of its 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 or transfer all or substantially all of their assets.

Events of Default

The October 2021 Indenture contains certain customary events of default, including default in the payment of principal of (or premium, if any, on) the October 2021 Notes when the same becomes due, default in the payment of interest which continues for a period of 30 consecutive days, insolvency and other events of default specified in the October 2021 Indenture. If an event of default occurs and is continuing under the October 2021 Indenture, the trustee or the holders of at least 25% in aggregate principal amount of the October 2021 Notes then outstanding may declare the principal of premium, if any, and accrued and unpaid interest on the October 2021 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control triggering event, we are obligated to make an offer to repurchase all outstanding October 2021 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

Maturity and Redemption

The maturity date of the October 2021 Notes is October 4, 2021.

At any time and from time to time prior to October 4, 2021, the Company may redeem up to 35% of the aggregate principal amount of the October 2021 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 110.875% of the principal amount of the October 2021 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

At any time prior to October 4, 2021, the Company may at its option redeem the October 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the October 2021 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the October 2021 Indenture.

July 2022 Notes

On July 25, 2019, we entered into an indenture (the “July 2022 Indenture”) pursuant to which we issued the July 2022 Notes. As of date of this offering memorandum, US\$260.0 million of the aggregate principal amount of the July 2022 Notes remains outstanding.

Guarantee

Our obligations under the July 2022 Notes are guaranteed by certain of our existing subsidiaries and JV subsidiaries (if any) (together, the “July 2022 Subsidiary Guarantors”), each of which will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the July 2022 Notes under certain circumstances and subject to certain conditions.

Collateral

We and each of certain initial subsidiary guarantor pledgors have pledged, the capital stock of all subsidiary Guarantors owned by the Company or such initial subsidiary guarantor pledgor on a first priority basis subject to permitted liens, if any, and certain conditions in order to secure the obligations of the Company under the July 2022 Notes and the July 2022 Indenture and the obligations of such initial subsidiary guarantor pledgor under its subsidiary guarantee. We and each of certain initial subsidiary guarantor pledgors have also pledged, the capital stock owned by the Company or such subsidiary guarantor of any person that becomes a subsidiary guarantor or JV subsidiary guarantor or additional shares of capital stock acquired or otherwise received by the Company or such subsidiary guarantor of any subsidiary guarantor or JV subsidiary guarantor after the issue date, as soon as practicable (and in any event within 30 days), to secure the obligations of the Company under the July 2022 Notes and the July 2022 Indenture and the obligations of such initial subsidiary guarantor pledgor under its subsidiary guarantee. On the issue date of the July 2022 Notes, the trustee of the July 2022 Notes entered into a Supplement to Intercreditor Agreement with the Collateral Agent. The Intercreditor Agreement governs, among other things, that (1) the parties thereto will share equal priority and pro rata entitlement in and to the collateral; (2) the collateral shall only be substituted or released and liens only be granted on the collateral to the extent permitted under the debt documents; and (3) the conditions under which the collateral agent shall enforce the rights of the secured parties thereto with respect to the collateral and the indebtedness secured thereby. The shared collateral may be released in the event of certain asset sales and certain other circumstances.

Interest

The July 2022 Notes bear interest at the rate of 12.0% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the July 2022 Notes, the July 2022 Indenture and subsidiary guarantees limit our and certain restricted subsidiaries' ability to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare or pay dividends on, or make other distributions in respect of its 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 or transfer all or substantially all of their assets.

Events of Default

The July 2022 Indenture contains certain customary events of default, including default in the payment of principal of (or premium, if any, on) the July 2022 Notes when the same becomes due, default in the payment of interest which continues for a period of 30 consecutive days, insolvency and other events of default specified in the July 2022 Indenture. If an event of default occurs and is continuing under the July 2022 Indenture, the trustee or the holders of at least 25% in aggregate principal amount of the July 2022 Notes then outstanding may declare the principal of premium, if any, and accrued and unpaid interest on the July 2022 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control triggering event, we are obligated to make an offer to repurchase all outstanding July 2022 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

Maturity and Redemption

The maturity date of the July 2022 Notes is July 25, 2022.

At any time and from time to time prior to July 25, 2022, the Company may redeem up to 35% of the aggregate principal amount of the July 2022 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 112.0% of the principal amount of the July 2022 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

At any time prior to July 25, 2022, the Company may at its option redeem the July 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2022 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the July 2022 Indenture.

March 2022 Notes

On March 11, 2020, we entered into an indenture (the “March 2022 Indenture”) pursuant to which we issued the March 2022 Notes. As of date of this offering memorandum, US\$190.0 million of the aggregate principal amount of the March 2022 Notes remains outstanding.

Guarantee

Our obligations under the March 2022 Notes are guaranteed by certain of our existing subsidiaries and JV subsidiaries (if any) (together, the “March 2022 Subsidiary Guarantors”), each of which will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the March 2022 Notes under certain circumstances and subject to certain conditions.

Collateral

We and each of certain initial subsidiary guarantor pledgors have pledged, the capital stock of all subsidiary Guarantors owned by the Company or such initial subsidiary guarantor pledgor on a first priority basis subject to permitted liens, if any, and certain conditions in order to secure the obligations of the Company under the March 2022 Notes and the March 2022 Indenture and the obligations of such initial subsidiary guarantor pledgor under its subsidiary guarantee. We and each of certain initial subsidiary guarantor pledgors have also pledged, the capital stock owned by the Company or such subsidiary guarantor of any person that becomes a subsidiary guarantor or JV subsidiary guarantor or additional shares of capital stock acquired or otherwise received by the Company or such subsidiary guarantor of any subsidiary guarantor or JV subsidiary guarantor after the issue date, as soon as practicable (and in any event within 30 days), to secure the obligations of the Company under the March 2022 Notes and the March 2022 Indenture and the obligations of such initial subsidiary guarantor pledgor under its subsidiary guarantee. On the issue date of the March 2022 Notes, the trustee of the March 2022 Notes entered into a Supplement to Intercreditor Agreement with the Collateral Agent. The Intercreditor Agreement governs, among other things, that (1) the parties thereto will share equal priority and pro rata entitlement in and to the collateral; (2) the collateral shall only be substituted or released and liens only be granted on the collateral to the extent permitted under the debt documents; and (3) the conditions under which the collateral agent shall enforce the rights of the secured parties thereto with respect to the collateral and the indebtedness secured thereby. The shared collateral may be released in the event of certain asset sales and certain other circumstances.

Interest

The March 2022 Notes bear interest at the rate of 12.75% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the March 2022 Notes, the March 2022 Indenture and subsidiary guarantees limit our and certain restricted subsidiaries' ability to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare or pay dividends on, or make other distributions in respect of its 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 or transfer all or substantially all of their assets.

Events of Default

The March 2022 Indenture contains certain customary events of default, including default in the payment of principal of (or premium, if any, on) the March 2022 Notes when the same becomes due, default in the payment of interest which continues for a period of 30 consecutive days, insolvency and other events of default specified in the March 2022 Indenture. If an event of default occurs and is continuing under the March 2022 Indenture, the trustee or the holders of at least 25% in aggregate principal amount of the March 2022 Notes then outstanding may declare the principal of premium, if any, and accrued and unpaid interest on the March 2022 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control triggering event, we are obligated to make an offer to repurchase all outstanding March 2022 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

Maturity and Redemption

The maturity date of the March 2022 Notes is March 11, 2022.

At any time and from time to time prior to March 11, 2022, the Company may redeem up to 35% of the aggregate principal amount of the March 2022 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 112.0% of the principal amount of the March 2022 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

At any time prior to March 11, 2022, the Company may at its option redeem the March 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the March 2022 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the March 2022 Indenture.

September 2022 Notes

On June 26, 2020, we entered into an indenture (the “September 2022 Indenture”) pursuant to which we issued the September 2022 Notes. As of date of this offering memorandum, US\$150.0 million of the aggregate principal amount of the September 2022 Notes remains outstanding.

Guarantee

Our obligations under the September 2022 Notes are guaranteed by certain of our existing subsidiaries and JV subsidiaries (if any) (together, the “September 2022 Subsidiary Guarantors”), each of which will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the September 2022 Notes under certain circumstances and subject to certain conditions.

Collateral

We and each of certain initial subsidiary guarantor pledgors have pledged, the capital stock of all subsidiary Guarantors owned by the Company or such initial subsidiary guarantor pledgor on a first priority basis subject to permitted liens, if any, and certain conditions in order to secure the obligations of the Company under the September 2022 Notes and the September 2022 Indenture and the obligations of such initial subsidiary guarantor pledgor under its subsidiary guarantee. We and each of certain initial subsidiary guarantor pledgors have also pledged, the capital stock owned by the Company or such subsidiary guarantor of any person that becomes a subsidiary guarantor or JV subsidiary guarantor or additional shares of capital stock acquired or otherwise received by the Company or such subsidiary guarantor of any subsidiary guarantor or JV subsidiary guarantor after the issue date, as soon as practicable (and in any event within 30 days), to secure the obligations of the Company under the September 2022 Notes and the September 2022 Indenture and the obligations of such initial subsidiary guarantor pledgor under its subsidiary guarantee. On the issue date of the September 2022 Notes, the trustee of the September 2022 Notes entered into a Supplement to Intercreditor Agreement with the Collateral Agent. The Intercreditor Agreement governs, among other things, that (1) the parties thereto will share equal priority and pro rata entitlement in and to the collateral; (2) the collateral shall only be substituted or released and liens only be granted on the collateral to the extent permitted under the debt documents; and (3) the conditions under which the collateral agent shall enforce the rights of the secured parties thereto with respect to the collateral and the indebtedness secured thereby. The shared collateral may be released in the event of certain asset sales and certain other circumstances.

Interest

The September 2022 Notes bear interest at the rate of 12.0% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the September 2022 Notes, the September 2022 Indenture and subsidiary guarantees limit our and certain restricted subsidiaries' ability to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare or pay dividends on, or make other distributions in respect of its 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 or transfer all or substantially all of their assets.

Events of Default

The September 2022 Indenture contains certain customary events of default, including default in the payment of principal of (or premium, if any, on) the September 2022 Notes when the same becomes due, default in the payment of interest which continues for a period of 30 consecutive days, insolvency and other events of default specified in the September 2022 Indenture. If an event of default occurs and is continuing under the September 2022 Indenture, the trustee or the holders of at least 25% in aggregate principal amount of the September 2022 Notes then outstanding may declare the principal of premium, if any, and accrued and unpaid interest on the September 2022 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control triggering event, we are obligated to make an offer to repurchase all outstanding September 2022 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

Maturity and Redemption

The maturity date of the September 2022 Notes is September 26, 2022.

At any time and from time to time prior to September 26, 2022, the Company may redeem up to 35% of the aggregate principal amount of the September 2022 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 112.0% of the principal amount of the September 2022 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

At any time prior to September 26, 2022, the Company may at its option redeem the September 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the September 2022 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the September 2022 Indenture.

February 2023 Notes

On November 19, 2020 and March 11, 2021, we entered into an indenture (the “February 2023 Indenture”) pursuant to which we issued the February 2023 Notes. As of date of this offering memorandum, US\$350.0 million of the aggregate principal amount of the February 2023 Notes remains outstanding.

Guarantee

Our obligations under the February 2023 Notes are guaranteed by certain of our existing subsidiaries and JV subsidiaries (if any) (together, the “February 2023 Subsidiary Guarantors”), each of which will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the February 2023 Notes under certain circumstances and subject to certain conditions.

Collateral

We and each of certain initial subsidiary guarantor pledgors have pledged, the capital stock of all subsidiary Guarantors owned by the Company or such initial subsidiary guarantor pledgor on a first priority basis subject to permitted liens, if any, and certain conditions in order to secure the obligations of the Company under the February 2023 Notes and the February 2023 Indenture and the obligations of such initial subsidiary guarantor pledgor under its subsidiary guarantee. We and each of certain initial subsidiary guarantor pledgors have also pledged, the capital stock owned by the Company or such subsidiary guarantor of any person that becomes a subsidiary guarantor or JV subsidiary guarantor or additional shares of capital stock acquired or otherwise received by the Company or such subsidiary guarantor of any subsidiary guarantor or JV subsidiary guarantor after the issue date, as soon as practicable (and in any event within 30 days), to secure the obligations of the Company under the February 2023 Notes and the February 2023 Indenture and the obligations of such initial subsidiary guarantor pledgor under its subsidiary guarantee. On the issue date of the February 2023 Notes, the trustee of the February 2023 Notes entered into a Supplement to Intercreditor Agreement with the Collateral Agent. The Intercreditor Agreement governs, among other things, that (1) the parties thereto will share equal priority and pro rata entitlement in and to the collateral; (2) the collateral shall only be substituted or released and liens only be granted on the collateral to the extent permitted under the debt documents; and (3) the conditions under which the collateral agent shall enforce the rights of the secured parties thereto with respect to the collateral and the indebtedness secured thereby. The shared collateral may be released in the event of certain asset sales and certain other circumstances.

Interest

The February 2023 Notes bear interest at the rate of 14.5% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the February 2023 Notes, the February 2023 Indenture and subsidiary guarantees limit our and certain restricted subsidiaries’ ability to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare or pay dividends on, or make other distributions in respect of its 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 or transfer all or substantially all of their assets.

Events of Default

The February 2023 Indenture contains certain customary events of default, including default in the payment of principal of (or premium, if any, on) the February 2023 Notes when the same becomes due, default in the payment of interest which continues for a period of 30 consecutive days, insolvency and other events of default specified in the February 2023 Indenture. If an event of default occurs and is continuing under the February 2023 Indenture, the trustee or the holders of at least 25% in aggregate principal amount of the February 2023 Notes then outstanding may declare the principal of premium, if any, and accrued and unpaid interest on the February 2023 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control triggering event, we are obligated to make an offer to repurchase all outstanding February 2023 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

Maturity and Redemption

The maturity date of the February 2023 Notes is February 19, 2023.

October 2023 Notes

On April 26, 2021, May 17, 2021 and August 17, 2021, we entered into an indenture (the "October 2023 Indenture") pursuant to which we issued the October 2023 Notes. As of date of this offering memorandum, US\$240.0 million of the aggregate principal amount of the October 2023 Notes remains outstanding.

Guarantee

Our obligations under the October 2023 Notes are guaranteed by certain of our existing subsidiaries and JV subsidiaries (if any) (together, the “October 2023 Subsidiary Guarantors”), each of which will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the October 2023 Notes under certain circumstances and subject to certain conditions.

Collateral

We and each of certain initial subsidiary guarantor pledgors have pledged, the capital stock of all subsidiary Guarantors owned by the Company or such initial subsidiary guarantor pledgor on a first priority basis subject to permitted liens, if any, and certain conditions in order to secure the obligations of the Company under the October 2023 Notes and the October 2023 Indenture and the obligations of such initial subsidiary guarantor pledgor under its subsidiary guarantee. We and each of certain initial subsidiary guarantor pledgors have also pledged, the capital stock owned by the Company or such subsidiary guarantor of any person that becomes a subsidiary guarantor or JV subsidiary guarantor or additional shares of capital stock acquired or otherwise received by the Company or such subsidiary guarantor of any subsidiary guarantor or JV subsidiary guarantor after the issue date, as soon as practicable (and in any event within 30 days), to secure the obligations of the Company under the October 2023 Notes and the October 2023 Indenture and the obligations of such initial subsidiary guarantor pledgor under its subsidiary guarantee. On the issue date of the October 2023 Notes, the trustee of the October 2023 Notes entered into a Supplement to Intercreditor Agreement with the Collateral Agent. The Intercreditor Agreement governs, among other things, that (1) the parties thereto will share equal priority and pro rata entitlement in and to the collateral; (2) the collateral shall only be substituted or released and liens only be granted on the collateral to the extent permitted under the debt documents; and (3) the conditions under which the collateral agent shall enforce the rights of the secured parties thereto with respect to the collateral and the indebtedness secured thereby. The shared collateral may be released in the event of certain asset sales and certain other circumstances.

Interest

The October 2023 Notes bear interest at the rate of 12.5% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the October 2023 Notes, the October 2023 Indenture and subsidiary guarantees limit our and certain restricted subsidiaries’ ability to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare or pay dividends on, or make other distributions in respect of its 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 or transfer all or substantially all of their assets.

Events of Default

The October 2023 Indenture contains certain customary events of default, including default in the payment of principal of (or premium, if any, on) the October 2023 Notes when the same becomes due, default in the payment of interest which continues for a period of 30 consecutive days, insolvency and other events of default specified in the October 2023 Indenture. If an event of default occurs and is continuing under the October 2023 Indenture, the trustee or the holders of at least 25% in aggregate principal amount of the October 2023 Notes then outstanding may declare the principal of premium, if any, and accrued and unpaid interest on the October 2023 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control triggering event, we are obligated to make an offer to repurchase all outstanding October 2023 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

Maturity and Redemption

The maturity date of the October 2023 Notes is October 26, 2023.

Mortgage Guarantees

In line with industry practice, we provide mortgagee guarantees to banks in respect of mortgage loans taken out by purchasers of our properties. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificate to the customer, or (ii) the settlement of mortgage loans by the customers.

The total outstanding mortgage guarantees we provided were RMB3,862.0 million, RMB4,363.1 million and RMB5,416.5 million (US\$830.1 million) as of December 31, 2018, 2019 and 2020, respectively.

As of December 31, 2020, we also provided guarantee for loans of joint venture and associates of RMB872.2 million (US\$133.7 million).

TAXATION

The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

CAYMAN ISLANDS

Under the laws of the Cayman Islands, payments of interest, principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. The holder of any Notes (or a legal personal representative of such holder) whose Notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Notes. Certificates evidencing registered Notes, to which title is not transferable by delivery, will not be subject to Cayman Islands stamp duty. However, an instrument transferring title to a registered Note, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty. Stamp duty will be payable on any documents executed by the Company if any such documents are executed in or brought into the Cayman Islands or produced before the Cayman Islands Courts.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under Tax Concessions Act (as amended). In accordance with the provision of section 6 of Tax Concessions Act (as amended), the Governor in Cabinet undertakes with Jingrui Holdings Limited:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations;
- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of the Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Act (as amended); and

- These concessions shall be for a period of 20 years from December 17, 2013.

The Cayman Islands does not have any income tax treaty arrangement with any country, however the Cayman Islands has entered into tax information exchange agreements with a number of countries.

BRITISH VIRGIN ISLANDS

No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any debt obligations of the Company. There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Company may make under the transaction documents relating to the Notes or payments the Subsidiary Guarantors may make under 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 Notes) or interest in respect of the Notes.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), or the Inland Revenue Ordinance, as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Hong Kong).

PRC

Taxation on Interest. The PRC EIT Law and its implementation regulations, effective January 1, 2008, impose a tax at the rate of 10% on interest paid to holders of the Notes that are “non-resident enterprises” if such “non-resident enterprise” holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, to the extent such interest is sourced within China. Pursuant to these provisions of the PRC tax law, if we are considered a PRC resident enterprise (as discussed under Risk Factors — Risks Relating to the PRC — We may be deemed a PRC resident enterprise under the PRC EIT Law and be subject to PRC taxation on our worldwide income), the interest paid to the non-resident enterprise holders on the Notes may be treated as income derived from sources within China and be subject to the PRC withholding tax at a rate of 10%. Payments of interest income to non-resident individual investors may be subject to PRC income tax at the rate of 20%. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified investors in the Notes.

Taxation on Capital Gains. The PRC EIT Law and its implementation regulations, effective January 1, 2008, impose a tax at the rate of 10% on capital gains realized by holders of the Notes that are “non-resident enterprises” if any such “non-resident enterprise” holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. Pursuant to these provisions of the PRC tax law, if we are considered a PRC resident enterprise, the capital gains realized by holders of the Notes may be treated as income derived from sources within China and be subject to the PRC tax at a rate of 10%. Such capital gains of non-resident individual investors may be subject to PRC income tax at the rate of 20%. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate will apply to qualified investors in the Notes.

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Mainland China).

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement dated September 23, 2021, we have agreed to sell to the Initial Purchasers, and each of the Initial Purchasers has agreed, severally and not jointly, to purchase from us, the Notes set forth opposite its name below.

<u>Initial Purchasers</u>	<u>Principal Amount of Notes</u>
Guotai Junan Securities (Hong Kong) Limited	US\$55,000,000
Haitong International Securities Company Limited	US\$55,000,000
Vision Capital International Holdings Limited.	US\$55,000,000
Total	<u>US\$165,000,000</u>

Subject to the terms and conditions set forth in the purchase agreement, the Initial Purchasers have agreed, to purchase all of the Notes sold under the purchase agreement if any of the Notes are purchased. If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the purchase agreement may be terminated. The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to various conditions in the purchase agreement being satisfied. The purchase agreement may be terminated by the Initial Purchasers in certain circumstances prior to the delivery and payment for the Notes.

Purchasers of the Notes may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the Offering Price on the cover page of this offering memorandum.

We and the Subsidiary Guarantors have agreed to, jointly and severally, indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities. In addition, we and the Subsidiary Guarantors have agreed to jointly and severally reimburse the Initial Purchasers for certain expenses incurred in connection with the offering of the Notes.

The Initial Purchasers proposes initially to offer the Notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed from time to time without notice by the Initial Purchasers. Private banks and other similar clients may receive a commission based on the principal amount of the Notes purchased by their own clients.

Although application will be made to the Hong Kong Stock Exchange for the listing of the Notes, we cannot assure you that we will obtain or be able to maintain a listing on the Hong Kong Stock Exchange, or that if listed, a liquid trading market will develop. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

We expect that delivery of the Notes will be made to investors on or about the closing date specified on the cover page of this offering memorandum, which will be the third business day following the date of this offering memorandum (such settlement being referred to as “T+3”). Purchasers of the Notes who wish to trade the Notes prior to such settlement should consult their own advisors on settlement logistics.

In connection with the offering of the Additional New Notes, any of the initial purchasers appointed and acting in its capacity, as the Stabilizing Manager may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of those transactions. If the Stabilizing Manager engages in stabilizing or syndicate covering transactions, it may discontinue them at any time.

Neither we nor the Initial Purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers make any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

The Initial Purchasers and/or their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory, commercial banking and investment banking services, for us and our affiliates in the ordinary course of business, for which they received or will receive customary fees and commissions and reimbursement of expenses.

In addition, in the ordinary course of their various business activities, the Initial Purchasers and/or their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The Initial Purchasers and/or their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. We and our affiliates may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

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

SELLING RESTRICTIONS

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

Each Initial Purchaser has represented and agreed that the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Initial Purchaser has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Notes. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Hong Kong

Each Initial Purchaser represents, warrants and agrees that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes 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 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 Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”) and accordingly, each Initial Purchaser represents and agrees that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes in Japan or to, or for the benefit of, or for the benefit of, any resident of Japan which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

Each Initial Purchaser has acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, each Initial Purchaser represents, warrants and agrees that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, and will not circulate or distribute, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA; (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;

- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

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

European Economic Area

Each of the Initial Purchaser represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA.

For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 14/65/EU (as amended, “MiFID II”); or
- (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Furthermore, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available by any person to any retail investor in the EEA. Consequently no key information document as would be required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United Kingdom

Each of the Initial Purchaser represents, warrants and agrees that:

- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Subsidiary Guarantors; and
- (iv) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each of the Initial Purchaser has further represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom.

For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (v) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or
- (vi) 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 UK domestic law by virtue of the EUWA; and

the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Furthermore, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (as amended, the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

PRC

This offering memorandum may not be circulated or distributed in the PRC and the Notes may not be offered or sold directly or indirectly to any resident of the PRC, or offered or sold to any person for reoffering or resale directly or indirectly to any resident of the PRC except pursuant to applicable laws and regulations of the PRC. Each of the Initial Purchaser has represented and agreed that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the PRC (excluding Hong Kong, Macau and Taiwan).

Cayman Islands

No Notes will be offered or sold, directly or indirectly, to the public or any member of the public in the Cayman Islands. This offering memorandum does not constitute, and will not be, an offering of the Notes to any person in the Cayman Islands.

British Virgin Islands

No invitation has been or will be made directly or indirectly to the public in the British Virgin Islands or any natural person resident or citizen in the British Virgin Islands to subscribe for any of the Notes.

This offering memorandum does not constitute, and will not be, an offering of the Notes to any person in the British Virgin Islands.

TRANSFER RESTRICTIONS

Due to the following restrictions, we encourage you to consult your legal counsel or other professional advisor prior to making any offer, resale, pledge or other transfer of the Notes. The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
 - the Notes have not been registered under the Securities Act or any other applicable securities laws;
 - the Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
 - the Notes are being offered and sold only outside of the United States, in offshore transactions in reliance on Regulation S under the Securities Act; and
 - unless so registered, the Notes may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours and that you are not acting on our behalf and you are not in the United States and are purchasing the Notes in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act.

5. You acknowledge that each Note will contain a legend substantially to the following effect:
THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. NEITHER THE SECURITIES NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.
6. You acknowledge that we, the Initial Purchasers, the Trustee, the Paying and Transfer Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Notes is no longer accurate, you will promptly notify us, the Initial Purchasers, the Trustee and the Paying and Transfer Agent. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

RATINGS

The Notes are expected to be assigned a rating of “B-” by S&P. Each such rating reflects the rating agency’s assessment of the likelihood of timely payment of the principal of and interest on the Notes. These ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Additionally, we have been assigned a corporate family rating of B2 (Stable) by Moody’s, a long-term issuer credit rating of “B” with a stable outlook by S&P, and a long-term issuer credit rating of “B+” with a stable outlook by Lianhe Global. We cannot assure you that the rating will remain in effect for any given period or that the rating will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters as to Hong Kong law and United States Federal and New York State law will be passed on for us by Sidley Austin. Certain legal matters as to Cayman Islands law and British Virgin Islands law will be passed on for us by Walkers (Hong Kong). Certain legal matters as to PRC law will be passed on for us by Grandall Law Firm. The Initial Purchasers are being represented as to United States federal and New York State law matters by Milbank LLP. Certain legal matters as to PRC law will be passed on for the Initial Purchasers by Commerce & Finance Law Offices.

INDEPENDENT AUDITOR

Our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020 have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their reports appear herein.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The issue of the Notes have been authorized at a meeting of our board of directors on September 23, 2021. The Subsidiary Guarantees were authorized by resolutions of the board of directors of each of the Subsidiary Guarantors on September 23, 2021.

LITIGATION

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

NO MATERIAL ADVERSE CHANGE

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2021 that is material in the context of the issue of the Notes.

DOCUMENTS AVAILABLE

For so long as any of the Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the Notes is outstanding, copies of the published financial statements, if any, and the Data Privacy Notice may be inspected during normal business hours on any weekday (except public holidays) at the principal office of the Company, located at 8/F, Building B, BenQ Plaza, 207 Songhong Road, Shanghai, PRC.

CLEARING SYSTEMS

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

	ISIN	Common Code
Notes	XS2386506310	238650631

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

LISTING OF THE NOTES

Application will be made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only as described in this offering memorandum. The Hong Kong Stock Exchange takes no responsibility for the correctness of any statements made on opinions or reports contained in this offering memorandum. Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes or us or quality of disclosure of this document. If the application to the Hong Kong Stock Exchange to list the Notes is approved, such Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).

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The financial statements of the Company as of and for the years ended December 31, 2018, 2019 and 2020, have been reproduced from the Company's annual reports for the years ended December 31, 2019 and 2020 with independent auditor's reports set out herein, respectively and are not prepared for the purpose of this offering memorandum. Page references used in this offering memorandum are different from pages references set forth in such annual reports.

... INDEPENDENT AUDITOR'S REPORT



To the Shareholders of Jingrui Holdings Limited

(incorporated in the Cayman Islands with limited liability)

羅兵咸永道

Opinion

What we have audited

The consolidated financial statements of Jingrui Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 226, which comprise:

- the consolidated balance sheet 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 cash flow statement 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.

INDEPENDENT AUDITOR'S REPORT ...



羅兵咸永道

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Classification of subsidiary, joint venture and associate
- Provision for properties held or under development for sale
- Valuation of the investment properties

... INDEPENDENT AUDITOR'S REPORT



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Key Audit Matters (continued)

Key Audit Matter 1

Classification of subsidiary, joint venture and associate

Refer to Note 4 (Critical accounting estimates and judgements), Note 9 (Investments in joint ventures), Note 10 (Investments in associates) and Note 41 (Particulars of principal subsidiaries) to the consolidated financial statements.

The Group holds investments in a number of property development companies. During the year ended 31 December 2020, the Group had 14 new non-wholly owned subsidiaries and 9 new joint ventures, some of which were acquired through equity purchase.

The classification of an investment as a subsidiary, a joint venture or an associate is based on whether the Group is determined to have control, joint control or significant influence (respectively), which involves judgements in some cases.

We focused on this area because significant judgement is involved in determining whether those newly invested companies are a subsidiary, a joint venture or an associate of the Group. Subsidiaries are consolidated, which means each asset, liability and transactions are shown in the Group's financial statements, whereas joint ventures and associates are shown as single investments with a single item of profit or loss for their results. As a result, the inappropriate classification, either on acquisition and disposal or in subsequent reporting periods, can have a material impact on the consolidated financial statements.

How our audit addressed the Key Audit Matter

In assessing the classification of the new investments of the Group during the year ended 31 December 2020, we performed audit procedures as follows:

- (1) We conducted interviews with the Group's management to obtain an understanding of the background of the investments and obtained management's assessment and judgement of the classification of those investments.
- (2) We examined the legal documents associated with these investments, to determine the key terms, including rights of the investors, terms of shareholders' agreements and supplemental agreements, dispute resolution provisions, termination provisions, written concerted party agreements, governance structures and the articles of association, and then assessed these against accounting standards based on our own expertise and experience of applying them in similar situations.
- (3) In case where there have been subsequent changes to the shareholders' agreements or governance structures, we critically assessed whether the changes had impact on the initial analysis.
- (4) We sought for confirmation or alternatively inquired the joint controlling shareholders, the non-controlling shareholders or controlling shareholders to confirm the completeness of contracts and agreements we obtained, and no subsequent supplementary or amendments, to confirm their intention to act in concert with the Group if applicable, and to obtain an understanding of their assessment of the rights and obligations in those investments.
- (5) We examined the board resolutions and shareholders resolutions of the investments, to corroborate the explanations of the Group's management.
- (6) We considered the adequacy of the Group's disclosures in respect of the classification and carrying values of subsidiaries, joint ventures and associates.

Based on our audit procedures performed, we consider the classification of subsidiaries, joint ventures and associates made by the Group is supported by the evidence we obtained.

INDEPENDENT AUDITOR'S REPORT ...



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Key Audit Matters (continued)

Key Audit Matter 2

Provision for properties held or under development for sale

Refer to Note 4 (Critical accounting estimates and judgements) and Note 14 (Properties held or under development for sale) to the consolidated financial statements.

As at 31 December 2020, the Group's properties held or under development for sale amounted to approximately RMB28,763,599,000 (31 December 2019: approximately RMB17,865,726,000), against which a provision of approximately RMB8,425,000 (31 December 2019: approximately RMB14,527,000) was provided. During the year ended 31 December 2020, an additional provision of approximately RMB7,126,000 (year ended 31 December 2019: RMB11,747,000) was made.

Properties held or under development for sale are stated at the lower of cost and net realisable value. The determination of the estimated net realisable value of these properties is highly dependent on the Group's expectation of future selling prices and the estimated costs to complete the development projects.

We focused on this area mainly because significant judgement is required to make estimates of future selling prices and the estimated costs to complete the development projects.

How our audit addressed the Key Audit Matter

Regarding the management's assessment of provision of properties held or under development for sale, we conducted the following audit procedures:

- (1) We obtained the calculation schedules for provision for properties held or under development for sale, and tested the completeness of development projects and the mathematical accuracy of the schedules.
- (2) We interviewed the management to understand the reasons for the provision for those projects.
- (3) We corroborated the Group's forecast selling prices by comparing them to, where available, recently transacted prices and prices of comparable properties located in the same vicinity as the properties held or under development for sale.
- (4) We compared the management's budgeted total development costs against underlying contracts with vendors and supporting documents. We discussed with the project managers to assess the reasonableness of estimated costs to complete and corroborated the underlying assumptions made with our understanding of past completed similar projects.
- (5) We challenged the management's assessment and estimation of net realisable value of properties held or under development by using our industry knowledge and external market analysis.
- (6) We compared the provision provided with the subsequent actual written-off and investigated if any significant variance exists, to assess the historical accuracy and adequacy of the provision made by the management.

Based on our audit procedures performed, we consider that the reasonableness of management's judgement and estimates applied on their assessment of provision of properties held or under development for sale is supported by the evidence we obtained.

... INDEPENDENT AUDITOR'S REPORT



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Key Audit Matters (continued)

Key Audit Matter 3

Valuation of the investment properties

Refer to Note 4 (Critical accounting estimates and judgements) and Note 7 (Investment properties) to the consolidated financial statements.

The Group's investment properties were carried at approximately RMB5,950,300,000 as at 31 December 2020 (31 December 2019: RMB6,348,172,000) and fair value gains of approximately RMB39,687,000 (year ended 31 December 2019: RMB74,548,000) were presented either as appreciation/(depreciation) of investment properties under capital platform, or fair value (losses)/gains on investment properties under other platforms in the consolidated income statement.

We focused on this area because the valuation of the investment properties is significant to the financial statements and the valuation of the investment properties was highly dependent on a range of estimates, such as future rental cash inflows, term yield and reversionary yield which were carried out by well-known independent professional qualified valuers.

How our audit addressed the Key Audit Matter

Regarding the valuation of the investment properties, we performed the following procedures:

- (1) We assessed the independence and competence of the external valuer which issued valuation report.
- (2) We assessed the valuation techniques adopted in the valuation.
- (3) For rental income used in the valuation, we checked the amount to rent roll and lease arrangement on a sample basis.
- (4) For yield rates, market rents and recent prices of similar properties used in the valuation, we compared them with our own expectation using evidence of market transaction. Where we identified estimates and assumptions that were outside the typical ranges used, we discussed these with the valuer to understand the rationale and then assessed, based on all the available evidence and our experience in this sector, whether the use of the estimate or assumption was justified.
- (5) We tested the calculation of the valuation.

Our testing indicated that the estimates and assumptions used are justified in the context of the Group's property portfolio.

INDEPENDENT AUDITOR'S REPORT ...



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Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the chairman's statement and management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the corporate profile, corporate information, financial highlights, breakdown of major properties, directors and senior management, corporate governance report, report of the directors and five-year financial information which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the corporate profile, corporate information, financial highlights, breakdown of major properties, directors and senior management, corporate governance report, report of the directors and five-year financial information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and 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.

... INDEPENDENT AUDITOR'S REPORT



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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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.

INDEPENDENT AUDITOR'S REPORT ...



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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the audit committee 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 Lee Chung Bor.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2021

... CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	As at 31 December	
		2020	2019
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	101,330	54,839
Right-of-use assets	6	129,614	–
Investment properties	7	5,950,300	6,348,172
Intangible assets	8	75,556	2,796
Investments in joint ventures	9	1,534,959	1,012,044
Investments in associates	10	1,635,556	1,834,909
Deferred income tax assets	23	295,886	274,398
Financial assets at fair value through profit or loss	12	1,144,684	1,000,587
Financial assets at fair value through other comprehensive income	12	486,650	546,939
Trade and other receivables and prepayments	15	753,652	757,298
		12,108,187	11,831,982
Current assets			
Prepayments for leasehold land	13	1,239,780	720,095
Properties held or under development for sale	14	28,755,174	17,851,199
Trade and other receivables and prepayments	15	10,795,590	7,168,200
Prepaid income taxes		444,130	323,224
Restricted cash	16	2,750,525	3,064,679
Cash and cash equivalents	16	10,895,964	10,683,523
Contract acquisition costs		152,707	122,037
Financial assets at fair value through profit or loss	12	1,161,929	598,250
Financial assets at fair value through other comprehensive income	12	15,257	–
		56,211,056	40,531,207
Total assets		68,319,243	52,363,189
OWNERS' EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	87,813	86,634
Reserves	18	6,078,734	5,220,202
		6,166,547	5,306,836
Non-controlling interests	41	5,130,319	3,799,914
Total equity		11,296,866	9,106,750

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET . . .

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	12,304,938	9,607,298
Deferred income tax liabilities	23	1,421,053	1,304,409
Lease liabilities		132,597	148,124
Derivative financial instruments	20	–	39,420
		13,858,588	11,099,251
Current liabilities			
Trade and other payables	21	18,905,889	14,369,067
Amounts due to non-controlling interests of subsidiaries	22	1,414,043	896,011
Contract liabilities		11,639,042	6,231,044
Current income tax liabilities		2,018,143	1,242,200
Borrowings	19	9,139,870	9,398,013
Lease liabilities		21,202	20,853
Derivative financial instruments	20	25,600	–
		43,163,789	32,157,188
Total liabilities		57,022,377	43,256,439
Total equity and liabilities		68,319,243	52,363,189

The consolidated financial statements on pages 76 to 226 were approved by the Board of Directors on 23 March 2021 and the consolidated balance sheet was signed on its behalf by:

Yan Hao
Director

Chen Chao
Director

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

... CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
Revenue	24	12,782,429	13,285,127
Cost of sales	27	(10,278,382)	(10,599,949)
Gross profit		2,504,047	2,685,178
Appreciation/(depreciation) of investment properties under capital platform	7	56,687	(21,474)
Fair value (losses)/gains on investment properties under other platforms	7	(17,000)	96,022
Selling and marketing costs	27	(522,334)	(385,575)
Administrative expenses	27	(664,564)	(606,562)
Other income	25	223,121	158,470
Other gains – net	26	327,373	146,740
Operating profit		1,907,330	2,072,799
Finance income	28	1,013,552	261,507
Finance costs	28	(752,519)	(526,987)
Finance income/(costs) – net		261,033	(265,480)
Share of results of joint ventures	9	40,609	170,409
Share of results of associates	10	130,034	172,148
		170,643	342,557
Profit before income tax		2,339,006	2,149,876
Income tax expense	31	(1,065,502)	(864,866)
Profit for the year		1,273,504	1,285,010
Attributable to:			
Equity holders of the Company		958,092	903,591
Non-controlling interests		315,412	381,419
		1,273,504	1,285,010
Earnings per share for profit attributable to equity holders of the Company			
– Basic earnings per share	33	RMB0.68	RMB0.65
– Diluted earnings per share	33	RMB0.68	RMB0.65

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF ... COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit for the year	1,273,504	1,285,010
Other comprehensive (losses)/income that may be reclassified subsequently to profit or loss		
Changes in fair value of equity investment at fair value through other comprehensive (losses)/income, net of tax	(36,470)	73,624
Other comprehensive (losses)/income for the year, net of tax	(36,470)	73,624
Total comprehensive income for the year	1,237,034	1,358,634
Attributable to:		
Equity holders of the Company	921,622	977,215
Non-controlling interests	315,412	381,419
	1,237,034	1,358,634

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

... CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company					Non-		Total equity RMB'000
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Sub-total	controlling interests	
	RMB'000 (Note 17)	RMB'000 (Note 18)	RMB'000 (Note 18)	RMB'000 (Note 18)	RMB'000 (Note 18)	RMB'000	RMB'000	
Balance at 1 January 2020	86,634	796,937	(10,073)	790,322	3,643,016	5,306,836	3,799,914	9,106,750
Comprehensive income/(losses)								
Profit for the year 2020	-	-	-	-	958,092	958,092	315,412	1,273,504
Other comprehensive income								
Net changes in fair value of financial assets through other comprehensive losses (Note 12)	-	-	-	(30,423)	-	(30,423)	-	(30,423)
Tax on fair value gains on financial assets through other comprehensive income (Note 23)	-	-	-	(6,047)	-	(6,047)	-	(6,047)
Total comprehensive income for the year 2020	-	-	-	(36,470)	958,092	921,622	315,412	1,237,034
Transactions with owners								
Dividends to the Company's shareholders in respect of year 2019 (Note 34)	-	(309,160)	-	-	-	(309,160)	-	(309,160)
Share award scheme (Note 32)	-	-	500	1,568	-	2,068	-	2,068
Share option scheme (Note 32)	-	-	-	(226)	-	(226)	-	(226)
Capital reduction in respect of non-controlling interests	-	-	-	-	-	-	(370,400)	(370,400)
Contribution from non-controlling interests	-	-	-	-	-	-	718,000	718,000
Changes in ownership interests in subsidiaries without change of control (Note 38)	-	-	-	(12,616)	-	(12,616)	57,004	44,388
Place of new shares (Note 17)	1,179	256,844	-	-	-	258,023	-	258,023
Non-controlling interests on acquisition of subsidiaries (Note 39)	-	-	-	-	-	-	610,389	610,389
	1,179	(52,316)	500	(11,274)	-	(61,911)	1,014,993	953,082
Balance at 31 December 2020	87,813	744,621	(9,573)	742,578	4,601,108	6,166,547	5,130,319	11,296,866

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF ... CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	(Note 17)	(Note 18)	(Note 18)	(Note 18)	(Note 18)			
Balance at 1 January 2019	86,634	1,157,260	(5,848)	713,207	2,735,739	4,686,992	4,126,155	8,813,147
Change in accounting policy	–	–	–	–	3,686	3,686	–	3,686
Restated balance at 1 January 2019	86,634	1,157,260	(5,848)	713,207	2,739,425	4,690,678	4,126,155	8,816,833
Comprehensive income/(losses)								
Profit for the year 2019	–	–	–	–	903,591	903,591	381,419	1,285,010
Other comprehensive income								
Net changes in fair value of financial assets through other comprehensive income (Note 12)	–	–	–	74,835	–	74,835	–	74,835
Tax on fair value gains on financial assets through other comprehensive income (Note 23)	–	–	–	(1,211)	–	(1,211)	–	(1,211)
Total comprehensive income for the year 2019	–	–	–	73,624	903,591	977,215	381,419	1,358,634
Transactions with owners								
Dividends to the Company's shareholders in respect of year 2018 (Note 34)	–	(360,323)	–	–	–	(360,323)	–	(360,323)
Dividends of subsidiaries	–	–	–	–	–	–	(811,803)	(811,803)
Buy back of shares (Note 17)	–	–	(4,289)	–	–	(4,289)	–	(4,289)
Share award scheme (Note 32)	–	–	64	10,294	–	10,358	–	10,358
Share option scheme (Note 32)	–	–	–	3,181	–	3,181	–	3,181
Capital reduction in respect of non-controlling interests	–	–	–	–	–	–	(144,550)	(144,550)
Contribution from non-controlling interests	–	–	–	–	–	–	885,000	885,000
Changes in ownership interests in subsidiaries without change of control (Note 38)	–	–	–	(25,589)	–	(25,589)	(674,112)	(699,701)
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	49,468	49,468
Non-controlling interests on deemed disposal of subsidiaries	–	–	–	–	–	–	(11,663)	(11,663)
Lapse of put option written on non-controlling interests	–	–	–	15,605	–	15,605	–	15,605
	–	(360,323)	(4,225)	3,491	–	(361,057)	(707,660)	(1,068,717)
Balance at 31 December 2019	86,634	796,937	(10,073)	790,322	3,643,016	5,306,836	3,799,914	9,106,750

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

... CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Operating activities		
Net cash generated from operations (Note 35(a))	934,530	3,614,168
Interest paid	(1,992,365)	(1,809,812)
PRC income tax paid	(314,366)	(372,481)
PRC land appreciation tax paid	(151,857)	(435,551)
Net cash (used in)/generated from operating activities	(1,524,058)	996,324
Investing activities		
Purchase of property, plant and equipment	(49,426)	(7,645)
Purchase of intangible assets	(462)	(1,619)
Acquisition cost of and capitalised expenditures incurred on investment properties	(10,213)	(113,773)
Proceeds from disposal of property, plant and equipment (Note 35(c))	497	496
Proceeds from disposal of investment properties	–	105,270
Cash receipt of leasing investment receivables	15,579	14,732
Capital injection to/acquisition of joint ventures	(395,298)	(152,313)
Capital injection to/acquisition of associates	–	(868,764)
Disposal of interests in joint ventures	–	3,500
Acquisition of financial assets at fair value through profit or loss	(1,272,655)	(1,354,011)
Cash receipt of remaining consideration in connection with the disposal of subsidiaries	39,304	26,871
Disposal of shares in subsidiaries	467,730	241,148
Disposal of financial assets at fair value through profit or loss	596,403	795,462
Disposal of financial assets at fair value through other comprehensive income	14,609	–
Dividend received from financial assets at fair value through other comprehensive income	20,503	238
Receivables from a third party	96,810	(629,253)
Repayments from related parties	36,783	766,188
Providing loans to related parties	–	(106,693)
Cash advance to non-controlling interests of subsidiaries	(1,074,975)	(1,203,658)
Cash receipt from non-controlling interests of subsidiaries	216,412	673,684
Cash advance from potential investors of a subsidiary	–	87,656
Repayment to potential investors of a subsidiary	(87,656)	–
Interest received from related parties	–	44,893
Interest received	298,212	221,835
Acquisition of subsidiaries, net of cash acquired (Note 39)	426,421	–
Net cash used in investing activities	(661,422)	(1,455,756)

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT . . .

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Financing activities		
Proceeds from borrowings	10,079,295	6,096,100
Proceeds from issuance of senior notes	2,361,296	4,101,614
Proceeds from corporate bonds	508,560	–
Repayments of borrowings	(8,939,005)	(8,645,962)
Repayments of senior notes	(3,247,809)	(58,600)
Repayments of corporate bonds	–	(1,089,898)
Dividends paid	(309,160)	(360,323)
Dividends paid of subsidiaries	–	(13,004)
Capital contribution from non-controlling interests of subsidiaries	718,000	885,000
Repayment of the capital to non-controlling interests of a subsidiary	(370,400)	(144,550)
Cash receipt from non-controlling interests of subsidiaries	419,180	709,450
Repayment to non-controlling interests of subsidiaries	(655,301)	(191,333)
Changes in advance from related parties	(60,825)	(84,764)
Decrease/(increase) in restricted cash relating to financing activities	147,777	(1,444,746)
Changes in ownership interests in subsidiaries without change of control (Note 38)	(23,519)	(699,701)
Payables for acquisition of equity investments	800,934	943,126
Acquisition of treasury shares	–	(4,289)
Place of new shares	258,023	–
Amounts due to third parties	736,951	(99,995)
Payables to related parties of non-controlling interests	–	(234,000)
Payables for acquisition of equity interests of Taizhou Zhenghuang Property Co., Ltd.	–	(268,930)
Principal elements of lease payments	(23,067)	(23,366)
Changes in deposits paid to secure borrowings	21,210	8,231
Net cash generated from/(used in) financing activities	2,422,140	(619,940)
Net increase/(decrease) in cash and cash equivalents	236,660	(1,079,372)
Effect of foreign exchange rate changes	(24,219)	47,517
Cash and cash equivalents at beginning of the year	10,683,523	11,715,378
Cash and cash equivalents at end of the year (Note 16)	10,895,964	10,683,523

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Jingrui Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 7 March 2013 as an exempted company with limited liability under the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together with the Company, referred to as “the Group”) are principally engaged in property development business in the People’s Republic of China (the “PRC”).

The Company’s shares began to list on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 31 October 2013.

These consolidated financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

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 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures

(a) *New standards and amended of HKFRSs effective for 2020*

The following new standards and amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2020 and are relevant to the Group's operation.

- Definition of Material – Amendments to HKAS 1 and HKAS 8
- Definition of a Business – Amendments to HKFRS 3
- Interest Rate Benchmark Reform – Amendments to HKFRS 7, HKFRS 9 and HKAS 39
- Revised Conceptual Framework for Financial Reporting

The newly effective standards and amendments to existing standards did not have any significant impact on the Group's results of operation and financial position for the year ended 31 December 2020.

(b) *New standards, amendments and interpretations of HKFRSs not yet adopted*

Certain new accounting standards, amendments and interpretations of HKFRSs have been published that are not mandatory for the financial year beginning on 1 January 2020 and have not been early adopted by the Group. The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations, certain of which are relevant to the Group's operation. According to the preliminary assessment made by the directors, the Group does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity respectively.

(a) *Business combinations*

The Group applies the acquisition method as described below to account for business combination. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the reorganised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisitions date carrying value of the acquirer's previously held equity interests in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held equity interest measured is less than the fair value of the identifiable net assets of the subsidiary acquired as in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

In the Company's balance sheet, the investments in subsidiaries are stated 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 a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Impairment testing of the investments in subsidiaries is also required according to Note 2.11.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.3 Joint arrangements

Joint arrangements are classified as either joint ventures or joint operations depending on the contracted rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A joint venture gives the parties rights to the net assets or outcome of the arrangement. A joint venture does not have rights to individual assets or obligations for individual liabilities of the joint venture. Instead, joint ventures share the net assets and, in turn, the outcome (profit or loss) of the activity undertaken by the joint venture. In contrast, a joint operation is a joint arrangement that gives parties to the arrangement direct rights to the assets and obligations for the liabilities. A joint operator will recognise its interest based on its involvement in the joint operation (that is, based on its direct rights and obligations) rather than on the participation interest it has in the joint arrangement.

Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investment in a joint venture is accounted for using the equity method of accounting and is initially recognised at cost. The consolidated income statement include the Group's share of the post-acquisition results of joint ventures, and the consolidated balance sheet include the Group's share of the net assets of the joint ventures and goodwill identified on acquisition net of any accumulated impairment losses.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.4 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movement in other comprehensive income is recognized in other comprehensive income with a corresponding adjustments to the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interests in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. The impairment amount, as the difference between the recoverable amount of the associate and its carrying value is recognised in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors that make strategic decisions.

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the financial statements are presented in RMB, which is the functional currency of the Company and the presentation currency of the Group.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(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 the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "Finance income or expenses". All other foreign exchange gains and losses are presented in the consolidated income statement within "Other gains/(losses) – net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position 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:

- (i) assets and liabilities for each balance sheet are translated at the date of that balance sheet;
- (ii) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rate; and
- (iii) all resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated 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 the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

– Self-use properties and right-of-use assets-office properties	6-29 years
– Motor vehicles	6 years
– Furniture, fittings and equipment	5 years
– Leasehold improvements and others	shorter of remaining lease term or useful life estimated 5 years

The assets' residual value and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised as "Other gains/(losses) – net" in the consolidated income statement.

2.8 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 by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement in fair value gains or losses on investment properties.

Property that is currently being constructed or developed for future use as an investment property is classified as investment property and stated at fair value. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed, whichever is earlier. Any difference between the fair value of the property at that date and its then carrying amount shall be recognised in the consolidated income statement.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.9 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the 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 CGU level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) *Computer software*

Intangible assets of the Group mainly comprise acquired computer software which is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

2.10 Non-current assets held-for-sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere.

2.11 Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Assets that have an indefinite useful life – for example, goodwill 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.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.12 Properties held or under development for sale

Properties held or under development for sale are included in current assets at the lower of cost and net realisable value. The costs of properties held or under development consist of costs of leasehold land, resettlement costs (if any), construction expenditure, capitalised borrowing costs and other direct costs incurred during the development period. The costs of properties held are determined by apportionment of the total development costs for that development project attributable to the unsold properties. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

2.13 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by the Group for development of properties. Land use rights held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets and included in properties held or under development for sale, while those out of the normal operating cycle are classified as non-current assets. Land use rights fall within investment properties are classified as investment properties (Note 2.8).

2.14 Financial assets

2.14.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.14.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.14 Financial assets (continued)

2.14.3 Measurement

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

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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidation income statement.
- **FVOCI:** 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 OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidation income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss 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/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.14 Financial assets (continued)

2.14.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on 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, see Note 15 for further details.

2.15 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement.

2.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the relevant company or the counterparty.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Restricted cash is excluded from cash and cash equivalents.

2.19 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.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.20 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within twelve months after the reporting period (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fees are capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are 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.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, 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 balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, joint ventures and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.22 Current and deferred income tax (continued)

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Put option arrangements

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities as there is an obligation for the Group to deliver cash or other financial assets in exchange of its own equity shares. The amount that may become payable under the option on exercise is initially recognised at present value with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries.

Such options, including the transaction costs, are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

2.24 Employee benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to a certain ceiling.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The contributions are recognised as employee benefit expense when they are due.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.25 Share-based payments

The Group operates equity-settled share based compensation plans under which the entity receives services from employees as consideration for equity instruments (including shares options and share awards) of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (for example profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions

Non-market performance and service conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

2.26 Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.27 Financial guarantee liabilities

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 *Financial Instruments* and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.28 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

(a) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.28 Revenue recognition (continued)

(a) *Sales of properties (continued)*

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the property is accepted by the customer, or deemed as accepted according to the contract, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property, and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. If on the contract commencement date, the Group expects that the interval between the customer's obtaining control of the property and the payment of consideration by the customer will not exceed 1 year, the financing component will not be considered as significant.

(b) *Service income*

Revenue from services is recognised when services have been provided, total amount of revenue and costs can be estimated reliably and the collectability of the related receivables is reasonably assured.

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 price 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.

(c) *Sales of goods*

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

(d) *Contract acquisition cost*

Costs did not qualify for recognition as an asset were expensed when incurred. Costs related directly to the contract, generating resources used in satisfying the contract and expected to be recovered are capitalised as contract acquisition cost.

2.29 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the consolidation income statement as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other 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).

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.30 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.31 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs they are intended to compensate. Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to an entity within the Group with no future related costs are recognised as income of the period in which they become receivable.

2.32 Leases

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 allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it 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.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.32 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 entity, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated income statement 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 that meet the definition of investment property are measured at fair value applying the fair value model.

Other right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- 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 which do not meet the definition of investment property 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.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets 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. 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 balance sheet based on their nature.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.33 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Market risk

(a) Foreign exchange risk

The Group is engaged in the development, sale and management of properties solely in the PRC with almost all transactions denominated in RMB. The Company and all of its subsidiaries' functional currency is RMB, accordingly cash and borrowings denominated in Hong Kong Dollar ("HKD") or United States Dollar ("USD") are subject to foreign exchange risk.

Fluctuation of the exchange rates for HKD and USD against RMB will affect the Group's result of operations. The Group currently does not have a foreign currency hedging policy. However, management closely monitors the foreign exchange exposure and will take actions when necessary.

As at 31 December 2020, if HKD had weakened/strengthened by 5% against RMB, all other variables held constant, post-tax profit of the Group for the year 2020 would have been higher/lower by RMB1,217,000 (2019: post-tax profit of the Group for the year 2019 would have been higher/lower by RMB12,137,000), mainly as a result of foreign exchange gain/loss from trade and other receivables and prepayments and bank deposits net off trade and other payables and bank borrowings denominated in HKD.

As at 31 December 2020, if USD had weakened/strengthened by 5% against RMB, all other variables held constant, post-tax profit of the Group for the year 2020 would have been higher/lower by RMB336,453,000 (2019: post-tax profit of the Group for the year 2019 would have been higher/lower by RMB295,238,000), mainly as a result of foreign exchange gain/loss from borrowings net off bank deposits denominated in USD.

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits with stable interest rates, the Group has no other significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings from banks and non-bank financial institutions. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow or fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 19.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.1 Market risk (continued)

(b) Cash flow and fair value interest rate risk (continued)

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

As at 31 December 2020 and 2019, if interest rates on borrowings at floating rates had been 50 basis points higher/lower with all other variables held constant, the post-tax results and capitalised interest for the years ended 31 December 2020 and 2019 would have changed as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Post-tax results better/(weaker)		
– 50 basis points higher	(1,728)	(2,477)
– 50 basis points lower	1,728	2,477
Capitalised interest increase/(decrease)		
– 50 basis points higher	8,244	10,610
– 50 basis points lower	(8,244)	(10,610)

3.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge the obligation under the terms of financial instrument and cause a financial loss to the Group. The Group considered the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.2 Credit risk (continued)

(a) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited with state-owned banks and other listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(b) Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss also incorporate forward looking information.

As at 31 December 2020 and 2019, on that basis, the loss allowance was determined as follows for trade receivables:

	Current	More than 90 days past due	More than 180 days past due	Within 1 year	More than 1 year past due	Total
31 December 2019	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate	0.16%	0.87%	7.65%	3.79%	10.34%	
Gross carrying amount	506,480	5,902	3,566	106,982	29,735	652,665
Loss allowance	(788)	(52)	(273)	(4,059)	(3,074)	(8,246)
Accounts receivables – net	505,692	5,850	3,293	102,923	26,661	644,419

	Current	More than 90 days past due	More than 180 days past due	Within 1 year	More than 1 year past due	Total
31 December 2020	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate	0.29%	3.90%	9.11%	3.79%	13.56%	
Gross carrying amount	222,551	12,934	120,838	119,590	69,666	545,579
Loss allowance	(635)	(505)	(11,009)	(4,527)	(9,448)	(26,124)
Accounts receivables – net	221,916	12,429	109,829	115,063	60,218	519,455

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for trade receivables during the year ended 31 December 2020.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.2 Credit risk (continued)

(c) Other receivables

The Group uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flow	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses	Gross carrying amount
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.2 Credit risk (continued)

(c) Other receivables (continued)

The Company accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

	Receivables from government related bodies RMB'000	Due from related parties RMB'000	Receivables from third parties other than government related bodies RMB'000	Total RMB'000
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As at 31 December 2019

Carrying amount of other receivables	219,017	2,346,220	3,293,441	5,858,678
Expected credit loss rate	0.10%	0.31%	1.18%	
Loss allowance	(219)	(7,207)	(38,915)	(46,341)
Other receivables – net	218,798	2,339,013	3,254,526	5,812,337

	Receivables from government related bodies RMB'000	Due from related parties RMB'000	Receivables from third parties other than government related bodies RMB'000	Total RMB'000
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As at 31 December 2020

Carrying amount of other receivables	297,453	5,596,298	4,391,920	10,285,671
Expected credit loss rate	0.10%	0.44%	1.45%	
Loss allowance	(297)	(24,789)	(63,467)	(88,553)
Other receivables – net	297,156	5,571,509	4,328,453	10,197,118

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.2 Credit risk (continued)

(c) *Other receivables (continued)*

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for other receivables during the year ended 31 December 2020.

(d) *Financial guarantee*

The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group also provides guarantees to certain related parties of the Group to obtain borrowings after assessing the credit history of these related parties. The Group closely monitors the repayment progress of the relevant borrowings by these related parties. In the opinion of the directors of the Group, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties. The directors consider that the likelihood of default in payments is minimal and the financial guarantees measured at fair value is immaterial.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.3 Liquidity risk

Management of the Group aims to maintain sufficient cash through internally generated sales proceeds and an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

The table below analyses the Group's non-derivative financial liabilities and gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivatives financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RMB'000	1 and 2 years RMB'000	2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Borrowings, principal (Note 19)	9,139,870	7,056,245	4,841,365	407,328	21,444,808
Interest payments on borrowings (note)	1,536,781	804,207	333,605	243,345	2,917,938
Trade and other payables	17,959,295	–	–	–	17,959,295
Amounts due to non-controlling interests of subsidiaries (Note 22)	1,414,043	–	–	–	1,414,043
Lease liabilities	21,202	29,437	72,473	75,506	198,618
Derivative financial instruments (Note 20)	25,600	–	–	–	25,600
Financial guarantees (Note 37)	6,288,667	–	–	–	6,288,667
	36,385,458	7,889,889	5,247,443	726,179	50,248,969
As at 31 December 2019					
Borrowings, principal (Note 19)	9,398,013	5,916,425	3,168,298	522,575	19,005,311
Interest payments on borrowings (note)	1,187,501	637,430	452,342	353,908	2,631,181
Trade and other payables	14,166,938	–	–	–	14,166,938
Amounts due to non-controlling interests of subsidiaries (Note 22)	896,011	–	–	–	896,011
Lease liabilities	20,853	29,780	75,295	95,067	220,995
Derivative financial instruments (Note 20)	–	46,911	–	–	46,911
Financial guarantees (Note 37)	5,021,078	736,000	90,000	–	5,847,078
	30,690,394	7,366,546	3,785,935	971,550	42,814,425

note: The interest on borrowings is calculated based on borrowings held as at 31 December 2020 and 2019, respectively. Floating-rate interests are estimated using the current interest rate as at 31 December 2020 and 2019, respectively.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and deposits pledged for borrowings. Total capital is calculated as total equity, as shown in the consolidated balance sheets, plus net debt.

The gearing ratios at 31 December 2020 and 2019 were as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Borrowings	21,444,808	19,005,311
Less: Cash and cash equivalents	(10,895,964)	(10,683,523)
Restricted cash deposits pledged for borrowings	(2,192,369)	(2,340,146)
Net debt	8,356,475	5,981,642
Total equity	11,296,866	9,106,750
Total capital	19,653,341	15,088,392
Gearing ratio	43%	40%

3.5 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2020 and 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- 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).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.5 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2020 and 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
31 December 2019	22,347	–	1,576,490	1,598,837
Financial assets at fair value through other comprehensive income				
31 December 2019	–	–	546,939	546,939
Derivative financial instruments				
31 December 2019	–	–	39,420	39,420
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
31 December 2020	233,431	–	2,073,182	2,306,613
Financial assets at fair value through other comprehensive income				
31 December 2020	–	–	501,907	501,907
Derivative financial instruments				
31 December 2020	–	–	25,600	25,600

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The instrument is included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Other than certain financial assets at fair value through profit or loss at 31 December 2020 and 2019 traded in the market and therefore measured at fair value by level 1, the Group's other financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income as at 31 December 2020 and 2019 and derivative financial instruments as at 31 December 2020 and 2019 are measured at fair value by level 3. There were no changes in valuation techniques during the year. The changes in the value of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss during the period are presented in Note 12. The changes in the value of derivative financial instruments are presented in Note 20.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

4.1 Classification as subsidiary, joint venture and associate

In the normal course of business, the Group develops properties together with other developers or institutions, through entering into co-operation agreements with these parties. The rights and obligations of the Group and the other parties are stipulated by respective co-operation agreements, article of associations of the project companies, etc. Because of the complexity of the arrangements, significant judgement is needed in determining whether the project company is a subsidiary, joint venture or associate of the Group.

The Group makes judgement based on the substance of the arrangements and the definition of a subsidiary, joint venture and associate as disclosed in Notes 2.2, 2.3 and 2.4 respectively.

4.2 Provision for write-down of properties held or under development for sale

The management makes provision for write-down of properties held or under development for sale based on the estimate of the net realisable value of the properties. Given the volatility of the property market in the PRC, the actual net realisable value may be higher or lower than the estimate made as at the end of the reporting period. Any increase or decrease in the provision would affect the Group's operating performance in future years.

4.3 Fair value of investment properties

The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions have been disclosed in Note 7.

4.4 Development costs directly attributable to property development activities

The Group allocates portions of land and development costs to properties held and under development for sale. As certain of the Group's property development projects are developed and completed by phases, the budgeted development costs of the whole project are dependent on the estimate on the outcome of total development. Based on the experience and the nature of the development undertaken, the management makes estimates and assumptions concerning the future events that are believed to be reasonable under the circumstances. Given the uncertainties involved in the property development activities, the related actual results may be higher or lower than the amount estimated at the end of the reporting period. Any change in estimates and assumptions would affect the Group's operating performance in future years.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements (continued)

4.5 Land appreciation tax of the PRC

The Group is subject to land appreciation tax in the PRC. However, since the implementation and settlement of the tax varies among various tax jurisdictions in cities of the PRC, significant judgement is required in determining the amount of the land appreciation tax. The Group recognises the land appreciation tax based on management's best estimates according to its understanding of the interpretation of tax rules and latest practice of tax jurisdictions in the cities where the Group's projects are located. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the current income tax and the deferred income tax provision in the period in which such taxes have been finalised with local tax authorities.

4.6 Current and deferred income tax

The Group is subject to corporate income tax in the PRC. Significant judgement is required in determining the provision for corporate income tax. There are 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 we initially recorded, such difference will impact the current income tax and deferred tax provision in the period in which such determination is made.

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

4.7 Fair value of derivative financial instrument

The Group assesses the fair value of the embedded derivatives in respect of the derivative financial instrument arising from certain put option associated with joint venture agreements based on valuations determined by independent professional qualified valuers, which is estimated by using the discounted cash flow method. The discounted cash flow projections are based on reliable discounted estimates of future cash flows, derived from operation data of the projects such as volatility, property selling prices, net profit and property development plan of the projects estimated by management, and in case of put option, probability-weighted average of floating premium as at the exit date agreed.

Where the actual future operation data and property development plan varies, a material adjustment on the fair value of these derivative financial instruments may arise. When estimating the fair value of these derivative financial instruments with reference to the valuation report, management has exercised its judgment and is satisfied that the methods of valuation are reflective of its best estimation.

4.8 Fair value of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss

The fair value of of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss that are not traded in an active market is determined by using valuation techniques or net asset value. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements (continued)

4.9 Impairment of trade receivables and other receivables

For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

4.10 Revenue recognition

The Group develops and sells residential and commercial properties in different locations. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local laws, the local regulators' views and obtained legal advice, when necessary.

5 Segment information

Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The reporting segment are as follows:

- Property development platform engages in real estate development in the PRC; and
- Capital platform invests in office buildings and apartments in the PRC for their rental income potential and/or for capital appreciation; and
- All other platforms, including property management platform which provides management and security services to residential and commercial properties in the PRC, the property design and decoration platform, investment platform and other miscellaneous businesses. The revenue derived from all other platforms generally include service fees and investment income.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (continued)

The three operating segments are consistent with the way in which information is reported internally to the Group's CODM for the purpose of resources allocation and performance assessment. No operating segments have been aggregated to form the above reportable segments.

The CODM assesses the performance of the operating segments based on a measure of revenue and profit or loss before income tax. The measurement basis excludes the effects of income tax expense.

	Year ended 31 December 2020					
	Property development platform	Capital platform	All other platforms	Total segment	Elimination	Total Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	11,940,100	177,620	819,621	12,937,341	(154,912)	12,782,429
Segment profit before income tax expense	2,056,398	139,685	101,490	2,297,573	41,433	2,339,006
Finance income	864,466	25,193	123,893	1,013,552	-	1,013,552
Finance costs	(646,533)	(92,580)	(52,908)	(792,021)	39,502	(752,519)
Share of results of joint ventures	39,324	1,615	(330)	40,609	-	40,609
Share of results of associates	132,930	-	(2,896)	130,034	-	130,034
Depreciation and amortisation	(16,298)	(6,903)	(3,870)	(27,071)	-	(27,071)
A reconciliation to profit for the year is as follows:						
Total segment profits before income tax expense						2,339,006
Income tax expense						(1,065,502)
Profit for the year						1,273,504
Segment assets	101,624,806	7,109,564	20,699,113	129,433,483	(61,114,240)	68,319,243
Segment assets include:						
Investments in joint ventures	843,980	690,979	-	1,534,959	-	1,534,959
Investments in associates	1,550,786	-	84,770	1,635,556	-	1,635,556
Additions to non-current assets (other than financial instruments and deferred income tax assets)	256,586	18,843	58,964	334,393	-	334,393
Segment liabilities	93,924,118	5,004,005	19,213,348	118,141,471	(61,119,094)	57,022,377

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

5 Segment information (continued)

	Year ended 31 December 2019					
	Property development platform	Capital platform	All other platforms	Total segment	Elimination	Total Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	12,421,047	177,686	856,865	13,455,598	(170,471)	13,285,127
Segment profit before income tax expense	1,705,557	219,752	200,770	2,126,079	23,797	2,149,876
Finance income	88,171	31,262	142,074	261,507	–	261,507
Finance costs	(418,608)	(47,780)	(83,454)	(549,842)	22,855	(526,987)
Share of results of joint ventures	(14,804)	185,274	(61)	170,409	–	170,409
Share of results of associates	175,568	–	(3,420)	172,148	–	172,148
Depreciation and amortisation	(18,837)	(2,378)	(4,741)	(25,956)	–	(25,956)
A reconciliation to profit for the year is as follows:						
Total segment profits before income tax expense						2,149,876
Income tax expense						(864,866)
Profit for the year						1,285,010
Segment assets	60,387,536	7,190,836	18,147,370	85,725,742	(33,362,553)	52,363,189
Segment assets include:						
Investments in joint ventures	429,611	582,102	331	1,012,044	–	1,012,044
Investments in associates	1,748,470	–	86,439	1,834,909	–	1,834,909
Additions to non-current assets (other than financial instruments and deferred income tax assets)	666,969	349,919	5,545	1,022,433	–	1,022,433
Segment liabilities	52,388,826	5,831,372	18,028,849	76,249,047	(32,992,608)	43,256,439

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Property, plant and equipment and Right-of-use assets

6.1 Property, plant and equipment

	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Leasehold improvements and others RMB'000	Self-use properties and right-of-use assets - office properties RMB'000	Total RMB'000
At 1 January 2020					
Cost	23,836	40,749	35,868	35,255	135,708
Accumulated depreciation	(18,203)	(22,752)	(24,753)	(15,161)	(80,869)
Net book amount	<u>5,633</u>	<u>17,997</u>	<u>11,115</u>	<u>20,094</u>	<u>54,839</u>
Year ended 31 December 2020					
Opening net book amount	5,633	17,997	11,115	20,094	54,839
Addition from acquisition of subsidiaries	483	1,366	6	13,578	15,433
Other additions	59	1,762	10,308	45,186	57,315
Disposals	(208)	(166)	(227)	–	(601)
Depreciation charge (Note 27)	(1,828)	(3,386)	(6,068)	(14,374)	(25,656)
Closing net book amount	<u>4,139</u>	<u>17,573</u>	<u>15,134</u>	<u>64,484</u>	<u>101,330</u>
At 31 December 2020					
Cost	23,348	42,840	44,053	94,019	204,260
Accumulated depreciation	(19,209)	(25,267)	(28,919)	(29,535)	(102,930)
Net book amount	<u>4,139</u>	<u>17,573</u>	<u>15,134</u>	<u>64,484</u>	<u>101,330</u>

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

6 Property, plant and equipment and Right-of-use assets (continued)

6.1 Property, plant and equipment (continued)

	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Leasehold improvements and others RMB'000	Right-of-use assets – office properties RMB'000	Total RMB'000
At 1 January 2019					
Cost	25,198	38,681	67,534	–	131,413
Accumulated depreciation	(17,688)	(19,628)	(22,670)	–	(59,986)
Net book amount	<u>7,510</u>	<u>19,053</u>	<u>44,864</u>	<u>–</u>	<u>71,427</u>
Year ended 31 December 2019					
Opening net book amount	7,510	19,053	44,864	–	71,427
Adjustment for changes in accounting policies (note)	–	–	(32,313)	30,954	(1,359)
Restated opening net book amount	7,510	19,053	12,551	30,954	70,068
Additions	900	3,639	2,193	4,301	11,033
Reduction from disposal of subsidiaries	–	(407)	(461)	–	(868)
Other disposals	(442)	(214)	(59)	–	(715)
Depreciation charge (Note 27)	(2,335)	(4,074)	(3,109)	(15,161)	(24,679)
Closing net book amount	<u>5,633</u>	<u>17,997</u>	<u>11,115</u>	<u>20,094</u>	<u>54,839</u>
At 31 December 2019					
Cost	23,836	40,749	35,868	35,255	135,708
Accumulated depreciation	(18,203)	(22,752)	(24,753)	(15,161)	(80,869)
Net book amount	<u>5,633</u>	<u>17,997</u>	<u>11,115</u>	<u>20,094</u>	<u>54,839</u>

Depreciation charges of the Group have all been included in administrative expenses and selling and marketing costs for both years ended 31 December 2020 and 2019.

Note: The Group has adopted HKFRS 16 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 HKFRS 16 are therefore recognised in the opening balance sheet of 2019.

On 1 January 2019, right-of-use assets together with leasehold improvements leased out as long-term rental apartment were classified as investment properties and carried at fair value (Note 7). Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised included in property, plant and equipment as at 31 December 2018.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Property, plant and equipment and Right-of-use assets (continued)

6.2 Lease

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2020 RMB'000
Right-of-use assets	
– Office properties	13,820
– Land use rights	129,614
Investment properties (Note 7)	66,300
	209,734
Lease liabilities	
Current	21,202
Non-current	132,597
	153,799

(b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets		
– Office properties	14,162	15,161
– Land use rights	–	N/A
	14,162	15,161
Interest expense (included in finance costs – Note 28)	13,216	14,549
Expense relating to short-term leases (included in administrative expenses and selling and marketing costs – Note 27)	13,801	12,160

The total cash outflow for leases for the year ended 31 December 2020 was RMB50,084,000.

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and apartments. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

7 Investment properties

	Investment properties under capital platform RMB'000	Investment properties under other platforms RMB'000	Total RMB'000
Year ended 31 December 2020			
Opening balance	5,420,400	927,772	6,348,172
Subsequent expenditures capitalised	10,213	–	10,213
Transfer to completed properties	–	(7,772)	(7,772)
Appreciation of investment properties under capital platform	56,687	–	56,687
Fair value losses on investment properties under other platforms	–	(17,000)	(17,000)
Reduction arising from disposal of a subsidiary	(440,000)	–	(440,000)
Ending balance	5,047,300	903,000	5,950,300
Year ended 31 December 2019			
Opening balance	5,339,000	1,815,272	7,154,272
Adjustment for changes in accounting policies (Note 6.1)	209,656	–	209,656
Restated opening book amount	5,548,656	1,815,272	7,363,928
Transfer to completed properties	–	(894,000)	(894,000)
Additions from acquisition of subsidiaries	100,212	–	100,212
Other additions	21,637	–	21,637
Subsequent expenditures capitalised	136,201	–	136,201
Depreciation of investment properties under capital platform	(21,474)	–	(21,474)
Fair value gains on investment properties under other platforms	–	96,022	96,022
Disposals	(364,832)	(89,522)	(454,354)
Ending balance	5,420,400	927,772	6,348,172

note:

Beijing San Quan Apartments, investment properties located in Beijing amounting to RMB1,793,000,000 as at 31 December 2020 (31 December 2019: RMB1,790,000,000), is held by the Group, whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sale. The Group has measured the deferred tax relating to the temporary differences of the investment properties using the tax rates and the tax base that are consistent with the expected manner of recovery of the investment properties.

Independent valuations of the Group's investment properties were performed by the valuer, Cushman & Wakefield, to determine the fair value of the investment properties as at 31 December 2020 and 2019. The following table analyses the investment properties carried at fair value, by valuation method.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Investment properties (continued)

Fair value hierarchy

Description	Fair value measurements at 31 December 2020 using		
	Quoted prices in	Significant	Significant
	active markets	other	unobservable
	for identical assets (Level 1) RMB'000	observable inputs (Level 2) RMB'000	unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
– Retail	–	–	1,621,800
– Office and car parks	–	–	846,000
– Service apartment and car parks	–	–	3,482,500
	–	–	5,950,300

Description	Fair value measurements at 31 December 2019 using		
	Quoted prices in	Significant	Significant
	active markets	other	unobservable
	for identical assets (Level 1) RMB'000	observable inputs (Level 2) RMB'000	unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
– Retail	–	–	1,613,000
– Office and car parks	–	–	1,266,000
– Service apartment and car parks	–	–	3,469,172
	–	–	6,348,172

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels 1, 2 and 3 during the year.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

7 Investment properties (continued)

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2020 and 2019 by independent professionally qualified valuers of Cushman & Wakefield who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance team will review the valuation performed by the valuers, including:

- verifies all major inputs to the independent valuation report;
- assesses property valuations movements when compared to the prior year valuation report;
- holds discussions with independent valuers.

Valuation techniques

The Group has fourteen investment properties as at 31 December 2020 (31 December 2019: fifteen), among which three investment properties located in Shanghai, Zhejiang Province and Jiangsu Province are under other platforms and eleven investment properties located in Beijing, Shanghai and Jiangsu Province are under capital platform, all of which were completed as at 31 December 2020.

The Group also has three right-of-use assets of investment properties which are located in Shanghai and Zhejiang Province under capital platform as at 31 December 2020 (31 December 2019: three).

The valuation of completed retail properties and office buildings, service apartments and car parks were determined using a combination of the income capitalisation approach (term and reversionary method) which was based on capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties and direct comparison approach by making reference to comparable sales transaction as available in the relevant market. For those investment properties with signed sales contract, the valuation were determined using the actual selling price.

The valuation of service apartments under renovation were determined using combination of the discounted cash flows with estimated renovation costs to complete approach and direct comparison approach by making reference to comparable sales transactions as available in the relevant market with incurred renovation costs.

The valuation of right-of-use assets of investment properties were determined using the income capitalisation approach (term and reversionary method) which was based on capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties.

There were no changes to the valuation techniques during the year.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Investment properties (continued)

Information about fair value measurements as at 31 December 2020 using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed office buildings and car parks	846,000 (31 December 2019: 1,266,000)	Income capitalisation approach	Term yield (a)	Term yield of 4%~4.5% (31 December 2019: 4%~4.5%).	The higher the term yield, the lower the fair value
			Reversionary yield (b)	Reversionary yield of 4.5%~5% (31 December 2019: 4.5%~5%).	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit (c)	RMB208~RMB473 (31 December 2019: RMB208~RMB460) per square meter per month.	The higher the market unit rent, the higher the fair value
		Direct comparison approach	Adjusted recent prices of similar properties (d)	RMB41,283~RMB85,400 (31 December 2019: RMB41,377~RMB93,421) per square meter.	The higher the unit price, the higher the fair value

Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Service apartment and car parks	3,416,200 (31 December 2019: 3,247,572)	Income capitalisation approach	Term yield (a)	Term yield of 2.5%~6% (31 December 2019: 2.5%~4.5%).	The higher the term yield, the lower the fair value
			Reversionary yield (b)	Reversionary yield of 3%~5% (31 December 2019: 2.5%~5%).	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit (c)	RMB173 ~RMB501 (31 December 2019: RMB163~RMB452) per square meter per month.	The higher the market unit rent, the higher the fair value
		Direct comparison approach	Adjusted recent prices of similar properties (d)	RMB33,394 ~RMB88,567 (31 December 2019: RMB34,843~RMB89,895) per square meter.	The higher the unit price, the higher the fair value

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

7 Investment properties (continued)

Information about fair value measurements as at 31 December 2020 using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Service apartment under renovation	Nil (31 December 2019: 131,000)	Direct comparison approach	Adjusted recent prices of similar properties (d)	Nil (31 December 2019: RMB28,800~RMB30,000) per square meter.	The higher the unit price, the higher the fair value
			Discounted cash flows with estimated costs to complete	Nil (31 December 2019: RMB2,500~RMB4,600) per room per month.	The higher the market prices, the higher the fair value
		Capitalisation rate	Estimated renovation costs to be incurred	Nil (31 December 2019: RMB5,840) per square meter.	The higher the estimated costs to be incurred, the lower the fair value
			Capitalisation rate	Nil (31 December 2019: 4.35%).	The higher the capitalisation rate, the lower the fair value
			Estimated profit margin required to renovate property to completion	Nil (31 December 2019: 3% of total estimated renovation costs).	The higher the profit margin required, the lower the fair value.
Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed retail property	1,621,800 (31 December 2019: 1,613,000)	Income capitalisation approach	Term yield (a)	Term yield of 3.75%~5% (31 December 2019: 3.75%~5%).	The higher the term yield, the lower the fair value
			Reversionary yield (b)	Reversionary yield of 4.25%~5.5% (31 December 2019: 4.25%~5.5%).	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit (c)	RMB62~RMB501 (31 December 2019: RMB70~RMB451) per square meter per month.	The higher the market unit rent, the higher the fair value
		Direct comparison approach	Adjusted recent prices of similar properties (d)	RMB15,720~RMB80,600 (31 December 2019: RMB15,650~RMB64,935) per square meter.	The higher the unit price, the higher the fair value

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Investment properties (continued)

Information about fair value measurements as at 31 December 2020 using significant unobservable inputs (Level 3): (continued)

Description	Fair value at 31 December 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Right-of-use assets of investment properties	66,300 (31 December 2019: 90,600)	Income capitalisation approach	Term yield (a)	Term yield of 4%~5% (31 December 2019: 4%~5%).	The higher the term yield, the lower the fair value
			Reversionary yield (b)	Reversionary yield of 4.5%~5.5% (31 December 2019: 4.5%~5.5%).	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit (c)	RMB82~RMB90 (31 December 2019: RMB70~RMB90) per square meter per month.	The higher the market unit rent, the higher the fair value

- (a) For term yield, the Group has taken into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received.
- (b) For reversionary yield, the Group has taken into account of annual unit market rental income and unit market value of the comparable properties.
- (c) For market unit rent of individual unit, the Group used direct market comparable and has taken into account of location and other individual factors, such as road frontage, size of property and facilities.
- (d) For adjusted recent prices of similar properties, the Group has taken into account of location and other individual factors, such as road frontage, size of property and facilities.
- (e) The rental income from investment properties has been recognised in the consolidated financial statement:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Rental income	216,040	202,287

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

7 Investment properties (continued)

The Group's interests in investment properties at their net book values are analysed as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
In the PRC, held on:		
Right-of-use assets of investment properties		
with original lease term of less than 11 years	66,300	90,600
Leases with original term of 70 years (and remaining unexpired period		
between 10 to 70 years)	2,551,000	2,543,000
Leases with original term of 50 years (and remaining unexpired period		
between 10 to 50 years)	3,333,000	3,714,572
	5,950,300	6,348,172

Investment properties with a total carrying amount of RMB4,781,736,000 and RMB5,243,553,000 at 31 December 2020 and 2019 respectively were pledged as collateral for the Group's borrowings (Note 19).

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Intangible assets

	Goodwill RMB'000	Computer software RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020				
Cost	26,168	12,252	1,047	39,467
Accumulated amortisation	(26,168)	(10,381)	(122)	(36,671)
Net book amount	–	1,871	925	2,796
Year ended 31 December 2020				
Opening net book amount	–	1,871	925	2,796
Additions from acquisition of subsidiaries (Note 39)	70,685	1,492	1,536	73,713
Other additions	–	–	462	462
Amortisation charge (Note 27)	–	(1,404)	(11)	(1,415)
Closing net book amount	70,685	1,959	2,912	75,556
At 31 December 2020				
Cost	96,853	13,744	3,045	113,642
Accumulated amortisation	(26,168)	(11,785)	(133)	(38,086)
Net book amount	70,685	1,959	2,912	75,556
Year ended 31 December 2019				
Opening net book amount	–	1,880	965	2,845
Additions	–	1,619	–	1,619
Amortisation charge (Note 27)	–	(1,237)	(40)	(1,277)
Reduction from disposal of subsidiaries	–	(391)	–	(391)
Closing net book amount	–	1,871	925	2,796
At 31 December 2019				
Cost	26,168	12,252	1,047	39,467
Accumulated amortisation	(26,168)	(10,381)	(122)	(36,671)
Net book amount	–	1,871	925	2,796

note:

Amortisation charges of the Group have all been included in administrative expenses for both years ended 31 December 2020 and 2019.

Goodwill is allocated to the Group's CGUs identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December 2020 RMB'000
Property development platform (Note 39(b))	27,545
All other platforms (Note 39(c), Note 39(d))	43,140
	70,685

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

8 Intangible assets (continued)

As at 31 December 2020, goodwill of RMB43,140,000 has been allocated to the cash-generating unit of the property management subsidiaries acquired (Note 39(c), Note39(d)) for impairment testing.

The value-in-use calculation used pre-tax cash flow projections based on approved budgets covering a five-year period.

The following table sets forth each key assumption as at 31 December 2020, on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As at 31 December 2020
Revenue growth rate during the forecast period	1.9%-2.0%
Gross profit margin during the forecast period	19.4%-23.4%
Pre-tax discount rate	17.0%

The directors of the Group believe that any reasonably possible changes in the key assumptions of the value-in-use calculation would not cause the carrying amounts of the property management subsidiaries acquired to exceed its recoverable amounts.

With reference to the recoverable amount assessed as at 31 December 2020, the directors of the Group determined that there was no provision for impairment of goodwill required as at 31 December 2020.

As at 31 December 2020, goodwill of RMB27,545,000 has been allocated to the cash -generating unit of the property development subsidiary acquired (Note 39(b)) for impairment testing. With reference to the recoverable amount assessed as at 31 December 2020, the directors of the Group consider that no provision for impairment of goodwill was required as at 31 December 2020.

9 Investments in joint ventures

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	1,012,044	605,828
Additions (a), (d)	395,298	549,141
Transfer from subsidiaries (b), (c), (e)	205,262	391
Disposal	–	(1,649)
Change from joint ventures to subsidiaries (f), (g), (h)	(116,948)	(291,196)
Share of results	40,609	170,409
Unrealised profit in connection with the transaction between the Group and joint ventures	(1,306)	(20,880)
At end of the year	1,534,959	1,012,044

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

The particulars of the joint ventures of the Group, which are unlisted, are set out as follows:

Company name	Country/date of incorporation	Paid-in capital	% interests held		Principal activities
			As at 31 December 2020	2019	
Nanjing Caicheng Property Co., Ltd. ("Nanjing Caicheng")	18 July 2017, Jiangsu, the PRC	RMB50,000,000	65%	65%	Property development
Suzhou Lingrui Property Co., Ltd. ("Suzhou Lingrui")	8 June 2017, Jiangsu, the PRC	RMB50,000,000	50%	50%	Property development
Suzhou Chengrui Property Co., Ltd. ("Suzhou Chengrui")	8 June 2017, Jiangsu, the PRC	RMB50,000,000	50%	50%	Property development
Tianjin Yuanming Property Co., Ltd. ("Tianjin Yuanming")	9 October 2016, Tianjin, the PRC	Nil	20%	20%	Investment holding
Changshu Zhicheng Property Development Co., Ltd. ("Changshu Zhicheng")	8 May 2017, Jiangsu, the PRC	RMB80,000,000	25%	25%	Property development
Tianjin Junyou Property Information Consultancy Co., Ltd. ("Tianjin Junyou") (a)	31 January 2018, Tianjin, the PRC	RMB1,000,000	33%	33%	Property development
Nanjing Shansheng Property Development Co., Ltd. ("Nanjing Shansheng") (a)	21 August 2018, Jiangsu, the PRC	RMB900,000,000	19.75%	19.75%	Property development
Changshu Junchun Trading Co., Ltd. ("Changshu Junchun") (h)	4 September 2018, Jiangsu, the PRC	RMB300,000,000	34%	33%	Investment holding
Ningbo Puhong Investment Management LLP ("Ningbo Puhong") (d)	11 May 2018, Zhejiang, the PRC	RMB650,000,000	46.17%	46.17%	Investment holding
Shanghai Weishu Information & Technology Co., Ltd. ("Shanghai Weishu") (e)	11 November 2015, Shanghai, the PRC	RMB2,240,000	33%	33%	Information Technology
Tianjin Shunhe Decoration Engineering Co., Ltd.	28 September 2018, Tianjin, the PRC	Nil	33%	33%	Customised decoration
Yangzhou Hengyu Property Co., Ltd. ("Yangzhou Hengyu") (a)	3 December 2020, Jiangsu, the PRC	USD40,000,000	30%	Nil	Property development

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

Company name	Country/date of incorporation	Paid-in capital	% interests held		Principal activities
			As at 31 December 2020	2019	
Taicang Jingchen Consulting Management Co., Ltd. ("Taicang Jingchen") (a)	1 April 2017, Jiangsu, the PRC	RMB65,694,118	48.48%	100%	Property development
Beijing Jingshuo Hotel Management Co., Ltd. ("Beijing Jingshuo")	31 May 2018, Beijing, the PRC	Nil	25%	100%	Investment holding
Beijing Tian'an Huafeng Travel Investment Co., Ltd. ("Tian'an Huafeng") (c)	18 December 2006, Beijing, the PRC	RMB50,261,500	50.16%	100%	Property development
Suzhou Jingya Consulting Management Co., Ltd. ("Suzhou Jingya") (b)	5 April 2017, Jiangsu, the PRC	RMB250,000	40%	100%	Investment holding
Jiangsu Jingyang Enterprise Management Co., Ltd.	21 August 2020, Jiangsu, the PRC	Nil	49%	Nil	Investment holding
Suzhou Jingting Consulting Management Co., Ltd.	24 August 2020, Jiangsu, the PRC	Nil	75%	Nil	Investment holding
Suzhou Jingyi Consulting Management Co., Ltd.	21 August 2020, Jiangsu, the PRC	Nil	75%	Nil	Investment holding
Suzhou Jingfu Consulting Management Co., Ltd.	19 August 2020, Jiangsu, the PRC	Nil	75%	Nil	Investment holding

notes:

- (a) During 2020, certain subsidiaries of the Group further injected, or invested in certain joint ventures, including Yangzhou Hengyu and Taicang Jingchen. The total addition of investments in joint ventures amounted to approximately RMB395,298,000.

During 2019, certain subsidiaries of the Group further injected, or invested in certain joint ventures, including Tianjin Junyou, Tianjin Ruiyue Commercial Property Co., Ltd. ("Tianjin Ruiyue") and Nanjing Shansheng. The total addition of investments in joint ventures amounted to approximately RMB152,313,000.

- (b) In June 2020, an independent third party injected capital contribution of RMB147,000,000 to Suzhou Jingya, a wholly owned subsidiary of the Group, which resulted in an effective dilution of the Group's interests in Suzhou Jingya, the Group lost control over Suzhou Jingya and accounted for Suzhou Jingya as a joint venture thereafter. Gains of RMB112,271,000 on re-measurement of the Group's original investment in Suzhou Jingya was recognised and recorded as other gains (Note 26).

Suzhou Jingya holds 80% equity interests in an associate company Changshu Huihuang Real Estate Development Co., Ltd. ("Changshu Huihuang") (Note 10).

- (c) In May 2020, the Group indirectly transferred 49.84% equity interests in Tian'an Huafeng at a consideration of RMB29,900,000 to an independent third party. Upon completion of the transaction, the Group lost control of Tian'an Huafeng and accounted for Tian'an Huafeng as a joint venture thereafter. Gains of RMB36,960,000 on disposal of equity interests and RMB37,203,000 on re-measurement of the Group's original investment in Tian'an Huafeng were recognised and recorded as other gains (Note 26).

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

notes: (continued)

- (d) In February 2019, the Group acquired 46% equity interests of Ningbo Puhong which indirectly held a property investment company in Shanghai, the PRC, at a total consideration of RMB301,000,000 from a third party seller, and accounted for Ningbo Puhong as a joint venture after the transaction completed. Gain on bargain purchase of RMB90,428,000 arising from this acquisition was recognised and recorded as other income (Note 25).
- (e) In July 2019, the Group withdrew the capital investment in its subsidiary Shanghai Weishu at a total consideration of RMB3,090,000 pursuant to the resolution reached in the shareholder meeting of Shanghai Weishu in June 2019. Since then, Shanghai Weishu was held as to 33% by the Group and became a joint venture of the Group.
- (f) Hangzhou Xiaoying Real Estate Development Co., Ltd. ("Hangzhou Xiaoying") was held as to 50% and 50% by the Group through its wholly owned subsidiary Hangzhou Jingxiao Investment Management Co., Ltd. ("Hangzhou Jingxiao") and the other joint venture partner, Hangzhou Shunguang Real Estate Development Co., Ltd. ("Hangzhou Shunguang"). In November 2019, Hangzhou Jingxiao entered into a shareholder resolution with Hangzhou Shunguang. Pursuant to the resolution, Hangzhou Shunguang follows Hangzhou Jingxiao on all substantive decision on the operating and financing policies after the resolution during the operating period of Hangzhou Xiaoying. Since then, the directors of the Company consider that the Group has effective control over Hangzhou Xiaoying, and Hangzhou Xiaoying became a non-wholly owned subsidiary of the Group.
- (g) In July 2019, the Group acquired the 50% equity interests of Tianjin Ruiyue held by the other joint venture partner at a total consideration of RMB184,739,000. Since then, Tianjin Ruiyue became a wholly owned subsidiary of the Group.

Tianjin Ruiyue holds 49% equity interests in an associate company Yangling Guanghui (Tianjin) Real Estate Development Co., Ltd. ("Yangling Guanghui") (Note 10).
- (h) Changshu Junchun was held as to 33%, 34% and 33% by the Group and the two joint venture partners, respectively. The Group entered into a share purchase agreement with one of the two joint venture partners, pursuant to which the Group acquired 1% equity interests of Changshu Junchun at a consideration of RMB6,500,000 in October 2020. Upon acquisition, the Group entered into an agreement with the two joint venture partners, pursuant to which the two joint venture partners follow the Group on all substantive decision on the operating and financing policies after the agreement during the life of Changshu Junchun. Since then, the directors of the Company consider that the Group has effective control over Changshu Junchun, and Changshu Junchun became a non-wholly owned subsidiary of the Group.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

Summarised financial information for material joint ventures

Set out below are the summarised financial information for Nanjing Shansheng, Ningbo Puhong, Changshu Junchun, Tian'an Huafeng and Yangzhou Hengyu, which are accounted for using the equity method.

Summarised balance sheet

Nanjing Shansheng As at 31 December		
	2020	2019
	RMB'000	RMB'000
Current		
Assets	2,580,394	2,833,817
Liabilities	(1,328,792)	(1,541,168)
Total current net assets	1,251,602	1,292,649
Non-current		
Assets	–	15,427
Liabilities	–	(450,000)
Total non-current net assets/(liabilities)	–	(434,573)
Net assets	1,251,602	858,076

Ningbo Puhong As at 31 December		
	2020	2019
	RMB'000	RMB'000
Current		
Assets	1,958,026	1,875,034
Liabilities	(2,554,068)	(2,450,602)
Total current net liabilities	(596,042)	(575,568)
Non-current		
Assets	4,050,008	3,750,013
Liabilities	(2,174,322)	(1,913,546)
Total non-current net assets	1,875,686	1,836,467
Net assets	1,279,644	1,260,899

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

Summarised balance sheet (continued)

	Changshu Junchun
	As at 31 December
	2019
	RMB'000

Current

Assets	8,191,991
Liabilities	(5,968,540)
Total current net assets	2,223,451

Non-current

Assets	101,404
Liabilities	(1,900,000)
Total non-current net liabilities	(1,798,596)

Net assets	424,855
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	Tian'an Huafeng
	As at 31 December
	2020
	RMB'000

Current

Assets	288,862
Liabilities	(4,054)
Total current net assets	284,808

Non-current

Assets	–
Liabilities	(85,000)
Total non-current net liabilities	(85,000)

Net assets	199,808
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NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

Summarised balance sheet (continued)

		Yangzhou Hengyu As at 31 December 2020 RMB'000
Current		
Assets		1,309,060
Liabilities		(214,990)
Total current net assets		1,094,070
Non-current		
Assets		–
Liabilities		–
Total non-current net assets		–
Net assets		1,094,070

Summarised statement of comprehensive income

		Nanjing Shansheng For the year ended 31 December	
		2020 RMB'000	2019 RMB'000
Revenue		1,759,251	–
Profit/(loss) before income tax		533,172	(40,395)
Income tax (expense)/credit		(139,646)	10,099
Post-tax profit/(loss)		393,526	(30,296)
Other comprehensive income		–	–
Total comprehensive income/(loss)		393,526	(30,296)
Dividends received from joint ventures		–	–

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

Summarised statement of comprehensive income (continued)

	Ningbo Puhong	
	For the year ended 31 December 2020 RMB'000	For the period from 1 February 2019 to 31 December 2019 RMB'000
Revenue	–	–
Profit before income tax	28,524	535,596
Income tax expense	(9,779)	(134,271)
Post-tax profit	18,745	401,325
Other comprehensive income	–	–
Total comprehensive income	18,745	401,325
Dividends received from joint ventures	–	–

	Changshu Junchun	
	For the period from 1 January 2020 to 31 October 2020 RMB'000	For the year ended 31 December 2019 RMB'000
Revenue	10,312	277,889
Loss before income tax	(69,049)	(135,729)
Income tax (expense)/credit	(1,417)	33,985
Post-tax loss	(70,466)	(101,744)
Other comprehensive income	–	–
Total comprehensive loss	(70,466)	(101,744)
Dividends received from joint ventures	–	–

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

Summarised statement of comprehensive income (continued)

	Tian'an Huafeng For the period from 29 May 2020 to 31 December 2020 RMB'000
Revenue	56
Loss before income tax	(14,032)
Income tax (expense)/credit	–
Post-tax loss	(14,032)
Other comprehensive income	–
Total comprehensive loss	(14,032)
Dividends received from joint ventures	–

	Yangzhou Hengyu For the period from 3 December 2020 to 31 December 2020 RMB'000
Revenue	–
Loss before income tax	(4,611)
Income tax (expense)/credit	–
Post-tax loss	(4,611)
Other comprehensive income	–
Total comprehensive loss	(4,611)
Dividends received from joint ventures	–

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not the Group's share of those amounts.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

Reconciliation of summarised financial information presented to the carrying amount of the Group's interests in joint ventures is as follows:

Nanjing Shansheng		
For the year ended 31 December		
	2020	2019
	RMB'000	RMB'000
Opening net assets	858,076	885,149
Profit/(loss) for the relevant year	393,526	(30,296)
Addition from shareholders	–	3,223
Closing net assets	1,251,602	858,076
Interests in joint ventures	19.75%	19.75%
	247,191	169,470
Unrealised profit in connection with the the transaction between the Group and a joint venture	(21,517)	(20,740)
Carrying value	225,674	148,730

Ningbo Puhong		
For the year ended 31 December 2020		
	For the period from 1 February 2019 to 31 December 2019	
	RMB'000	RMB'000
Opening net assets	1,260,899	–
Profit for the relevant year/period	18,745	401,325
Addition from shareholders	–	859,574
Closing net assets	1,279,644	1,260,899
Interests in joint ventures	46.17%	46.17%
	590,756	582,102
Carrying value	590,756	582,102

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

9 Investments in joint ventures (continued)

		Changshu Junchun	
		For the period from 1 January 2020 to 31 October 2020 RMB'000	For the year ended 31 December 2019 RMB'000
Opening net assets		424,855	526,599
Loss for the relevant period/year		(70,466)	(101,744)
Addition from shareholders		–	–
Closing net assets		354,389	424,855
Interests in joint ventures		33%	33%
		116,948	140,202
Carrying value		116,948	140,202

		Tian'an Huafeng	
		For the period from 29 May 2020 to 31 December 2020 RMB'000	
Opening net assets		213,840	
Loss for the relevant period		(14,032)	
Addition from shareholders		–	
Closing net assets		199,808	
Interests in joint ventures		50.16%	
		100,224	
Carrying value		100,224	

		Yangzhou Hengyu	
		For the period from 3 December 2020 to 31 December 2020 RMB'000	
Opening net assets		–	
Loss for the relevant period		(4,611)	
Addition from shareholders		1,098,681	
Closing net assets		1,094,070	
Interests in joint ventures		30%	
		328,221	
Carrying value		328,221	

The commitment relating to the Group's interests in joint ventures is presented in Note 36(b).

The contingent liabilities relating to the Group's interests in joint ventures is presented in Note 37.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening balance	1,834,909	583,558
Additions (a), (Note 9(g))	–	1,008,354
Additions from deemed disposal of a subsidiary (b)	–	80,750
Disposal (Note 9(b))	(108,495)	–
Dividends	(220,000)	–
Share of results	130,034	172,148
Unrealised profit in connection with the transaction between the Group and associates	(892)	(9,901)
Ending balance	1,635,556	1,834,909

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

10 Investments in Associates (continued)

The particulars of the associates of the Group, all of which are unlisted, are set out as follows:

Company name	Country/date of incorporation	Paid-in capital	% interests held as at 31 December 2020	% interests held as at 31 December 2019	Principal activities
Nanjing Yuning Property Co., Ltd. ("Nanjing Yuning")	5 December 2016, Jiangsu, the PRC	RMB60,000,000	17%	17%	Property development
Ningbo Rong'an Education and Investment Management Co., Ltd. ("Ningbo Rong'an Education")	1 April 2016, Zhejiang, the PRC	RMB50,000,000	25%	25%	Investment holding
Ningbo Jiamu Investment Co., Ltd. ("Ningbo Jiamu")	4 August 2016, Zhejiang, the PRC	RMB5,000,000	40%	40%	Investment holding
Hangzhou Zhenlu Investment Co., Ltd. ("Hangzhou Zhenlu")	2 December 2016, Zhejiang, the PRC	RMB600,000,000	7%	7%	Investment holding
Tropica Development Limited ("Tropica Development")	31 August 2007, Hongkong, the PRC	HKD100	25%	25%	Investment holding
Lingtu Education Investment (Beijing) Co., Ltd.	11 August 2016, Beijing, the PRC	RMB1,015,620	20%	20%	Technology development
Shanghai Zhengmin Information Technology Co., Ltd. ("Shanghai Zhengmin")	28 February 2017, Shanghai the PRC	Nil	49%	49%	Computer information technology development
Ningbo Jingfeng Property Co., Ltd. ("Ningbo Jingfeng")	23 June 2017, Zhejiang, the PRC	RMB225,000,000	50%	50%	Property development
Changshu Huihuang Property Co., Ltd.	19 December 2006, Jiangsu, the PRC	RMB122,860,800	24.56%	24.56%	Property development
Tianjin Xuming Property Co., Ltd. ("Tianjin Xuming") (a)	7 December 2015, Tianjin, the PRC	RMB170,000,000	50%	50%	Property development
Tianjin Ruihui Commercial Management Co., Ltd. ("Tianjin Ruihui") (a)	5 July 2018, Tianjin, the PRC	RMB375,000,000	49%	49%	Investment holding
Nanjing Yuesheng Real Estate Development Co., Ltd. ("Nanjing Yuesheng") (a)	23 July 2019, Jiangsu, the PRC	RMB1,500,000,000	30%	30%	Property development
Yangling Guanghui (Note 9(g)), (a)	10 August 2012, Tianjin, the PRC	RMB607,843,000	49%	49%	Property development
Shanghai Pinzhai Decoration Technology Co., Ltd. ("Shanghai Pinzhai") (b)	17 July 2015, Shanghai, the PRC	RMB22,850,000	32.3%	32.3%	Customised decoration

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates (continued)

Note:

- (a) For the year ended 31 December 2019, certain subsidiaries of the Group further injected, or invested in certain associates, including Tianjin Xuming, Tianjin Ruihui, Nanjing Yuesheng and Yangling Guanghui. The total addition of investments in associates in 2019 amounted to approximately RMB1,008,354,000.
- (b) In August 2019, an independent third party injected capital contribution of RMB12,500,000 to Shanghai Pinzhai, a non-wholly owned subsidiary of the Group, which has an effective dilution of the Group's interests in Shanghai Pinzhai. After the transaction, the Group lost control of Shanghai Pinzhai and accounted for Shanghai Pinzhai as an associate, gains of RMB85,191,000 on re-measurement of the Group's original investment in Shanghai Pinzhai was recognised in the consolidated income statement as other gains (Note 26).

Summarised financial information for material associates

Set out below are the summarised financial information for Ningbo Jingfeng, Nanjing Yuesheng, Yangling Guanghui, Tianjin Xuming, Tianjin Ruihui and Hangzhou Zhenlu which are accounted for using the equity method.

Summarised balance sheet

	Ningbo Jingfeng As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current		
Assets	823,459	1,087,220
Liabilities	(233,921)	(392,128)
Total current net assets	589,538	695,092
Non-current		
Assets	2,114	50
Liabilities	(288)	(289)
Total non-current net assets/(liabilities)	1,826	(239)
Net assets	591,364	694,853

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

10 Investments in Associates (continued)

Summarised balance sheet (continued)

Nanjing Yuesheng As at 31 December		
	2020 RMB'000	2019 RMB'000
Current		
Assets	4,489,041	3,102,449
Liabilities	(2,641,748)	(1,604,068)
Total current net assets	1,847,293	1,498,381
Non-current		
Assets	17,722	488
Liabilities	(370,528)	–
Total non-current net (liabilities)/assets	(352,806)	488
Net assets	1,494,487	1,498,869

Yangling Guanghui As at 31 December		
	2020 RMB'000	2019 RMB'000
Current		
Assets	2,586,687	2,392,251
Liabilities	(2,050,626)	(1,045,994)
Total current net assets	536,061	1,346,257
Non-current		
Assets	41,722	39,192
Liabilities	–	(800,000)
Total non-current net assets/(liabilities)	41,722	(760,808)
Net assets	577,783	585,449

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates (continued)

Summarised balance sheet (continued)

Tianjin Xuming		
As at 31 December		
	2020	2019
	RMB'000	RMB'000
Current		
Assets	880,289	1,045,695
Liabilities	(659,749)	(707,687)
Total current net assets	220,540	338,008
Non-current		
Assets	5,019	–
Liabilities	–	(180,000)
Total non-current net assets/(liabilities)	5,019	(180,000)
Net assets	225,559	158,008

Tianjin Ruihui		
As at 31 December		
	2020	2019
	RMB'000	RMB'000
Current		
Assets	660,435	402,890
Liabilities	(84,222)	(28,400)
Total current net assets	576,213	374,490
Non-current		
Assets	3,284	100
Liabilities	(205,488)	–
Total non-current net (liabilities)/assets	(202,204)	100
Net assets	374,009	374,590

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

10 Investments in Associates (continued)

Summarised balance sheet (continued)

Hangzhou Zhenlu		
As at 31 December		
	2020	2019
	RMB'000	RMB'000
Current		
Assets	1,887,453	3,022,443
Liabilities	(902,379)	(2,434,359)
Total current net assets	985,074	588,084
Non-current		
Assets	15,317	6,500
Liabilities	–	(1,286)
Total non-current net assets	15,317	5,214
Net assets	1,000,391	593,298

Summarised statement of comprehensive income

Ningbo Jingfeng		
Year ended 31 December		
	2020	2019
	RMB'000	RMB'000
Revenue	627,372	1,673,529
Profit before income tax	138,399	392,193
Income tax expense	(41,888)	(129,153)
Post-tax profit	96,511	263,040
Other comprehensive income	–	–
Total comprehensive income	96,511	263,040
Dividends received from associates	–	–

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates (continued)

Summarised statement of comprehensive income (continued)

Nanjing Yuesheng		
	Year ended	For the period from
	31 December 2020	15 August 2019 to
	RMB'000	31 December 2019
		RMB'000
Revenue	–	–
Loss before income tax	(59)	(1,727)
Income tax (expense)/credit	(4,323)	432
Post-tax loss	(4,382)	(1,295)
Other comprehensive income	–	–
Total comprehensive loss	(4,382)	(1,295)
Dividends received from associates	–	–

Yangling Guanghui		
	Year ended	For the period from
	31 December 2020	9 July 2019 to
	RMB'000	31 December 2019
		RMB'000
Revenue	–	–
Loss before income tax	(10,207)	(22,194)
Income tax credit	2,541	16,713
Post-tax loss	(7,666)	(5,481)
Other comprehensive income	–	–
Total comprehensive loss	(7,666)	(5,481)
Dividends received from associates	–	–

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

10 Investments in Associates (continued)

Summarised statement of comprehensive income (continued)

	Tianjin Xuming	
	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	668,337	–
Profit/(loss) before income tax	97,680	(15,952)
Income tax (expense)/credit	(30,129)	3,960
Post-tax profit/(loss)	67,551	(11,992)
Other comprehensive income	–	–
Total comprehensive income/(loss)	67,551	(11,992)
Dividends received from associates	–	–

	Tianjin Ruihui	
	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	–	–
Loss before income tax	(1,703)	(510)
Income tax credit	1,122	100
Post-tax loss	(581)	(410)
Other comprehensive income	–	–
Total comprehensive loss	(581)	(410)
Dividends received from associates	–	–

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates (continued)

Summarised statement of comprehensive income (continued)

	Hangzhou Zhenlu	
	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	2,029,944	–
Profit before income tax	646,574	10,252
Income tax expense	(239,481)	(2,563)
Post-tax profit	407,093	7,689
Other comprehensive income	–	–
Total comprehensive loss	407,093	7,689
Dividends received from associates	–	–

The information above reflects the amounts presented in the financial statements of the associates, adjusted for differences in accounting policies between the Group and the associates, and not the Group's share of those amounts.

Reconciliation of summarised financial information presented to the carrying amount of the Group's interests in associates is as follows:

	Ningbo Jingfeng	
	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening net assets	694,853	431,813
Addition from shareholders	–	–
Profit for the year	96,511	263,040
Other comprehensive income	–	–
Dividends	(200,000)	–
Closing net assets	591,364	694,853
Interests in associate	50%	50%
	295,682	347,427
Carrying value	295,682	347,427

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

10 Investments in Associates (continued)

	Nanjing Yuesheng	
	For the year ended	For the period from
	31 December 2020	15 August 2019 to
	RMB'000	31 December 2019
		RMB'000
Opening net assets	1,498,869	–
Loss for the relevant period	(4,382)	(1,295)
Addition from shareholders	–	1,500,164
Closing net assets	1,494,487	1,498,869
Interests in associate	30%	30%
	448,346	449,661
Carrying value	448,346	449,661

	Yangling Guanghui	
	Year ended	For the period from
	31 December 2020	9 July 2019 to
	RMB'000	31 December 2019
		RMB'000
Opening net assets	585,449	–
Addition	–	590,930
Loss for the relevant period	(7,666)	(5,481)
Closing net assets	577,783	585,449
Interests in associates	49%	49%
	283,114	286,870
Unrealised profit in connection with the transaction between the Group and an associate	(10,793)	(9,901)
Carrying value	272,321	276,969

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in Associates (continued)

Tianjin Xuming		
Year ended 31 December		
	2020	2019
	RMB'000	RMB'000
Opening net assets	158,008	–
Addition from shareholders	–	170,000
Profit/(loss) for the year	67,551	(11,992)
Other comprehensive income	–	–
Closing net assets	225,559	158,008
Interests in associate	50%	50%
	112,780	79,004
Carrying value	112,780	79,004

Tianjin Ruihui		
Year ended 31 December		
	2020	2019
	RMB'000	RMB'000
Opening net assets	374,590	–
Addition from shareholders	–	375,000
Loss for the year	(581)	(410)
Other comprehensive income	–	–
Closing net assets	374,009	374,590
Interests in associate	49%	49%
	183,264	183,549
Carrying value	183,264	183,549

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

10 Investments in Associates (continued)

	Hangzhou Zhenlu	
	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening net assets	593,298	585,609
Addition from shareholders	–	–
Profit for the year	407,093	7,689
Other comprehensive income	–	–
Closing net assets	1,000,391	593,298
Interests in associate	7%	7%
	70,027	41,531
Carrying value	70,027	41,531

The commitment relating to the Group's interests in associates is presented in Note 36(b).

The contingent liabilities relating to the Group's interests in associates is presented in Note 37.

11 Financial instruments by category

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Trade and other receivables excluding prepayments	10,716,573	6,866,894
Cash and cash equivalents	10,895,964	10,683,523
Restricted cash	2,750,525	3,064,679
Financial assets at fair value through other comprehensive income (FVOCI)	501,907	546,939
Financial assets at fair value through profit or loss (FVPL)	2,306,613	1,598,837
	27,171,582	22,760,872

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Financial liabilities		
Borrowings	21,444,808	19,005,311
Trade and other payables excluding non-financial liabilities	17,959,295	14,166,938
Amounts due to non-controlling interests of subsidiaries	1,414,043	896,011
Lease liabilities	153,799	168,977
Derivative financial instruments	25,600	39,420
	40,997,545	34,276,657

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Financial assets at fair value through other comprehensive income/at fair value through profit or loss

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

(ii) Equity investments at fair value through other comprehensive income

	Year ended 31 December 2020 RMB'000
At beginning of the year	546,939
Disposals	(14,609)
Net fair value losses recognised in other comprehensive losses (Note 18)	(30,423)
At end of the year	501,907
Less: Non-current portion	(486,650)
Current portion	15,257

Financial assets at fair value through other comprehensive income include the following:

	As at 31 December 2020 RMB'000
Unlisted equity securities (a)	501,907

- (a) The investments mainly represent the unlisted equity securities, the fair value of which were determined mainly based on the valuation techniques. The fair values are within level 3 of the fair value hierarchy.

Financial assets at fair value through other comprehensive income are denominated in the following currencies:

	As at 31 December 2020 RMB'000
RMB	449,708
USD	52,199
	501,907

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

12 Financial assets at fair value through other comprehensive income/at fair value through profit or loss (continued)

(iii) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or FVOCI,
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

	Year ended 31 December 2020 RMB'000
At beginning of the year	1,598,837
Additions	1,112,922
Disposals	(436,179)
Net fair value gains recognised in profit or loss (Note 26)	31,033
At end of the year	2,306,613
Less: Non-current portion	(1,144,684)
Current portion	1,161,929

Financial assets at fair value through profit or loss include the following:

	As at 31 December 2020 RMB'000
Unlisted equity securities (a)	146,199
Debt investments (b)	150,000
Private fund investments (c)	1,321,587
Wealth management products (d)	455,396
Listed equity securities (e)	233,431
	2,306,613

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Financial assets at fair value through other comprehensive income/at fair value through profit or loss (continued)

(iii) Classification of financial assets at fair value through profit or loss (continued)

- (a) The fair value of unlisted equity securities are based on valuation techniques. The fair value is within level 3 of the fair value hierarchy. The significant unobservable inputs are the adjusted ratios of the comparable company.
- (b) The fair values of debt investments are based on the discounted cash flows. The fair values are within level 3 of the fair value hierarchy. The significant unobservable inputs are the adjusted discount rate of the cash flows.
- (c) The fair values of private fund investments are based on net asset value. The fair values are within level 3 of the fair value hierarchy. The significant unobservable inputs are the the adjusted net assets price based on market prices of portfolio assets in the fund.
- (d) Wealth management products are mainly investments in financial products issued by commercial banks. The fair values of these investments approximated their carrying values as at 31 December 2020 and 2019.
- (e) This represented equity interest in listed companies. The fair value of the investment at 31 December 2020 and 2019 was calculated using the quoted market price.

Financial assets at fair value through profit of loss are denominated in the following currencies:

	As at 31 December 2020 RMB'000
RMB	667,441
HKD	264,249
USD	1,374,923
	<u>2,306,613</u>

13 Prepayments for leasehold land

The Group made prepayments of RMB1,239,780,000 as at 31 December 2020 (31 December 2019: RMB720,095,000) for the acquisition of leasehold land, which will be transferred to properties under development for sale upon receipt of ownership certificates or commencement of development activities.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

14 Properties held or under development for sale

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Properties under development for sale	23,589,822	13,279,230
Properties held for sale	5,173,777	4,586,496
	28,763,599	17,865,726
Less: Provision for write-down	(8,425)	(14,527)
	28,755,174	17,851,199

The properties held or under development for sale are all located in the PRC.

Borrowing costs capitalised in properties under development for sale and held for sale for the year ended 31 December 2020 were approximately RMB1,290,629,000 (2019: RMB1,550,206,000).

The capitalisation rate of borrowings was 11.45% for the year ended 31 December 2020 (2019: 9.48%).

As at 31 December 2020 and 2019, the Group's following properties under development for sale and properties held for sale were pledged as collateral for the Group's borrowings (Note 19).

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Carrying value pledged:		
Properties under development for sale	6,086,501	3,156,080
Properties held for sale	1,317,691	2,452,185

As at 31 December 2020, properties under development for sale with a total carrying amount of RMB10,273,740,502 (31 December 2019: RMB9,109,685,815) were related to property projects which were not scheduled to complete within one year from reporting period end although pre-sales of some of these properties may occur. The other balances in properties under development for sale as at 31 December 2020 and 2019 were expected to be recovered within one year from respective reporting period end.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Trade and other receivables and prepayments

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables	545,579	652,665
Less: Provision for impairment of trade receivables	(26,124)	(8,246)
Trade receivables – net	519,455	644,419
Amounts due from joint ventures and associates (Note 40(d))	3,124,230	2,346,220
Prepaid taxes and surcharges and input VAT to be deducted (a)	613,740	327,671
Receivables arising from disposal of subsidiaries (b)	–	22,917
Loans due from disposed subsidiaries assumed by third parties (c)	13,098	29,485
Tender deposits	–	50,000
Deposits with public housing fund centres (d)	11,252	27,653
Prepayments of construction costs	56,469	21,542
Temporary funding receivables (e)	152,999	134,154
Deposits paid for construction work	236,002	377,049
Amounts due from non-controlling interests of subsidiaries (f)	3,958,825	1,931,976
Deposits paid to secure borrowings	26,259	47,469
Prepayments for acquisition of completed properties for sale (g)	82,746	709,391
Deposits for potential investment	299,362	343,248
Dividend receivables	30,228	14,745
Net leasing investment receivables (i)	104,399	111,526
Receivables from a third party (h), (i)	620,604	660,126
Receivables in connection with the compensation of demolition costs (i)	133,203	–
Amounts due from related parties of non-controlling interests of a subsidiary	748,095	–
Others	906,829	172,248
Less: Provision for impairment of other receivables	(88,553)	(46,341)
	11,549,242	7,925,498
Less: non-current portion (i)	(753,652)	(757,298)
	10,795,590	7,168,200

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

15 Trade and other receivables and prepayments (continued)

notes:

- (a) Turnover taxes and surcharges are levied when the Group receives advances from customers and the prepaid are recorded as prepayments before the relevant revenue is recognised.
- (b) The balance represents the outstanding consideration for disposal of subsidiaries.
- (c) The balance represents the outstanding amounts originally due by the disposed subsidiaries which have been assumed by the acquirers based on the share purchase agreements.
- (d) The balance represents the deposits paid to public housing fund centres to secure the housing fund loans taken by certain property purchasers of the Group. Such deposits will be released upon the transfer of the properties' ownership certificates to these purchasers.
- (e) Temporary funding receivables are funds temporarily advanced to non-related parties, which are non-interest bearing and unsecured.
- (f) The balance represents the funding provided to non-controlling interests of certain subsidiaries, which are unsecured, non-interest bearing and repayable on demand.
- (g) The balance represents the prepayments paid to third parties for the selling rights of certain completed properties and for decoration work located in Hangzhou.
- (h) The balance as at 31 December 2020 includes the loan principal and interest receivable, totalling USD93,658,000 (equivalent to RMB620,604,000) (31 December 2019: USD94,653,000 (equivalent to RMB660,126,000)), due from a third party which will be matured in 2022.
- (i) The balance as at 31 December 2020 includes the long-term portion of the loan principal and interest receivables of RMB620,604,000 (31 December 2019: RMB660,126,000) due from a third party, the long-term portion of net leasing investment receivables of RMB89,845,000 (31 December 2019: RMB97,172,000) and the long-term portion of receivables of RMB43,203,000 (31 December 2019: Nil) in connection with the compensation income for demolition costs from local government.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Trade and other receivables and prepayments (continued)

The aging analysis of trade receivables, based on the property delivery or service rendered date is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Less than 1 year	359,428	620,412
Between 1 and 2 years	177,388	30,454
Between 2 and 3 years	7,421	544
Over 3 years	1,342	1,255
	545,579	652,665

Movements on the provision for impairment of trade and other receivables are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	54,587	50,012
Accrual of provision for receivables impairment during the year (Note 27)	60,090	4,575
At end of the year	114,677	54,587

As at 31 December 2020 and 2019, the fair value of trade and other receivables approximate their carrying amounts.

Trade and other receivables with a total carrying amount of RMB5,219,000 as at 31 December 2020 (31 December 2019: RMB4,463,000) were pledged as collateral for the Group's borrowings (Note 19).

As at 31 December 2020 and 2019, the carrying amounts of trade and other receivables and prepayments are denominated in below currencies:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
– RMB	10,629,276	6,922,124
– USD	717,012	792,313
– HKD	202,954	211,061
	11,549,242	7,925,498

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

16 Cash at bank and on hand

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash at bank and on hand		
– denominated in RMB	13,507,504	12,306,175
– denominated in USD	87,925	1,428,058
– denominated in HKD	51,013	13,919
– denominated in SGD	47	50
	13,646,489	13,748,202

The weighted average interest rate on the Group's bank deposits as at 31 December 2020 was 2.24% (2019: 2.00%).

Cash and cash equivalents of the Group were determined as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash at bank and on hand	13,646,489	13,748,202
Less: Restricted cash	(2,750,525)	(3,064,679)
	10,895,964	10,683,523

Restricted cash of the Group comprised of the following:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deposits as security for property purchasers' mortgage loans (a)	13,286	21,073
Deposits pledged for borrowings (Note 19)	2,192,369	2,340,146
Deposits for advanced proceeds received from property purchasers	529,597	665,563
Deposits as security for construction work	1,061	2,411
Deposits for ongoing litigations	6,236	28,279
Others	7,976	7,207
	2,750,525	3,064,679

notes:

- (a) These bank deposits are restricted to secure the bank loans taken by certain property purchasers of the Group pursuant to the local regulations of certain cities. Such deposits will be released upon the transfer of the properties' ownership certificates to these purchasers.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Share capital

(a) Authorised shares

	Number of authorised shares
As at 31 December 2020 and 2019	10,000,000,000

(b) Ordinary shares, issued and fully paid and treasury shares

	Number of ordinary shares	Ordinary shares (nominal value) RMB'000	Treasury shares RMB'000	Total RMB'000
As at 31 December 2019	1,400,194,213	86,634	(10,073)	76,561
Place of new shares (i)	138,619,000	1,179	–	1,179
Share award scheme	–	–	500	500
As at 31 December 2020	1,538,813,213	87,813	(9,573)	78,240

- (i) On 15 December 2020, the Company completed a placing of 138,619,000 new shares with a price of HKD2.20 per placing share. The net proceeds from the place of new shares was approximately HKD303,414,000 (equivalent to RMB258,023,000), among which RMB1,179,000 was recorded as share capital and RMB256,844,000 was recorded as share premium.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

18 Reserves

	Share premium RMB'000 (c)	Treasury shares RMB'000	Merger reserve RMB'000 (a)	Capital reserve RMB'000	Share award scheme RMB'000	Share option scheme RMB'000	Statutory surplus reserve RMB'000 (b)	Financial assets through other comprehensive income RMB'000 (d)	Retained Earnings RMB'000	Total RMB'000
Balance at 1 January 2020	796,937	(10,073)	125,481	322,343	90,676	3,181	245,437	3,204	3,643,016	5,220,202
Comprehensive income										
Profit for the year 2020	-	-	-	-	-	-	-	-	958,092	958,092
Net changes in fair value of financial assets through other comprehensive losses (Note 12)	-	-	-	-	-	-	-	(30,423)	-	(30,423)
Taxes on fair value gains on financial assets through other comprehensive income (Note 23)	-	-	-	-	-	-	-	(6,047)	-	(6,047)
Total comprehensive income for the year 2020	-	-	-	-	-	-	-	(36,470)	958,092	921,622
Transactions with owners										
Dividends (Note 34)	(309,160)	-	-	-	-	-	-	-	-	(309,160)
Changes in ownership interests in subsidiaries without change of control (Note 38)	-	-	-	(12,616)	-	-	-	-	-	(12,616)
Share award scheme (Note 32)	-	500	-	-	1,568	-	-	-	-	2,068
Share option scheme (Note 32)	-	-	-	-	-	(226)	-	-	-	(226)
Place of new shares	256,844	-	-	-	-	-	-	-	-	256,844
	(52,316)	500	-	(12,616)	1,568	(226)	-	-	-	(63,090)
Balance at 31 December 2020	744,621	(9,573)	125,481	309,727	92,244	2,955	245,437	(33,266)	4,601,108	6,078,734

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Reserves (continued)

	Share premium RMB'000 (c)	Treasury shares RMB'000	Merger reserve RMB'000 (a)	Capital reserve RMB'000	Share award scheme RMB'000	Share option scheme RMB'000	Statutory surplus reserve RMB'000 (b)	Financial assets through other comprehensive income RMB'000 (d)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	1,157,260	(5,848)	125,481	332,327	80,382	–	245,437	(70,420)	2,735,739	4,600,358
Change in accounting policy	–	–	–	–	–	–	–	–	3,686	3,686
Restated balance at 1 January 2019	1,157,260	(5,848)	125,481	332,327	80,382	–	245,437	(70,420)	2,739,425	4,604,044
Comprehensive income										
Profit for the year 2019	–	–	–	–	–	–	–	–	903,591	903,591
Net changes in fair value of financial assets through other comprehensive income (Note 12)	–	–	–	–	–	–	–	74,835	–	74,835
Taxes on fair value gains on financial assets through other comprehensive income (Note 23)	–	–	–	–	–	–	–	(1,211)	–	(1,211)
Total comprehensive income for the year 2019	–	–	–	–	–	–	–	73,624	903,591	977,215
Transactions with owners										
Dividends (Note 34)	(360,323)	–	–	–	–	–	–	–	–	(360,323)
Changes in ownership interests in subsidiaries without change of control (Note 38)	–	–	–	(25,589)	–	–	–	–	–	(25,589)
Share award scheme (Note 32)	–	64	–	–	10,294	–	–	–	–	10,358
Share option scheme (Note 32)	–	–	–	–	–	3,181	–	–	–	3,181
Buy-back of shares	–	(4,289)	–	–	–	–	–	–	–	(4,289)
Lapse of put option written on non-controlling interests	–	–	–	15,605	–	–	–	–	–	15,605
	(360,323)	(4,225)	–	(9,984)	10,294	3,181	–	–	–	(361,057)
Balance at 31 December 2019	796,937	(10,073)	125,481	322,343	90,676	3,181	245,437	3,204	3,643,016	5,220,202

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

18 Reserves (continued)

notes:

(a) Merger reserve

Merger reserve represent the difference of aggregate consideration paid by the Group for the acquisition of subsidiaries pursuant to the reorganisation in 2013 and the aggregate capital of the subsidiaries acquired, after elimination of investment in subsidiaries.

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the PRC subsidiaries, these subsidiaries registered in the PRC shall appropriate 10% of its annual statutory profit (after offsetting any prior years' losses) to the statutory surplus reserve ("SSR") account. When the balance of SSR reaches 50% of the registered capital/share capital of these subsidiaries, any further appropriation is optional. The SSR can be utilised to offset prior years' losses or to increase paid-in capital. However, SSR shall be maintained at a minimum of 25% of registered capital/share capital after such utilisation.

The SSR are non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations.

(c) Under the Cayman Companies Law, the share premium account may be applied by the Company for paying distributions or dividends to shareholders if immediately following the date on which the Company proposes to distribute the dividend, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. Details of the proposed final dividend are set out in Note 34.

(d) Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in Note 2.14. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Borrowings

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
– Bank loans, secured (a)	6,418,178	4,742,601
– Other loans, secured (m)	2,190,498	1,459,000
– Trust financing arrangements, secured (b)	1,046,500	251,700
– Senior notes due 2020, secured, issued in April 2017 (c)	–	2,750,975
– Senior notes due 2021, secured, issued in April 2018 (d)	1,348,822	2,429,874
– Senior notes due 2020, secured, issued in January 2019 (e)	–	1,042,469
– Senior notes due 2021, secured, issued in April 2019 (f)	1,260,924	1,355,493
– Senior notes due 2022, secured, issued in July 2019 (g)	1,688,076	1,805,273
– Senior notes due 2022, secured, issued in March 2020 (h)	1,234,231	–
– Senior notes due 2022, secured, issued in June 2020 (i)	972,150	–
– Senior notes due 2023, secured, issued in November 2020 (j)	1,551,964	–
– Corporate bonds due 2021 (k)	1,221,712	992,976
– Corporate bonds due 2022 (l)	281,188	–
	19,214,243	16,830,361
Less: Current portion of long-term borrowings	(6,909,305)	(7,223,063)
	12,304,938	9,607,298
Borrowings included in current liabilities		
– Bank loans, secured (a)	1,908,565	2,050,250
– Other loans, secured (m)	322,000	–
– Trust financing arrangements, secured (b)	–	124,700
	2,230,565	2,174,950
Add: Current portion of long-term borrowings	6,909,305	7,223,063
	9,139,870	9,398,013

notes:

- (a) The Group's bank borrowings are secured by properties held or under development for sale (Note 14), investment properties (Note 7) and bank deposits (Note 16) of the Group or guaranteed by subsidiaries of the Company.
- (b) These borrowings are mainly obtained through trust arrangements with trust financing companies. Borrowings under trust financing arrangements are secured by investment properties (Note 7), certain properties held or under development for sale (Note 14) and shares of certain subsidiaries of the Group or guaranteed by subsidiaries of the Company. Under the conventional loan trust financing arrangements, these trust financing companies provide loans to the Group through loan agreements entered into with the Group.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

19 Borrowings (continued)

notes: (continued)

(c) Senior notes due 2020, issued in April 2017

In April 2017, the Company issued three-year senior notes with principal amount of USD400,000,000, which were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 12 April 2017 at 7.75% per annum payable semi-annually in arrears, and are due for repayment on 12 April 2020. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

The senior notes due 2020, issued in April 2017, was fully redeemed on 12 April 2020.

(d) Senior notes due 2021, issued in April 2018

In April 2018, the Company issued three-year senior notes with principal amount of USD350,000,000, which were listed on the Stock Exchange, among which USD20,000,000 were subscribed by Beyond Wisdom Limited, a company wholly owned by Yan Hao. These notes are denominated in USD, and bear interest from 23 April 2018 at 9.45% per annum payable semi-annually in arrears, and are due for repayment on 23 April 2021. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 23 April 2021, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The Group purchased back part of senior notes due 2021, issued in April 2018 in the aggregate principal amount of USD200,000 with unpaid accrued interest during the year ended 31 December 2020, which was cancelled by 31 December 2020.

On 19 November 2020, the Company issued USD240,000,000 senior notes due February 2023 (Senior notes due 2023, issued in November 2020, Note(j)), USD142,815,000 of which are senior notes issued pursuant to the exchange offer with respect to the senior notes due 2021, issued in April 2018, including the principal amount of USD20,000,000 subscribed by Beyond Wisdom Limited. After the new issuance, USD142,815,000 of the senior notes due 2021, issued in April 2018, were cancelled after the exchange.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2020.

(e) Senior notes due 2020, issued in January 2019

In January 2019, the Company issued one-and-a-half-year senior notes with principal amount of USD150,000,000, which were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 31 January 2019 at 13% per annum payable semi-annually in arrears, and are due for repayment on 31 July 2020. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

In July 2020, the Group purchased back part of senior notes due 2020, issued in January 2019, in the aggregate principal amount of USD35,000,000 with unpaid accrued interest during the year ended 31 December 2020, which was cancelled by 31 December 2020.

On 30 July 2020, the Company fully redeemed the aggregate principal amount of USD115,000,000 of the senior notes due 2020, issued in January 2019.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Borrowings (continued)

notes: (continued)

(f) Senior notes due 2021, issued in April 2019

In April 2019, the Company issued two-and-a-half-year senior notes with principal amount of USD200,000,000, which were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 4 April 2019 at 10.875% per annum payable semi-annually in arrears, and are due for repayment on 4 October 2021. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 4 October 2021, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

Part of senior notes due 2021, issued in April 2019 with principal amount of USD5,700,000 with unpaid accrued interest was purchased back among which USD5,000,000 was cancelled by 31 December 2020.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2020.

(g) Senior notes due 2022, issued in July 2019

In July 2019, the Company issued three-year senior notes with principal amount of USD260,000,000, which were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 25 July 2019 at 12% per annum payable semi-annually in arrears, and are due for repayment on 25 July 2022. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 25 July 2022, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The Group purchased back part of senior notes due 2022, issued in July 2019 in the aggregate principal amount of USD500,000 with unpaid accrued interest during the year ended 31 December 2020.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2020.

(h) Senior notes due 2022, issued in March 2020

In March 2020, the Company issued two-year senior notes with principal amount of USD190,000,000, which were listed on the Singapore Exchange Securities Trading Limited. These notes are denominated in USD, and bear interest from 11 March 2020 at 12.75% per annum payable semi-annually in arrears, and are due for repayment on 11 March 2022. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 11 March 2022, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2020.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

19 Borrowings (continued)

notes: (continued)

(i) Senior notes due 2022, issued in June 2020

In June 2020, the Company issued two-and-a-quarter-year senior notes with principal amount of USD150,000,000, which were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 26 June 2020 at 12% per annum payable semi-annually in arrears, and are due for repayment on 26 September 2022. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 26 September 2022, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2020.

(j) Senior notes due 2023, issued in November 2020

In November 2020, the Company issued two-and-a-quarter-year senior notes with principal amount of USD240,000,000, USD142,815,000 of which are senior notes issued pursuant to the exchange offer with respect to the senior notes due 2021, issued in April 2018, including the principal amount of USD20,000,000 subscribed by Beyond Wisdom Limited (Note(d)). The senior notes due 2023, issued in November 2020 were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 19 November 2020 at 14.5% per annum payable semi-annually in arrears, and are due for repayment on 19 February 2023. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 19 February 2023, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2020.

(k) Corporate bonds due 2021

In March 2016, the Group issued five-year corporate bonds with principal amount of RMB1,500,000,000 ("Corporate bonds due 2021"), which were listed on the Shanghai Stock Exchange. The corporate bonds due 2021 are denominated in RMB, and bear interest rate at 5.88% per annum for the first three years and 7.00% per annum for the last two years, payable annually in arrears.

(l) Corporate bonds due 2022

In August 2019, the Group issued three-year corporate bonds with principal amount of RMB500,000,000 ("Corporate bonds due 2022"), which were listed on the Shanghai Stock Exchange. The corporate bonds due 2022 are denominated in RMB, and bear interest rate at 7.00% per annum, payable annually in arrears.

The Group purchased back part of Corporate bonds due 2022 in the aggregate principal amount of RMB217,640,000 with unpaid accrued interest by 31 December 2020.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Borrowings (continued)

notes: (continued)

(m) Other loans

Other loans, mainly including the loans from other financial institutions, are secured by properties held or under development for sale, investment properties, trade and other receivables, equity interests in the subsidiaries of the Company and guaranteed by a subsidiary of the Company. Included in other loans, there is a commercial mortgage backed securitisation which was issued in July 2018 and is due on 28 November 2029 with principal amount of RMB720,000,000 including priority tranche of RMB684,000,000 with an annual interest rate at 5.50% and posterior tranche of RMB36,000,000 which were subscribed by the Group. The commercial mortgage backed securitisation are guaranteed by certain subsidiaries and secured by the investment properties of Beijing San Quan Apartment and accounts receivables of rental income generated from Beijing San Quan Apartment. The commercial mortgage backed securitisation are denominated in RMB, and bear the above interest rate per annum for the second three years, payable quarterly in arrears.

The maturity of non-current borrowings at the reporting dates is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Between 1 and 2 years	7,056,245	5,916,425
Between 2 and 5 years	4,841,365	3,168,298
Above 5 years	407,328	522,575
	12,304,938	9,607,298

The range of effective interest rates as at 31 December 2020 and 2019 were as follows:

	As at 31 December	
	2020	2019
Bank and other loans	1.63%-11.5%	2.82%-11.3%
Trust financing arrangements	5.6%-10.5%	10.2%-10.9%

The cost of financing of the trust financing arrangements includes the interest costs and administrative fees, such as arrangement or consultancy fees and trustee fees.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

19 Borrowings (continued)

As at 31 December 2020 and 2019, the fair values for borrowings approximate their carrying amounts.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity whichever is the earlier date is as follows:

	6 months or less RMB'000	6 – 12 months RMB'000	1 – 5 years RMB'000	Over 5 Years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:					
As at 31 December 2020	1,644,082	235,547	10,216,309	209,000	12,304,938
As at 31 December 2019	<u>1,209,824</u>	<u>700,000</u>	<u>7,374,474</u>	<u>323,000</u>	<u>9,607,298</u>
Borrowings included in current liabilities:					
As at 31 December 2020	5,833,458	3,306,412	–	–	9,139,870
As at 31 December 2019	<u>6,853,553</u>	<u>2,544,460</u>	<u>–</u>	<u>–</u>	<u>9,398,013</u>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	11,631,936	8,646,075
USD	9,545,230	9,812,362
HKD	267,642	546,874
	<u>21,444,808</u>	<u>19,005,311</u>

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Derivative financial instruments

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Derivative financial instruments	25,600	39,420
Less: Current portion	(25,600)	–
Non-current portion	–	<u>39,420</u>

During acquisition of the investment in a joint venture in 2019, the Group granted a call option to one of other joint venture partners during the agreed exercise period and a right to higher proportion of the excess profit distribution than the shareholding of the joint venture partner in the joint venture according to the agreement, which was recognised as derivative financial instrument.

An independent valuation was performed by the valuer, Cushman & Wakefield, to determine the fair value of the derivative financial instrument. The valuation of the derivative financial instrument was determined using the Monte Carlo Simulation. The significant unobservable input is the volatility of the property price of the underlying investment property held by the joint venture.

The movement of the derivative is set out below:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening balance	39,420	–
Initial recognition at fair value	–	5,400
(Gains)/losses arising on changes in fair values (Note 26)	(13,820)	34,020
Ending balance	25,600	39,420
Less: Current portion	(25,600)	–
	–	<u>39,420</u>

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

21 Trade and other payables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables	3,994,211	3,780,651
Notes payable	144,749	96,078
Amounts due to related parties (Note 40(d))	5,303,035	4,229,631
Turnover taxes payable	912,053	171,226
Electricity fee and cleaning fee collected on behalf	105,946	74,763
Deed tax collected on behalf	1,964	2,381
Accrued payroll	34,541	30,903
Interest payable	394,258	380,654
Temporary funding payable	2,086,956	1,350,005
Construction deposits received from suppliers	56,621	38,586
Deposits received from customers	84,048	21,441
Consideration payables for acquisition	283,965	846,540
Payment received in connection with disposal of subsidiaries	–	117,556
Dividend payable to non-controlling interests of certain subsidiaries	315,963	676,929
Dividend payable	–	1,379
Amount received in connection with the transferring the right of collection of future receivables (a)	141,781	183,969
Payable to related parties of non-controlling interests of subsidiaries (b)	1,147,179	466,000
Deposits received in connection with cooperation with third parties for property development and property investment	943,240	800,000
Payables for acquisition of equity investments (c)	2,444,060	943,126
Others	511,319	157,249
	18,905,889	14,369,067

notes:

- (a) The balance as at 31 December 2020 and 2019 represents the consideration received from a third party in connection with the transferring the right of collection of certain future trade receivables for the remaining receipts from sales of properties.
- (b) The balance represents the payables to related parties of non-controlling interests of certain subsidiaries which are unsecured, non-interest bearing and repayable on demand.
- (c) The balance represents the interest-bearing payables due to certain third parties in connection with the acquisition of equity interests in certain subsidiaries, joint ventures and associates by the Group. The interest rate is ranging from approximately 10% – 11.41% per annum.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Trade and other payables (continued)

The aging analysis of trade payables and notes payable, based on the invoice date or service rendered date are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Less than 1 year	3,392,791	3,034,446
Between 1 and 2 years	665,377	749,824
Between 2 and 3 years	41,416	57,227
Over 3 years	39,376	35,232
	4,138,960	3,876,729

As at 31 December 2020 and 2019, the fair value of trade and other payables approximate their carrying amounts.

As at 31 December 2020 and 2019, the carrying amounts of trade and other payables are denominated in below currencies:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	18,655,324	14,086,290
USD	231,800	281,012
HKD	18,765	1,765
	18,905,889	14,369,067

22 Amounts due to non-controlling interests of subsidiaries

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Amounts due to non-controlling interests of subsidiaries	1,414,043	896,011

The balance as at 31 December 2020 includes amounts of RMB45,000,000 (31 December 2019: RMB91,200,000), which were the outstanding principal balance of shareholder's loan of Wuhan Ruixiao Real Estate Investment Co., Ltd. ("Wuhan Ruixiao"), a subsidiary of the Group, from its non-controlling shareholder. The shareholder's loan was unsecured and repayable on demand with an annual interest rate of 9%.

The balance as at 31 December 2020 includes amounts of RMB105,000,000 (31 December 2019: RMB105,000,000), which were the outstanding principal balance of shareholder's loan of Wuhan Ruixiao from its non-controlling shareholder. The shareholder's loan was unsecured and repayable on demand with an annual interest rate of 9%.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

22 Amounts due to non-controlling interests of subsidiaries (continued)

The balance as at 31 December 2020 includes amounts of RMB82,931,000 (31 December 2019: Nil), which were the outstanding principal and interest payable balance of shareholder's loan of Suzhou Jingze Consulting Management Co., Ltd., a subsidiary of the Group, from its non-controlling shareholder. The shareholder's loan was unsecured and repayable on demand with an annual interest rate of 14.965%.

The balances as at 31 December 2019 include amounts of RMB231,640,000 and RMB8,477,000 which were the outstanding principal and interest payable balance of shareholders' loan of Hangzhou Juanheng property Co., Ltd. and Tianjin Ruijun Real Estate Development Co., Ltd. ("Tianjin Ruijun Development"), two subsidiaries of the Group from their respective non-controlling shareholders. These shareholders' loans were unsecured with annual interest rate of 10% and 4.75% and were fully repaid in 2020 respectively.

Except for the shareholder's loans mentioned above which carry an interest, the fundings from other non-controlling interests of certain subsidiaries for their operational purpose in property development are unsecured, non-interest bearing and repayable on demand.

23 Deferred income tax

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred tax assets to be recovered		
– within 12 months	87,582	145,310
– after 12 months	208,304	129,088
	295,886	274,398
Deferred tax liabilities to be settled		
– within 12 months	(335,209)	(101,518)
– after 12 months	(1,085,844)	(1,202,891)
	(1,421,053)	(1,304,409)
Deferred tax liabilities, net	(1,125,167)	(1,030,011)

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Deferred income tax (continued)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance	(1,030,011)	(1,154,957)
Adjustment of changing in accounting policy	–	(1,229)
Addition arising from acquisition of subsidiaries (Note 39)	(126,711)	96,632
Addition arising from disposal of a subsidiary (Note 26(a))	20,585	(11,768)
Charged to the consolidated income statement (Note 31)	17,017	42,522
Charged to other comprehensive income (Note 18)	(6,047)	(1,211)
Ending balance	(1,125,167)	(1,030,011)

As at 31 December 2020, deferred income tax assets and deferred income tax liabilities amounting to RMB8,481,000 (31 December 2019: RMB22,821,000) were offset.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

23 Deferred income tax (continued)

The movement in deferred income tax assets and liabilities for both years ended 31 December 2020 and 2019 without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses	Provision for impairment of properties held for sale and receivables	Land appreciation tax	Elimination of inter-company transactions	Temporary difference on recognition of sales and cost of sales	Accruals	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	112,080	14,469	-	14,515	147,003	9,152	297,219
Addition arising from acquisition of Anhui Wenyi Investment Holding Group Bincheng Property Co., Ltd. ("Wenyi Bincheng") (Note 39(e))	-	-	-	-	76,712	-	76,712
Addition arising from acquisition of Nanchang Jinle Property Co., Ltd. ("Nanchang Jinle") (Note 39(a))	-	-	-	-	33,504	-	33,504
Addition arising from acquisition of Changshu Junchun (Note 39(b))	-	-	-	-	43,443	-	43,443
Disposal of Shanghai Hao Pei Property Co., Ltd. ("Shanghai Hao Pei")	(1,365)	-	-	-	-	-	(1,365)
(Charged)/credited to the consolidated income statement	(35,405)	(12,222)	-	(4,342)	(94,352)	1,175	(145,146)
At 31 December 2020	75,310	2,247	-	10,173	206,310	10,327	304,367
At 1 January 2019	64,524	15,190	5,484	19,396	84,896	10,538	200,028
Addition arising from acquisition of Hangzhou Xiaoying (Note 39(k))	-	-	-	-	96,632	-	96,632
Credited/(charged) to the consolidated income statement	47,556	(721)	(5,484)	(4,881)	(34,525)	(1,386)	559
At 31 December 2019	112,080	14,469	-	14,515	147,003	9,152	297,219

In accordance with the PRC laws and regulations, tax losses could be carried forward for a period of five years to offset against its future taxable profits. Deferred tax assets relating to unutilised tax losses are recognised to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to be utilised.

The Group did not recognise deferred income tax assets of RMB634,773,000 (31 December 2019: RMB499,341,000) in respect of tax losses amounting to RMB2,539,092,000 (31 December 2019: RMB1,997,364,000) as at 31 December 2020. All these tax losses will expire within five years.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Deferred income tax (continued)

Deferred income tax liabilities

	Temporary difference on recognition of fair value gains RMB'000	Temporary difference on recognition of cost of sales and expenses RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2020	403,706	298,642	16,524	608,358	1,327,230
Addition from acquisition of Wenyi Bincheng (Note 39(e))	–	5,175	–	61,585	66,760
Addition from acquisition of Nanchang Jinle (Note 39(a))	–	4,195	–	125,499	129,694
Addition from acquisition of Changshu Junchun (Note 39(b))	–	7,817	–	76,099	83,916
Disposal of Shanghai Hao Pei	(21,950)	–	–	–	(21,950)
Charged to other comprehensive income (Note 18)	6,047	–	–	–	6,047
Credited to the consolidated income statement	(1,799)	(51,290)	–	(109,074)	(162,163)
At 31 December 2020	386,004	264,539	16,524	762,467	1,429,534
At 1 January 2019	410,696	313,640	37,182	593,467	1,354,985
Adjustment for changes in accounting policies on 1 January 2019	–	1,229	–	–	1,229
Charged to other comprehensive income (Note 18)	1,211	–	–	–	1,211
Addition arising from disposal of Beijing Chengyuan Property Co., Ltd.	11,768	–	–	–	11,768
(Credited)/charged to the consolidated income statement	(19,969)	(16,227)	(20,658)	14,891	(41,963)
At 31 December 2019	403,706	298,642	16,524	608,358	1,327,230

Deferred income tax arose as a result of differences in timing of recognition of certain revenues, costs and expenses between the tax based accounts and the financial statements prepared in accordance with HKFRSs. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated balance sheets and their tax bases, in accordance with HKAS 12.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

24 Revenue

Revenue of the Group consists of the following:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers recognised at a point in time		
– Sales of properties	11,972,528	12,366,104
– Others	51,644	59,016
	12,024,172	12,425,120
Revenue from contract with customers recognised over time		
– Property management service	526,368	441,123
– Decoration of properties	–	180,264
	526,368	621,387
Rental income	231,889	238,620
	12,782,429	13,285,127

25 Other income

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Compensation income for demolition costs (a)	194,734	–
Gain from acquisition of shares in Ningbo Puhong (Note9(d))	–	90,428
Government grants	24,125	51,578
Compensation income	4,142	2,492
Interest income on loans to joint ventures	–	13,022
Others	120	950
	223,121	158,470

note:

- (a) In 2020, the Group received compensation income of RMB223,203,000 from local government for demolition costs incurred in prior years for certain land parcel, among which RMB90,000,000 has been received and RMB133,203,000 will be paid by the local government within two years.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Other gains – net

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Gains from re-measurement of the existing interests in a joint venture upon obtaining of control (Note 39(b))	97,552	–
Gains from re-measurement of the existing interests in a subsidiary upon lost of control (Note 9(c))	37,203	–
Net foreign exchange losses	(40,676)	–
Fair value gains from financial assets at fair value through profit or loss (Note 12)	31,033	47,232
Investment income from financial assets at fair value through profit or loss	6,592	–
Disposal gains of financial assets at fair value through profit or loss	491	–
Investment income from financial assets at fair value through other comprehensive income	29,394	14,983
Gains from lease modification	–	12,987
Losses from disposal of property, plant and equipment	(104)	(219)
Changes in fair values of derivative financial instruments	13,820	(34,020)
Gain from disposal of joint ventures	–	1,851
Gain from disposal of shares in subsidiaries (Note 9(c)), (a)	90,647	31,378
Gains from deemed disposal of a subsidiary (Note 9(b))	112,271	85,191
Compensation and late payment charges	(40,804)	(36,103)
Disposal gains on investment properties	–	14,373
Others	(10,046)	9,087
	327,373	146,740

- (a) In March 2020, the Group entered into a shares sales agreement with an independent third party, pursuant to which, the Group sold 100% equity interests in Shanghai Hao Pei, a subsidiary of the Group, at a total consideration of RMB476,000,000. The Group recognised a gain from disposal of equity interests in Shanghai Hao Pei amounting to RMB53,687,000.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

27 Expenses by nature

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cost of properties sold	9,816,188	10,069,234
Cost of properties management	329,505	292,698
Cost of design and decoration of properties	–	110,985
Surcharges	58,481	42,335
Accrual of provision for write-down of properties held or under development for sale – net	7,126	11,747
Depreciation of property, plant and equipment (Note 6)	25,656	24,679
Amortisation of intangible assets (Note 8)	1,415	1,277
Bank charges	8,802	11,168
Staff costs (Note 29)	486,333	448,060
Entertainment expenses	26,231	21,545
Stamp duty and other taxes	29,832	30,229
Professional fees	100,857	100,518
Auditors' remuneration		
– annual audit and interim review	4,038	3,995
– non-audit services	2,298	2,400
Sales commission	140,259	67,835
Advertising and publicity costs	84,071	80,254
Office and meeting expenses	47,595	43,720
Rental expenses	13,801	12,160
Travelling expenses	13,957	16,673
Net impairment losses on financial assets (Note 15)	60,090	4,575
Other expenses	208,745	195,999
Total cost of sales, selling and marketing costs and administrative expenses	11,465,280	11,592,086

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Finance income/(costs) – net

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Finance income		
– Interest income on bank deposits and financial assets	363,955	261,507
– Net foreign exchange gains on financing activities	649,597	–
	1,013,552	261,507
Finance costs		
– Interest on financing arrangements	(2,029,932)	(2,004,793)
– Net foreign exchange losses on financing activities	–	(57,731)
– Changes in discounted present value of financial liabilities for put option written on non-controlling interests	–	(120)
– Interest on lease liabilities	(13,216)	(14,549)
– Less: Amount capitalised	1,290,629	1,550,206
	(752,519)	(526,987)
Net finance income/(costs)	261,033	(265,480)

29 Staff costs (including directors' emoluments)

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Wages and salaries	439,878	369,590
Pension	5,584	21,758
Other welfare benefit expenses	39,029	43,173
Share award scheme (Note 32)	2,068	10,358
Share option scheme (Note 32)	(226)	3,181
	486,333	448,060

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

30 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive is set out below:

Name of director	Fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Share award scheme RMB'000	Share option scheme RMB'000	Total RMB'000
Year ended 31 December 2020:							
Chen Xin Ge (陳新戈)	-	-	-	-	-	-	-
Yan Hao (閻浩) (i)(ii)	-	1,484	1,484	28	-	-	2,996
Xu Chao Hui (許朝輝)(ii)	-	184	276	5	-	-	465
Xu Hai Feng (徐海峰) (ii)	-	2,718	2,039	28	841	107	5,733
Chen Chao (陳超) (ii)	-	1,684	756	48	1,095	-	3,583
Han Jiong (韓炯) (iii)	275	-	-	-	-	-	275
Qian Shi Zheng (錢世政) (iii)	275	-	-	-	-	-	275
Lo Wing Yan (盧永仁) (iii)	275	-	-	-	-	-	275
	825	6,070	4,555	109	1,936	107	13,602
Year ended 31 December 2019:							
Chen Xin Ge (陳新戈)	-	-	-	-	-	-	-
Yan Hao (閻浩) (i)(ii)	-	1,489	2,366	63	-	-	3,918
Xu Chao Hui (許朝輝) (ii)	-	2,205	138	65	17	-	2,425
Xu Hai Feng (徐海峰) (ii)	-	2,679	761	64	849	688	5,041
Han Jiong (韓炯) (iii)	263	-	-	-	-	-	263
Qian Shi Zheng (錢世政) (iii)	263	-	-	-	-	-	263
Lo Wing Yan (盧永仁) (iii)	263	-	-	-	-	-	263
	789	6,373	3,265	192	866	688	12,173

notes:

- (i) The chief executive of the Company is Yan Hao, who is also one of the executive directors of the Company.
- (ii) Yan Hao and Xu Chao Hui were appointed as the executive directors of the Company in October 2013. In August 2019, the Company entered into a renewed service agreement with Yan Hao, Chen Xin Ge and Xu Chao Hui for a further fixed period of three years commencing from 31 October 2019.
- Xu Hai Feng was appointed as executive director of the Company for a fixed period of three years commencing from 15 March 2018. In March 2021, the Company has renewed the service agreement with Xu Hai Feng for a further term of three years commencing from 15 March 2021.
- Xu Chao Hui resigned as executive director of the Company with effect from 18 January 2020. Chen Chao was appointed as executive director of the Company for a fixed period of three years commencing from 30 March 2020.
- (iii) Han Jiong (韓炯), Qian Shi Zheng (錢世政) and Lo Wing Yan (盧永仁) were appointed as independent non-executive directors of the Company in October 2013. In August 2019, the Company entered into a renewed letter of appointment with each of independent non-executive directors for a further term of three years commencing from 31 October 2019.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Benefits and interests of directors (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2020 include three (2019: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2019: three) individuals are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances, share award, share option and benefits in kind	3,416	8,822
Bonuses	1,851	2,548
	5,267	11,370

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emoluments bands (in Hong Kong dollar)		
HKD1,000,000 and below	–	–
HKD1,000,001 – HKD1,500,000	–	–
HKD1,500,001 – HKD2,000,000	–	–
HKD2,000,001 – HKD2,500,000	–	–
HKD2,500,001 – HKD3,000,000	1	–
HKD3,000,001 – HKD3,500,000	–	1
HKD3,500,001 – HKD4,000,000	1	1
HKD4,000,001 – HKD4,500,000	–	–
HKD4,500,001 and above	–	1

- (c) During the year ended 31 December 2020, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2019: Nil).

During the year ended 31 December 2020, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2019: Nil).

During the year ended 31 December 2020, no consideration was provided to or receivable by third parties for making available director's services (2019: Nil).

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year ended 31 December 2020 and 2019.

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31 Income tax expense

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current income tax		
– PRC land appreciation tax	551,649	428,308
– PRC corporate income tax	530,870	479,080
	1,082,519	907,388
Deferred income tax (Note 23)	(17,017)	(42,522)
Total income tax charged for the year	1,065,502	864,866

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 companies within the Group as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit before income tax	2,339,006	2,149,876
PRC land appreciation tax	(551,649)	(428,308)
	1,787,357	1,721,568
Income tax calculated at statutory rate of 25%	446,839	430,392
The difference from income tax calculated at statutory rate	–	(2,624)
Effect of expenses not deductible for income tax purposes	108,871	108,539
Share of results of joint ventures and associates	(42,661)	(85,639)
Income not subject to tax	(123,920)	(45,544)
Utilisation of previously unrecognised tax losses	(56,270)	(62,618)
Tax losses and temporary differences not recognised as deferred tax assets	191,702	106,962
PRC land appreciation tax and other tax on change in fair value of investment properties	(14,277)	(17,213)
PRC land appreciation tax deductible for calculation of income tax purpose	3,569	4,303
PRC land appreciation tax	551,649	428,308
Total income tax expense	1,065,502	864,866

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Income tax expense (continued)

PRC corporate income tax

Under the Corporate Income Tax Law of the PRC (the "CIT Law"), the CIT rate applicable to the Group's subsidiaries located in the PRC from 1 January 2008 is 25%.

The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The directors of the Company had confirmed that retained earnings of the Group's PRC subsidiaries as at 30 June 2013 will not be distributed in the foreseeable future. No PRC withholding income tax was accrued for the year ended 31 December 2020 (2019: Nil). The Group controls the dividend policies of these subsidiaries and it has been determined that the remaining earnings will not be distributed in the foreseeable future.

As at 31 December 2020, the Group did not recognise deferred income tax for PRC withholding income tax with amount of RMB639,120,000 (31 December 2019: RMB541,406,000) on the remaining unremitted distributable profits generated by its PRC subsidiaries attributable to the investors outside the PRC with amount of RMB6,391,198,000 (31 December 2019: RMB5,414,056,000).

Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures, and is included in the consolidated income statement as income tax expense.

32 Share-based payments

(a) New share award scheme

The Company's board approved and adopted the Share Award Scheme on 29 November 2017 (the "New Share Scheme"). Pursuant to the New Share Scheme, subject to certain vesting conditions, the shares can be vested in tranches on 1 January 2018, 2019, 2020 respectively. In March and September 2019, under the same scheme, certain shares were granted to the selected employees and can be vested in tranches in March 2019, January 2020 and January 2021 respectively subject to certain vesting conditions.

An expenses of RMB2,068,000 was recognised for the year ended 31 December 2020 in relation to the employees' service provided (2019: RMB10,358,000).

(b) Share option scheme

The Company's board approved and adopted the Share Option Scheme on 7 May 2019. On 9 September 2019, the Company granted 27,000,000 share options with an exercise price of HKD2.53 per share to certain directors of the Company and certain employees of the Company and its subsidiaries.

The amount of options that will vest depends on the achievement of certain targets of the Group mainly including contracted sales and net profits attributable to equity holders of the Company. Once vested, the options remain exercisable at any time during the period prior to the expiration of 10 years from the date on which the options are granted and accepted, in accordance with the terms of the Share Option Scheme.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

32 Share-based payments (continued)

(b) Share option scheme (continued)

Set out below are summaries of options granted under the plan:

	2020 Exercise price per share option (HKD per share)	Number of options
As at 1 January	2.53	27,000,000
Granted during the year	–	–
Cancelled during the year	2.53	(9,000,000)
As at 31 December	2.53	18,000,000

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price in HKD per share	Share options at 31 December 2020
9 September 2019	8 September 2029	2.53	18,000,000

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss.

An independent valuation was performed by the valuer, Cushman & Wakefield, to determine the fair value of the share option at grant date. The valuation was determined using the Binomial model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk free interest rate for the term of the option. A gain of RMB226,000 was recognised for the year ended 31 December 2020 (2019: An expense of RMB3,181,000).

33 Earnings per share

(a) Basic earnings per share

Basic earnings per share for the years ended 31 December 2020 and 2019 are calculated by dividing the Group's profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December 2020	2019
Group's profit attributable to equity holders of the Company (RMB'000)	958,092	903,591
Weighted average number of shares in issue (in thousand)	1,402,106	1,394,723
Basic earnings per share (RMB)	0.68	0.65

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Earnings per share (continued)

(b) Diluted earnings per share

	Year ended 31 December	
	2020	2019
Group's profit attributable to equity holders of the Company (RMB'000)	958,092	903,591
Weighted average number of shares in issue (in thousand)	1,402,106	1,394,723
Effect of dilutive potential ordinary shares in respect of share award scheme (in thousand)	2,192	4,747
Weighted average number of ordinary shares for diluted earnings per share (in thousand)	1,404,298	1,399,470
Diluted earnings per share (RMB)	0.68	0.65

34 Dividends

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Proposed final dividend of HKD25 cents (2019: HKD24 cents) per ordinary share (a)	322,481	305,261

notes:

- (a) At a board meeting held on 23 March 2021, the directors proposed a final dividend for the year ended 31 December 2020 of HKD25 cents per ordinary share using the share premium account. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of share premium for the year ended 31 December 2021 upon approval by the shareholders at the forthcoming annual general meeting of the Company.
- (b) A final dividend in respect of the year ended 31 December 2019 of HKD24 cents per ordinary share has been approved at the annual general meeting of the Company held on 26 May 2020. The dividend of RMB309,160,000 has been paid out by the Company on 12 June 2020.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

35 Notes to the consolidated cash flow statement

(a) Net cash generated from operations:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	2,339,006	2,149,876
Adjustments for:		
Depreciation (Note 27)	25,656	24,679
Amortisation (Note 27)	1,415	1,277
Losses on disposals of property, plant and equipment (Note 26)	104	219
Net impairment losses on financial assets (Note 27)	60,090	4,575
Gain on disposal of shares in subsidiaries (Note 26)	(90,647)	(31,378)
Gains from lease modification	–	(12,987)
Gains from deemed disposal of a subsidiary (Note 26)	(112,271)	(85,191)
Gains from re-measurement of the existing interests in a joint venture upon obtaining of control (Note 26)	(97,552)	–
Gains from re-measurement of the existing interests in a subsidiary upon loss of control (Note 26)	(37,203)	–
Change in fair value of financial assets at fair value through profit or loss (Note 26)	(31,033)	(47,232)
Accrual of provision for write-down of properties held for sale (Note 27)	7,126	11,747
Gains on disposal of joint ventures	–	(1,851)
(Appreciation)/depreciation of investment properties under capital platform (Note 7)	(56,687)	21,474
Fair value losses/(gains) on investment properties under other platforms (Note 7)	17,000	(96,022)
Share of results of joint ventures (Note 9)	(40,609)	(170,409)
Share of results of associate (Note 10)	(130,034)	(172,148)
Foreign exchange (gains)/losses (Note 28)	(649,597)	57,731
Interest income on loans to joint ventures (Note 25)	–	(13,022)
Gain from acquisition of shares in Ningbo Puhong (Note 25)	–	(90,428)
Finance costs (Note 28)	752,519	469,256
Interest income (Note 28)	(363,955)	(261,507)
Share award scheme (Note 32)	2,068	10,358
Share option scheme (Note 32)	(226)	3,181
Changes in fair value of derivative financial instruments (Note 26)	(13,820)	34,020
Gains from disposal of investment properties (Note 26)	–	(14,373)
Investment income from financial assets at fair value through other comprehensive income (Note 26)	(29,394)	(14,983)
Investment income from financial assets at fair value through profit or loss (Note 26)	(6,592)	–
Disposal gains of financial assets at fair value through profit or loss (Note 26)	(491)	–
Gain on bargain purchase arising from acquisition (Note 39(e))	(2,233)	–
Changes in working capital		
– Restricted cash relating to operating activities	166,377	(265,062)
– Prepayments for leasehold land	(425,025)	(669,650)
– Properties held or under development for sales (excluding capitalised interest)	174,809	5,166,737
– Trade and other receivables and prepayments	867,595	265,326
– Contract liabilities	(2,849,604)	(1,227,817)
– Trade and other payables	1,274,347	(2,002,466)
– Increase in amounts due from related parties	(400,183)	(71,184)
– Increase in amounts due to related parties	583,574	641,422
Net cash generated from operations	934,530	3,614,168

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Notes to the consolidated cash flow statement (continued)

(b) Major non-cash transaction:

Certain associates of the Group declared dividends of RMB220,000,000 during the year ended 31 December 2020 to the Group. Such dividends receivables were settled by netting off with the amounts due to the associates during the year ended 31 December 2020.

Certain subsidiaries of the Group declared dividends of RMB360,965,000 during the year ended 31 December 2020 to the non-controlling interests. Such dividends payable was settled by netting off with the amounts due from non-controlling interests of the subsidiaries during the year ended 31 December 2020.

In September 2020, pursuant to certain agreements, Shanghai Jingrui Property Management Co., Ltd. ("Jingrui Property Management"), a subsidiary of the Group, placed new shares at a total amount of RMB67,907,000 to four third parties in exchange for the 51% equity interests of Hunan Kunpeng Property Service Co., Ltd. ("Hunan Kunpeng") and 51% equity interests of Jiangsu Xinxiang Property Service Co., Ltd. ("Jiangsu Xinxiang"). After the transaction, Hunan Kunpeng and Jiangsu Xinxiang became non-wholly owned subsidiaries of the Group since then (Note 38(i), (Note 39(c), Note 39(d)).

One subsidiary of the Group declared dividends of RMB121,870,000 during the year ended 31 December 2019 to its non-controlling interests. Such dividends payable was settled by netting off with the amounts due from non-controlling interests of the subsidiary during the year ended 31 December 2019.

(c) Proceeds from disposal of property, plant and equipment:

In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Net book value (Note 6)	601	715
Losses on disposals of property, plant and equipment (Note 26)	(104)	(219)
Proceeds from disposal of property, plant and equipment	497	496

(d) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Borrowings	21,444,808	19,005,311
Leases liabilities	153,799	168,977
Amounts due to related parties	1,211,911	1,272,736
Amounts due to non-controlling interests of subsidiaries	1,414,043	896,011
	24,224,561	21,343,035

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

35 Notes to the consolidated cash flow statement (continued)

(d) Net debt reconciliation (continued)

	Borrowings RMB'000	Leases liabilities RMB'000	Amounts due to related parties RMB'000	Amounts due to non- controlling interests of subsidiaries RMB'000	Total RMB'000
Balance as at 1 January 2020	19,005,311	168,977	1,272,736	896,011	21,343,035
Net cash flows	762,337	(23,067)	(60,825)	(236,121)	442,324
Acquisition of subsidiaries	2,380,056	–	–	754,153	3,134,209
Disposal of subsidiaries	(110,000)	–	–	–	(110,000)
Foreign exchange movements	(630,074)	–	–	–	(630,074)
Other non-cash movements	37,178	7,889	–	–	45,067
Balance as at 31 December 2020	21,444,808	153,799	1,211,911	1,414,043	24,224,561

	Borrowings RMB'000	Leases liabilities RMB'000	Amounts due to related parties RMB'000	Amounts due to non- controlling interests of subsidiaries RMB'000	Total RMB'000
Balance as at 31 December 2018	18,700,763	–	1,357,500	377,894	20,436,157
Adjustment for changes in accounting policy	–	182,486	–	–	182,486
Restated balance as at 1 January 2019	18,700,763	182,486	1,357,500	377,894	20,618,643
Net cash flows	403,254	(23,366)	(84,764)	518,117	813,241
Foreign exchange movements	214,696	–	–	–	214,696
Other non-cash movements	(313,402)	9,857	–	–	(303,545)
Balance as at 31 December 2019	19,005,311	168,977	1,272,736	896,011	21,343,035

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Commitments

(a) Property development expenditure commitments

Property development expenditure committed at each balance sheet date but not yet incurred is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Land use rights	1,712,070	1,164,900
Other property development expenditure	2,251,914	1,754,489
	3,963,984	2,919,389

(b) Investment commitments

As at 31 December 2020 and 2019, committed investments are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Committed investments	26,063	18,190

(c) Operating lease rental receivables

As at 31 December 2020 and 2019, the future aggregate minimum rental receipts under non-cancellable operating lease in respect of certain buildings are receivable in the following periods:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	169,576	147,693
1 to 5 years	251,933	313,772
After 5 years	180,625	205,596
	602,134	667,061

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

37 Financial guarantees and contingent liabilities

(a) Guarantees on mortgage facilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities at each balance sheet date:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	5,416,501	4,363,078

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser, or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of mortgage. The directors consider that the likelihood of default of payments by the purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

(b) Guarantees provided to joint ventures and associates

As at 31 December 2020, the Group provided guarantees for a total of bank borrowings of RMB872,166,000 of its joint ventures and associates (31 December 2019: RMB1,484,000,000).

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Changes in ownership interests in subsidiaries without change of control

Acquisition of additional interests in subsidiaries

In 2020, the Group acquired additional equity interests of certain subsidiaries from the relevant non-controlling interests for a total cash consideration of RMB256,782,000(2019: RMB980,830,000). The excess of RMB60,124,000 in total over the carrying amount of the non-controlling interests of RMB196,658,000 was recognised in equity attributable to equity holders of the Company.

During 2020 and 2019, major acquisition of additional interests in subsidiaries are as follows:

- (a) In October 2020, the Group acquired an additional 66.24% equity interests of its subsidiary Ningbo Meishan Free Trade Port Youyu Investment Center LLP ("Meishan Youyu") at a consideration of RMB110,782,000. The excess of RMB27,439,000 over the carrying amount of the non-controlling interests of RMB83,343,000 was recognised in equity attributable to equity holders of the Company.
- (b) In July 2020, the Group acquired an additional 40% equity interests of its subsidiary Hangzhou Jingqi Enterprise Management Consulting Co., Ltd. at a consideration of RMB146,000,000. The excess of RMB32,685,000 over the carrying amount of the non-controlling interests of RMB113,315,000 was recognised in equity attributable to equity holders of the Company.
- (c) In April 2019, the Group acquired an additional 15% equity interests of its subsidiary Shanghai Xiaoyi Investment Co., Ltd. at a consideration of RMB15,000. The lower of RMB3,164,000 over the carrying amount of the non-controlling interests of RMB3,179,000 was recognised in equity attributable to equity holders of the Company.
- (d) In July 2019, the Group acquired an additional 49% equity interests of its subsidiary Hangzhou Jinghang Property Co., Ltd. through acquire 100% equity interest of Shanghai Jiacan Investment Co., Ltd. at a consideration of RMB65,213,000. The lower of RMB7,667,000 over the carrying amount of the non-controlling interests of RMB72,880,000 was recognised in equity attributable to equity holders of the Company.
- (e) In August 2019, the Group acquired an additional 30% equity interests of its subsidiary Shanghai Xiaopin Investment Co., Ltd. at a consideration of RMB201,000,000. The excess of RMB36,468,000 over the carrying amount of the non-controlling interests of RMB164,532,000 was recognised in equity attributable to equity holders of the Company.
- (f) In December 2019, the Group acquired an additional 70% equity interests of its subsidiary Taicang Jingrui Business Consulting Co., Ltd. with the carrying amount of the non-controlling interests of RMB700,000,000 at a consideration of RMB700,000,000.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

38 Changes in ownership interests in subsidiaries without change of control (continued)

Acquisition of additional interests in subsidiaries (continued)

The following table summarises the carrying amount of non-controlling interests acquired, considerations need to be paid to non-controlling interests and excess of consideration paid recognised within equity at the acquisition date.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Consideration need be paid to non-controlling interests	(256,782)	(980,830)
Carrying amount of non-controlling interests acquired	196,658	956,124
Excess of consideration paid recognised within equity	(60,124)	(24,706)

Disposal of interests in subsidiaries without loss of control

- (g) In March 2020, pursuant to certain agreements, the Group disposed of 21.1% equity interests in Taicang Jinghui Consultant Management Co., Ltd. ("Taicang Jinghui"), a wholly owned subsidiary of the Group, at a total consideration of RMB84,689,000 to a third party. The Group recognised an increase in non-controlling interests of RMB76,473,000 and an increase in equity attributable to equity holders of the Company of RMB8,216,000.
- (h) In September 2020, pursuant to certain agreements, the Group disposed of 10% equity interests in Zhoushan Jingshang Property Co., Ltd. ("Zhoushan Jingshang"), a wholly owned subsidiary of the Group, at a total consideration of RMB35,000,000 to a third party. The Group recognised an increase in non-controlling interests of RMB33,639,000 and an increase in equity attributable to equity holders of the Company of RMB1,361,000.

The following table summarises the carrying amount of non-controlling interests disposed of, considerations received from non-controlling interests and gain on disposal recognised within equity at the disposal date.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Carrying amount of disposal to non-controlling interests	(110,112)	–
Consideration received from non-controlling interests	119,689	–
Gain on disposal recognised within equity	9,577	–

Deemed disposal of interests in subsidiaries without loss of control

In 2020, certain third parties injected capital contribution of RMB181,481,000 to certain subsidiaries which had an effective dilution of the Group's interests in these subsidiaries. The Group recognised an increase in non-controlling interests of RMB143,550,000 and an increase in equity attributable to equity holders of the Company of RMB37,931,000.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Changes in ownership interests in subsidiaries without change of control (continued)

Deemed disposal of interests in subsidiaries without loss of control (continued)

During 2020, major deemed disposal of interests in subsidiaries without loss of control are as follows:

- (i) In September 2020, pursuant to certain agreements, Jingrui Property Management, a subsidiary of the Group, placed new shares at a total amount of RMB67,907,000 to four third parties in exchange for the 51% equity interests of Hunan Kunpeng and 51% equity interests of Jiangsu Xinxiang, which has an effective dilution of the Group's interests in Jingrui Property Management. After the transaction, four third parties and the Group own equity interests of Jingrui Properties Management as to 15.67% and 84.33% respectively, and the Group still controls Jingrui Property Management. The Group recognised an increase in non-controlling interests of RMB33,954,000 and an increase in equity attributable to equity holders of the Company of RMB33,953,000.

In December 2020, three third parties injected capital contribution of RMB36,850,000 to Jingrui Property Management, which has an effective dilution of the Group's interests in Jingrui Property Management. After the transaction, the Group and other third parties own equity interests of Jingrui Property Management as to 82.04% and 17.96% respectively, and the Group still controls Jingrui Property Management. The Group recognised an increase in non-controlling interests of RMB29,171,000 and an increase in equity attributable to equity holders of the Company of RMB7,679,000.
- (j) In December 2020, a third party injected capital contribution of RMB70,110,000 to Wuxi Jinghang Consultant Management Co., Ltd. ("Wuxi Jinghang"), a wholly owned subsidiary of the Group, which has an effective dilution of the Group's interests in Wuxi Jinghang. After the transaction, the Group and the third party own equity interests of Wuxi Jinghang as to 71.18% and 28.82% respectively, and the Group still controls Wuxi Jinghang. The Group recognised an increase in non-controlling interests of RMB73,500,000 and a decrease in equity attributable to equity holders of the Company of RMB3,390,000.
- (k) In 2020, certain employees injected capital contribution of RMB6,614,000 (2019: RMB13,360,000) through certain limited liability partnerships established by the Group and employees to certain subsidiaries which have an effective dilution of the Group's interests in these subsidiaries.
- (l) In July 2019, pursuant to certain agreements, Tianjin Huajing Property Co., Ltd. ("Tianjin Huajing") injected capital contribution of RMB165,130,000 to Tianjin Ruijun Commercial Management Co., Ltd. ("Tianjin Ruijun"), a wholly owned subsidiary of the Group, which has an effective dilution of the Group's interests in Tianjin Ruijun. After the transaction, Tianjin Huajing and the Group own equity interests of Tianjin Ruijun as to 49% and 51% respectively, and the Group still controls Tianjin Ruijun. The Group recognised an increase in non-controlling interests of RMB165,129,000 and a decrease in equity attributable to equity holders of the Company of RMB1,000. Tianjin Ruijun has a wholly-owned subsidiary, namely Tianjin Ruijun Development.
- (m) In August 2019, pursuant to certain agreements, Shanghai International Trust Co., Ltd. ("Shanghai Trust") and Shanghai Shangxin Kunpu Investment Management Co., Ltd. ("Shangxin Kunpu") injected capital contribution of RMB101,444,000 and RMB1,195,000 respectively to Meishan Youyu, a wholly owned subsidiary of the Group, which has an effective dilution of the Group's interests in Meishan Youyu. After these transactions, Shanghai Trust, Shangxin Kunpu and the Group own equity interests of Meishan Youyu as to 65.47%, 0.77% and 33.76% respectively, and the Group still controls Meishan Youyu. The Group recognised an increase in non-controlling interests of RMB102,635,000 and a decrease in equity attributable to equity holders of the Company of RMB4,000. Meishan Youyu has a subsidiary, namely Ningbo Jingxin Property Co., Ltd..

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

38 Changes in ownership interests in subsidiaries without change of control (continued)

The following table summarises the carrying amount of non-controlling interests disposed of, considerations received from non-controlling interests and loss on disposal recognised within equity at the deemed disposal date.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Carrying amount of non-controlling interests disposed of	(143,550)	(282,012)
Consideration received from non-controlling interests	181,481	281,129
Gain/(loss) on disposal recognised within equity	37,931	(883)

Aggregate effects of all above transactions with non-controlling interests on the equity attributable to equity holders of the Company for the year ended 31 December 2020 and 2019.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Excess of consideration paid recognised within equity	(60,124)	(24,706)
Gain on disposal recognised within equity	9,577	–
Gain/(loss) on disposal recognised within equity for equity attributable to equity holders for the Company	37,931	(883)
Net effects for transactions with non-controlling interests on equity attributable to equity holders for the Company	(12,616)	(25,589)

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Business combination and assets acquisitions

Business combination in 2020

- (a) In September 2020, the Group entered into a share purchase agreement with a third party, pursuant to which the Group acquired 51% equity interests of Nanchang Jinle at a consideration RMB145,500,000.

Completion of the share purchase took place on 30 September 2020 and Nanchang Jinle became a non-wholly owned subsidiary of the Group since then.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date of 30 September 2020.

	RMB'000
Consideration in cash	
– Amount paid	25,500
– Amount not yet paid as at 31 December 2020 (Note 21)	120,000
	<u>145,500</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	143,362
Trade and other receivables and prepayments	1,734,774
Contract acquisition costs	16,779
Properties held or under development for sale	1,778,432
Prepaid income taxes	30,794
Intangible assets (Note 8)	358
Trade and other payables	(686,688)
Borrowings	(373,990)
Contract liabilities	(2,262,337)
Deferred tax liabilities (Note 23)	(96,190)
Total identifiable net assets	<u>285,294</u>
Non-controlling interests	(139,794)
	<u>145,500</u>
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2020)	<u>150</u>

The acquired business contributed revenue of RMB742,435,000 and net profit of RMB159,178,000 to the Group for the period from 30 September 2020 to 31 December 2020. Had Nanchang Jinle been consolidated on 1 January 2020, the pro-forma revenue included in the consolidated income statement contributed by Nanchang Jinle would be RMB742,435,000. Nanchang Jinle also would contribute pro-forma net profit of RMB92,217,000.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

39 Business combination and assets acquisitions (continued)

Business combination in 2020 (continued)

- (b) Changshu Junchun was held as to 33%, 34% and 33% by the Group and the two joint venture partners, respectively. The Group entered into a share purchase agreement with one of the two joint venture partners, pursuant to which the Group acquired 1% equity interests of Changshu Junchun at a consideration of RMB6,500,000 in October 2020. Upon acquisition, the Group entered into an agreement with the two joint venture partners, pursuant to which the two joint venture partners follow the Group on all substantive decision on the operating and financing policies after the agreement during the life of Changshu Junchun. Since then, the directors of the Company consider that the Group has effective control over Changshu Junchun, and Changshu Junchun became a non-wholly owned subsidiary of the Group.

The goodwill of RMB27,545,000 arising from the acquisition of Changshu Junchun is attributable to acquired unsold properties under development. The directors of the Group consider that no impairment charge was required after performing the impairment assessment.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date of 31 October 2020.

	RMB'000
Consideration	
– Amount paid	6,500
– Fair value of the original 33% equity interests in Changshu Junchun	214,500
	<u>221,000</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	237,264
Trade and other receivables and prepayments	524,905
Contract acquisition costs	31,268
Properties held or under development for sale	4,101,960
Prepaid income taxes	31,188
Property, plant and equipment (Note 6)	246
Trade and other payables	(541,590)
Amounts due to non-controlling interests	(754,153)
Current Income tax liabilities	(106,636)
Borrowings	(1,140,000)
Contract liabilities	(1,774,994)
Deferred tax liabilities (Note 23)	(40,473)
Total identifiable net assets	<u>568,985</u>
Non-controlling interests	(375,530)
Goodwill (Note 8)	<u>27,545</u>
	<u>221,000</u>
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2020)	<u>130</u>

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Business combination and assets acquisitions (continued)

Business combination in 2020 (continued)

(b) (continued)

The acquired business contributed revenue of RMB1,526,740,000 and net profit of RMB243,774,000 to the Group for the period from 31 October 2020 to 31 December 2020. Had Changshu Junchun been consolidated on 1 January 2020, the pro-forma revenue included in the consolidated income statement contributed by Changshu Junchun would be RMB1,537,051,000. Changshu Junchun also would contribute pro-forma net profit of RMB173,308,000.

(c) In September 2020, the Group entered into a share purchase agreement with three third parties, pursuant to which Jingrui Property Management, a subsidiary of the Group, placed new shares and also paid cash consideration amounting to RMB7,573,000 to three third parties in exchange for the 51% equity interests of Hunan Kunpeng. After the transaction, three third parties own equity interests of Jingrui Property Management as 9.9% in total.

Completion of the share purchase took place on 30 September 2020 and Hunan Kunpeng became a non-wholly owned subsidiary of the Group since then.

The goodwill of RMB22,389,000 arising from the acquisition of Hunan Kunpeng is attributable to acquired business of property management service of Hunan Kunpeng. The directors of the Group consider that no impairment charge was required after performing the impairment assessment.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date of 30 September 2020.

	RMB'000
Consideration	
– Amount paid	7,573
– Fair value of 9.9% equity interests in Jingrui Property Management	42,917
	<u>50,490</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	5,151
Trade and other receivables and prepayments	95,191
Intangible assets (Note 8)	1,134
Property, plant and equipment (Note 6)	12,300
Trade and other payables	(45,305)
Contract liabilities	(10,805)
Borrowings	(2,566)
Total identifiable net assets	<u>55,100</u>
Non-controlling interests	(26,999)
Goodwill (Note 8)	<u>22,389</u>
	<u>50,490</u>
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2020)	<u>990</u>

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

39 Business combination and assets acquisitions (continued)

Business combination in 2020 (continued)

(c) (continued)

The acquired business contributed revenue of RMB32,711,000 and net profit of RMB3,088,000 to the Group for the period from 30 September 2020 to 31 December 2020. Had Hunan Kunpeng been consolidated on 1 January 2020, the pro-forma revenue included in the consolidated income statement contributed by Hunan Kunpeng would be RMB137,514,000. Hunan Kunpeng also would contribute pro-forma net profit of RMB14,337,000.

(d) In September 2020, the Group entered into a share purchase agreement with a third party, pursuant to which Jingrui Property Management, a subsidiary of the Group, placed new shares to a third party in exchange for the 51% equity interests of Jiangsu Xinxiang. After the transaction, the third party own equity interests of Jingrui Property Management as 5.8%.

Completion of the share purchase took place on 30 September 2020 and Jiangsu Xinxiang became a non-wholly owned subsidiary of the Group since then.

The goodwill of RMB20,751,000 arising from the acquisition of Jiangsu Xinxiang is attributable to acquired business of property management service of Jiangsu Xinxiang. The directors of the Group consider that no impairment charge was required after performing the impairment assessment.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date of 30 September 2020.

	RMB'000
Consideration	
– Fair value of 5.8% equity interests in Jingrui Property Management	24,990
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	3,798
Trade and other receivables and prepayments	21,448
Property, plant and equipment (Note 6)	2,777
Trade and other payables	(15,836)
Contract liabilities	(375)
Borrowings	(3,500)
Total identifiable net assets	8,312
Non-controlling interests	(4,073)
Goodwill (Note 8)	20,751
	24,990
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2020)	410

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Business combination and assets acquisitions (continued)

Business combination in 2020 (continued)

(d) (continued)

The acquired business contributed revenue of RMB25,184,000 and net profit of RMB6,292,000 to the Group for the period from 30 September 2020 to 31 December 2020. Had Jiangsu Xinxiang been consolidated on 1 January 2020, the pro-forma revenue included in the consolidated income statement contributed by Jiangsu Xinxiang would be RMB83,325,000. Jiangsu Xinxiang also would contribute pro-forma net profit of RMB7,401,000.

(e) In September 2020, the Group entered into a share purchase agreement with a third party, pursuant to which the Group acquired 50% equity interests of Wenyi Bincheng at a consideration RMB60,000,000.

Completion of the share purchase took place on 7 September 2020 and Wenyi Bincheng became a non-wholly owned subsidiary of the Group since then.

A gain of RMB2,233,000 arose from the acquisition, which was mainly attributable to the increase of the fair value of acquired unsold properties under development upon the completion of the acquisition.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date of 7 September 2020.

	RMB'000
Consideration in cash	
– Amount paid	60,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	136,419
Trade and other receivables and prepayments	1,004,190
Contract acquisition costs	20,701
Properties held or under development for sale	4,268,585
Prepaid income taxes	78,592
Property, plant and equipment (Note 6)	111
Deferred tax assets (Note 23)	9,952
Borrowings	(860,000)
Trade and other payables	(248,671)
Current income tax liabilities	(74,050)
Contract liabilities	(4,211,363)
Total identifiable net assets	124,466
Non-controlling interests	(62,233)
Gain on bargain purchase	(2,233)
	60,000
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2020)	100

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

39 Business combination and assets acquisitions (continued)

Business combination in 2020 (continued)

(e) (continued)

The acquired business contributed revenue of RMB2,216,574,000 and net profit of RMB219,759,000 to the Group for the period from 7 September 2020 to 31 December 2020. Had Wenyi Bincheng been consolidated on 1 January 2020, the pro-forma revenue included in the consolidated income statement contributed by Wenyi Bincheng would be RMB2,368,916,000. Wenyi Bincheng also would contribute pro-forma net profit of RMB129,532,000.

Assets acquisitions in 2020

- (f) In April 2020, the Group entered into a purchase agreement with a third party, pursuant to which the third party transferred 100% equity interests of Chongqing Jiuruixin Trading Co., Ltd. ("Chongqing Jiuruixin") to the Group at a total consideration of RMB217,969,000, which was fully paid as at 31 December 2020. The transaction was regarded as assets acquisition which was completed in May 2020.
- (g) In May 2020, the Group entered into a purchase agreement with a third party, pursuant to which the third party transferred 100% equity interests of Wuhan Botongshirong Real Estate Development Co., Ltd. to the Group at a total consideration of RMB350,786,000, including liabilities assumed by the Group of RMB302,966,000, and the unpaid amount of total consideration is RMB15,648,000 as at 31 December 2020. The transaction was regarded as assets acquisition which was completed in June 2020.
- (h) In November 2020, the Group entered into a purchase agreement with two third parties, pursuant to which the third parties transferred 100% equity interests of Chengdu Shijichunqiu Property Development Co., Ltd. to the Group at a total consideration of RMB79,373,000, and the unpaid amount of total consideration is RMB70,376,000 as at 31 December 2020. The transaction was regarded as assets acquisition which was completed in November 2020.
- (i) In September 2020, the Group entered into a purchase agreement with two third parties, pursuant to which the third parties transferred 80% equity interests of Chengdu Yaqing Trading Co., Ltd. to the Group at a total consideration of RMB7,040,000, which was fully paid as at 31 December 2020. The transaction was regarded as assets acquisition which was completed in November 2020.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Business combination and assets acquisitions (continued)

Assets acquisitions in 2019

(j) In January 2019, the Group entered into a purchase agreement with three third parties, pursuant to which third parties transferred 100% equity interests in total of Shanghai Yuexia Enterprise Management Co., Ltd. to the Group at a total consideration of RMB2,555,000. The transaction was regarded as assets acquisition which was completed in October 2019.

(k) The Group and Hangzhou Shunguang hold 50% equity interests of a joint venture Hangzhou Xiaoying, a property project company in Hangzhou, respectively.

In November 2019, the Group and Hangzhou Shunguang entered into a shareholder resolution, pursuant to which, Hangzhou Shunguang follows the Group on all substantive decision on the operating and financing policies of Hangzhou Xiaoying thereafter. Since then, the directors of the Company consider that the Group has effective control over Hangzhou Xiaoying, and Hangzhou Xiaoying became a non-wholly owned subsidiary of the Group. The transaction was regarded as assets acquisition.

(l) In December 2019, the Group entered into a purchase agreement with a third party, pursuant to which the third party transferred 51% equity interests of Shanghai Juanyu Real Estate Development Co., Ltd. ("Shanghai Juanyu") to the Group at a total consideration of RMB25,727,000. The transaction was regarded as assets acquisition which was completed in December 2019.

40 Related-party transactions

(a) Name and relationship with related parties

Name	Relationship with the Group
Ningbo Jiamu	Associate
Ningbo Jinghang Property Co., Ltd. ("Ningbo Jinghang")	A subsidiary of an associate
Nanjing Yuning	Associate
Ningbo Rong'an Education	Associate
Ningbo Kanghua Property Co., Ltd.	A subsidiary of an associate
Tianjin Ruiyue	Joint venture before July 2019, a subsidiary thereafter (Note 9)
Hangzhou Xiaoying	Joint venture before November 2019, a subsidiary thereafter (Note 9)
Changshu Zhicheng	Joint venture
Tianjin Yuanming	Joint venture
Hangzhou Zhenlu	Associate
Hangzhou Lvcheng Guixi Real Estate Development Co., Ltd. ("Lvcheng Guixi")	A subsidiary of an associate
Suzhou Lingrui	Joint venture
Suzhou Chengrui	Joint venture
Tropica Development	Associate
Nanjing Caicheng	Joint venture
Ningbo Jingfeng	Associate
Tianjin Junyou	Joint venture (Note 9)
Tianjin Xinyou Property Co., Ltd. ("Tianjin Xinyou")	A subsidiary of a joint venture
Changshu Huihuang	Associate before June 2020, an associate of a joint venture thereafter (Note 9)

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

40 Related-party transactions (continued)

(a) Name and relationship with related parties (continued)

Name	Relationship with the Group
Nanjing Shansheng	Joint venture (Note 9)
Changshu Junchun	Joint venture before October 2020, a subsidiary thereafter (Note 9)
Changshu Jiangnan Zhongying Real Estate Property Co., Ltd. ("Jiangnan Zhongying")	A subsidiary of a joint venture before October 2020, a subsidiary thereafter
Changshu Jiangnan Guotai Real Estate Property Co., Ltd. ("Jiangnan Guotai")	A subsidiary of a joint venture before October 2020, a subsidiary thereafter
Tianjin Ruihui	Associate (Note 10)
Tianjin Ruihui Real Estate Development Co., Ltd. ("Tianjin Ruihui Development")	A subsidiary of an associate
Shanghai Pinzhai	Associate (Note 10)
Shanghai Jidong Decoration Engineering Co., Ltd. ("Shanghai Jidong")	A subsidiary of an associate
Pinzhuang Jianzhu Design Consulting Co., Ltd. ("Pinzhuang Jianzhu")	A subsidiary of an associate
Shanghai Zhengmin	Associate
Nanjing Yuesheng	Associate (Note 10)
Yangling Guanghui	Associate (Note 10)
Tianjin Xuming	Associate (Note 10)
Tianjin Hesheng Real Estate Development Co., Ltd. ("Tianjin Hesheng")	A subsidiary of an associate
Ningbo Puhong	Joint venture (Note 9)
Tianjin Xinghuacheng Property Co., Ltd. ("Tianjin Xinghuacheng")	Joint venture
Shanghai Puhong Property Co., Ltd. ("Shanghai Puhong")	A subsidiary of a joint venture
Hangzhou Yuerong Real Estate Co., Ltd. ("Hangzhou Yuerong")	A subsidiary of an associate
Shanghai Maglink Enterprise Management Co., Ltd. ("Shanghai Maglink")	A subsidiary of a joint venture
Yangpu Scien-Tech Industry Co., Ltd. ("Yangpu Scien-Tech")	A company wholly owned by Yan Hao
Beyond Wisdom Limited	A company wholly owned by Yan Hao
Sunny King International Limited	A company wholly owned by Chen Xin Ge
Yan Hao	Substantial shareholder, director, co-chairmen, chief executive officer
Chen Xin Ge	Substantial shareholder, director, co-chairmen
Suzhou Jingya	Subsidiary before June 2020, a joint venture thereafter
Tianjin Changxin Decoration Co., Ltd. ("Tianjin Changxin")	Joint venture
Beijing Jingshuo	Subsidiary before May 2020, a joint venture thereafter
Tian'an Huafeng	Subsidiary before May 2020, a joint venture thereafter
Yangzhou Hengyu (i)	Joint venture (Note 9)
Taichang Jingchen (ii)	Joint venture (Note 9)

Note:

(i) Since December 2020, Yangzhou Hengyu became a joint venture of the Group.

(ii) Since September 2020, Taichang Jingchen became a joint venture of the Group.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Related-party transactions (continued)

(b) Transactions with related parties

The Group has the following related party transactions:

		Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
(i)	Providing/(repayment of) temporary funding to/(from) related parties		
	– Nanjing Yuning	–	(14,689)
	– Ningbo Jingfeng	–	798
	– Nanjing Caicheng	49,800	861,647
	– Tianjin Junyou	–	40,817
	– Tianjin Xinyou	–	(330)
	– Changshu Huihuang	–	(39,805)
	– Changshu Junchun	–	14,108
	– Nanjing Yuesheng	499,410	1,543
	– Ningbo Puhong	49,557	(17,086)
	– Tianjin Ruihui	–	2
	– Ningbo Jiamu	(14,800)	–
	– Tian'an Huafeng	36,491	–
	– Beijing Jingshuo	40,098	–
	– Shanghai Puhong	24,750	–
	– Shanghai Maglink	7,456	–
	– Yangzhou Hengyu	170,391	–
		863,153	847,005
(ii)	Providing loans to related parties		
	– Tianjin Ruihui Development	–	13,183
	– Tianjin Xuming	–	93,510
		–	106,693

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

40 Related-party transactions (continued)

(b) Transactions with related parties (continued)

		Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
(iii)	(Repayment)/collection of temporary funding (to)/from related parties		
	– Ningbo Jiamu	–	100,000
	– Changshu Zhicheng	4,000	(16,000)
	– Suzhou Lingrui	10,000	(7,500)
	– Suzhou Chengrui	(4,000)	16,342
	– Nanjing Caicheng	265,059	776,884
	– Lvcheng Guixi	–	10,500
	– Jiangnan Zhongying	–	46,209
	– Jiangnan Guotai	–	38,280
	– Tianjin Xinyou	29,700	15,345
	– Ningbo Jingfeng	137,306	135,000
	– Nanjing Yuning	33,444	27,250
	– Changshu Huihuang	–	399,026
	– Nanjing Shansheng	132,325	47,908
	– Tianjin Hesheng	96,010	82,500
	– Ningbo Puhong	9,035	9,241
	– Hangzhou Yuerong	7,651	24,863
	– Nanjing Yuesheng	384,558	–
	– Taicang Jingchen	40,575	–
	– Tianjin Ruihui Development	84,817	–
	– Shanghai Maglink	(4,000)	–
	– Tianjin Changxin	12,200	–
	– Beyond Wisdom Limited	17,916	–
	– Yangpu Scien-Tech	6,000	–
	– Suzhou Jingya	(354,662)	–
		907,934	1,705,848
(iv)	Collection of shareholder's loan from related parties		
	– Shanghai Pinzhai	4,000	–
	– Tianjin Ruiyue	–	624,892
	– Tianjin Ruihui Development	13,183	–
	– Nanjing Shansheng	–	61,350
	– Yangling Guanghui	19,600	79,946
		36,783	766,188

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Related-party transactions (continued)

(b) Transactions with related parties (continued)

		Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
(v)	Expenses paid by the Group on behalf of related parties		
	– Ningbo Jinghang	–	962
	– Ningbo Jingfeng	–	6
	– Changshu Huihuang	–	254
	– Hangzhou Xiaoying	–	1,125
	– Suzhou Chengrui	–	1,731
	– Tianjin Hesheng	1,263	5,086
	– Shanghai Maglink	2,312	1,688
	– Yangling Guanghui	–	8,255
	– Tian'an Huafeng	34	–
		3,609	19,107
(vi)	Providing decoration services to a related party		
	– Nanjing Caicheng	3,837	–
(vii)	Receiving decoration services from related parties		
	– Shanghai Jidong	27,716	–
	– Shanghai Pinzhai	6,216	–
	– Pinzhuang Jianzhu	58	–
		33,990	–
(viii)	Providing property management services to related parties		
	– Changshu Huihuang	–	1,223
	– Shanghai Zhengmin	486	–
	– Shanghai Maglink	739	–
		1,225	1,223
(ix)	Interest income from related parties		
	– Tianjin Ruiyue	–	13,022
	– Nanjing Shansheng	–	10,005
	– Yangling Guanghui	892	9,901
	– Tianjin Yuanming	–	4,233
	– Shanghai Pinzhai	2,247	791
		3,139	37,952
(x)	Interest expense to a related party		
	– Yangpu Scien-Tech	330	–

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

40 Related-party transactions (continued)

(b) Transactions with related parties (continued)

		Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
(xi)	Providing consulting service to related parties		
	– Ningbo Jingfeng	3,402	3,774
	– Nanjing Shansheng	777	6,643
	– Suzhou Chengrui	–	1,717
	– Jiangnan Guotai	–	2,566
	– Jiangnan Zhongying	–	1,775
	– Changshu Zhicheng	–	802
		4,179	17,277
(xii)	Senior notes subscribed by a related party Beyond Wisdom Limited		
	– Discounted principal amount (Note 19)	–	–
	– Fully capitalised interest	7,359	8,739
		7,359	8,739
(xiii)	Guarantee provided to joint ventures and associates (Note 37)		
	– Nanjing Caicheng	510,000	344,000
	– Taicang Jingchen	152,100	–
	– Nanjing Yuesheng	109,861	–
	– Tianjin Ruihui Development	100,205	–
	– Changshu Zhicheng	–	31,000
	– Tianjin Hesheng	–	90,000
	– Yangling Guanghui	–	392,000
	– Changshu Junchun	–	627,000
		872,166	1,484,000

(c) Key management compensation

Key management includes directors (executive and non-executive), chief financial officer, vice presidents, head of Capital Platform, head of Jingrui Service, head of Yan Capital Management and secretary of the board of directors. The compensation paid or payable to key management for employee services is shown below:

		Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
	Salaries and other short-term employee benefits	16,339	17,597
	Share award scheme	2,478	4,953
	Share option scheme	300	1,312
	Post-employment benefits	189	420
		19,306	24,282

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... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Related-party transactions (continued)

(d) Related-party balances

		As at 31 December	
		2020	2019
		RMB'000	RMB'000
(i)	Amounts due from related parties (Note 15)		
	– Ningbo Jinghang	9,787	9,789
	– Tianjin Yuanming	145,729	145,729
	– Nanjing Caicheng	1,480,722	1,427,085
	– Ningbo Jingfeng	3,176	7,111
	– Suzhou Chengrui	64,720	64,720
	– Tianjin Junyou	85,430	85,430
	– Changshu Huihuang	–	356
	– Changshu Junchun	–	317,642
	– Tianjin Xuming	93,510	93,510
	– Ningbo Puhong	58,255	8,698
	– Yangling Guanghui (note(1))	129,434	142,941
	– Shanghai Maglink	8,195	1,688
	– Tianjin Hesheng	3,711	2,710
	– Tianjin Ruihui	2	2
	– Tianjin Ruihui Development	–	13,183
	– Nanjing Yuesheng	500,953	1,543
	– Shanghai Pinzhai (note(2))	20,083	24,083
	– Tian'an Huafeng	70,927	–
	– Yangzhou Hengyu	170,391	–
	– Ningbo Jiamu	94,845	–
	– Suzhou Jingya	119,026	–
	– Beijing Jingshuo	40,098	–
	– Shanghai Puhong	24,750	–
	– Shanghai Zhengmin	486	–
		3,124,230	2,346,220

Note:

- (1) The balance as at 31 December 2020 includes an amount of RMB121,997,000 (31 December 2019: RMB136,220,000) due from Yangling Guanghui, which represents the outstanding principal for a shareholder's loan granted to Yangling Guanghui and interest receivable. The shareholder loan has an annual interest rate of 10% and unsecured.
- (2) The balance of RMB20,083,000 as at 31 December 2020 (31 December 2019: RMB24,083,000) due from Shanghai Pinzhai, which represents the outstanding principal for a shareholder's loan granted to Shanghai Pinzhai. The shareholder loan has an annual interest rate of 10% and unsecured.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

40 Related-party transactions (continued)

(d) Related-party balances (continued)

		As at 31 December	
		2020	2019
		RMB'000	RMB'000
(ii)	Amounts due to related parties (Note 21)		
	– Ningbo Jiamu	205,853	231,008
	– Ningbo Jinghang	11	13
	– Changshu Zhicheng	10,041	6,041
	– Suzhou Lingrui	25,763	15,763
	– Suzhou Chengrui	92,584	96,584
	– Nanjing Caicheng	3,174,888	2,909,829
	– Ningbo Rong'an Education	31,750	31,750
	– Lvcheng Guixi	52,500	52,500
	– Tianjin Xinghuacheng	16,000	16,000
	– Jiangnan Zhongying	–	58,226
	– Jiangnan Guotai	–	66,933
	– Nanjing Yuning	60,694	27,250
	– Ningbo Jingfeng	272,306	135,000
	– Tianjin Xinyou	45,045	15,345
	– Changshu Huihuang	–	399,026
	– Nanjing Shansheng	180,233	47,908
	– Ningbo Puhong	18,276	9,241
	– Shanghai Pinzhai	10,067	3,851
	– Hangzhou Yuerong	32,514	24,863
	– Tianjin Hesheng	178,510	82,500
	– Nanjing Yuesheng	384,558	–
	– Suzhou Jingya	174,588	–
	– Tian'an Huafeng	117,075	–
	– Shanghai Jidong	20,500	–
	– Pinzhuang Jianzhu	10	–
	– Taicang Jingchen	78,336	–
	– Tianjin Ruihui Development	84,817	–
	– Tianjin Changxin	12,200	–
	– Beyond Wisdom Limited	17,916	–
	– Yangpu Scien-Tech (note (1))	6,000	–
		5,303,035	4,229,631

Note:

- (1) The balance as at 31 December 2020 includes an amount of RMB6,000,000 (31 December 2019: Nil) due to Yangpu Scien-Tech represents the outstanding principal for a shareholder's loan received from Yangpu Scien-Tech. The shareholder loan has an annual interest rate of 8.5% and unsecured.

Except for those balances disclosed above, other fundings provided to or from related parties are unsecured, non-interest bearing and repayable on demand.

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries

Particulars of the subsidiaries of the Group as at 31 December 2020 and 2019 are as follows:

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2020	2019	
Subsidiaries established in the PRC						
Jingrui Properties (Group) Co., Ltd. (景瑞地產(集團)股份有限公司) ("Jingrui Properties") (b)	8 September 1993	1,621,079	1,621,079	100%	100%	Property land investment holding
Ningbo Jingrui Property Co., Ltd. (寧波景瑞置業有限公司)	20 February 2013	620,000	620,000	100%	100%	Property development
Equity International Urban Facilities Development (Tianjin) Co., Ltd. (權益城市設施開發(天津)有限公司) (b)	25 June 2007	USD71,600	USD71,600	100%	100%	Urban infrastructure development
El Urban Facilities Development (Tianjin) Co., Ltd. (天津億安城市設施開發有限公司) (b)	15 August 2007	533,325	533,325	100%	100%	Urban infrastructure development
Shanghai Xiaoyi Investment Co., Ltd. (上海驍意投資有限公司) (Note 38(c))	13 May 2014	100	100	65%	65%	Investment holding
Suzhou Jinghui Property Co., Ltd. (蘇州璟輝置業有限公司)	14 April 2016	600,000	600,000	100%	100%	Property development
Wuhan Ruixiao Real Estate Investment Co., Ltd. (武漢瑞驍房地產投資有限公司)	17 March 2017	1,003,000	1,003,000	100%	100%	Investment holding
Wuhan Ruiqian Business Consulting Co., Ltd. (武漢瑞乾商務諮詢有限公司) ("Wuhan Ruiqian")	12 December 2017	200,000	200,000	60%	60%	Property management
Taichang Jingrui Business Consulting Co., Ltd. (太倉璟睿諮詢有限公司) (Note 38(f))	1 April 2017	1,000,000	1,000,000	100%	100%	Investment holding
Shanghai Shenran Business Consulting Co., Ltd. (上海榮冉商務諮詢有限公司) ("Shanghai Shenran") (c)	17 December 2018	1,000,000	1,000,000	30%	30%	Investment holding
Shanghai Guicui Information Consulting Co., Ltd. (上海晷翠信息諮詢有限公司) ("Shanghai Guicui") (c)	17 December 2018	1,000,000	1,000,000	30%	30%	Investment holding
Shanghai Jingrui Property Management Co., Ltd. (上海景瑞物業管理有限公司) ("Jingrui Property Management") (Note 38(i)), (Note 39(c))	31 December 1996	47,882	47,882	82%	100%	Property management
Shanghai Lichen Building Decoration Engineering Co., Ltd. (上海立臣建築裝飾工程有限公司)	4 November 2011	500,000	500,000	100%	100%	Building decoration engineering
Shanghai Jingrui Investment Co., Ltd. (上海景瑞投資有限公司) (a)	22 July 2003	100,000	100,000	100%	100%	Investment holding
Changzhou Jingshen Property Co., Ltd. (常州景申置業有限公司)	14 April 2006	80,000	80,000	100%	100%	Property development

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41 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2020	2019	
Subsidiaries established in the PRC						
Changzhou Jingshang Property Co., Ltd. (常州景尚置業有限公司)	23 February 2011	620,000	620,000	100%	100%	Property development
Nantong Jingrui Property Co., Ltd. (南通景瑞置業有限公司)	26 January 2010	210,520	210,520	100%	100%	Property development
Zhoushan Jingrui Property Co., Ltd. (舟山景瑞置業有限公司)	16 February 2006	50,000	50,000	100%	100%	Property development
Zhoushan Jingshang Property Co., Ltd. (舟山景尚置業有限公司) ("Zhoushan Jingshang") (Note 38(h))	17 August 2010	200,000	200,000	100%	100%	Property development
Shaoxing Jingrui Property Co., Ltd. (紹興景瑞置業有限公司)	27 June 2011	100,000	100,000	100%	100%	Property development
Shanghai Huajiang Construction and Development Co., Ltd. (上海華江建設發展有限公司) ("Shanghai Huajiang")	16 August 2002	10,000	10,000	67.5%	67.5%	Property development
Hainan Jingshen Investment Management Co., Ltd. (海南景申投資管理有限公司)	14 May 2013	10,000	10,000	100%	100%	Property management and investment holding
Hainan Jingshang Commercial Management Co., Ltd. (海南景尚商業管理有限公司)	17 April 2013	USD2,000	USD2,000	100%	100%	Property management and investment holding
Shanghai Fengxiang Property Development Co., Ltd. (上海鳳翔房地產開發有限公司)	23 June 1998	100,000	100,000	100%	100%	Property Development
Shaoxing Jingming Property Co., Ltd. (紹興景明置業有限公司)	22 January 2014	5,000	5,000	51%	51%	Property development
Shanghai Hefu Investment Co., Ltd. (上海合福投資管理有限公司)	16 October 2015	100,000	100,000	100%	100%	Investment holding
Shanghai Shangpu Investment Fund Management Center LLP (上海上璞股權投資基金管理中心(有限合夥))	23 July 2015	192,030	192,030	100%	100%	Investment holding
Ningbo Gangcheng Business and Trading Co., Ltd. (寧波港程商貿有限公司)	28 February 2014	50,000	50,000	50%	50%	Property development
Suzhou Ailide Trade Co., Ltd. (蘇州艾力得貿易有限公司) ("Suzhou Ailide") (c)	8 January 2015	50,000	50,000	50%	50%	Hardware and building materials
Ningbo Harbour City Business Management Co., Ltd. (寧波海港城商業管理有限公司)	23 April 2014	1,000	50	50%	50%	Investment holding
Hangzhou Jingcheng Property Co., Ltd. (杭州景程置業有限公司)	6 November 2017	5,000	5,000	100%	100%	Property development
Tianjin Tianrui Investment Development Co., Ltd. (天津天瑞投資發展有限公司)	14 October 2011	30,000	30,000	70%	70%	Property development
Ningbo Jingshen Property Co., Ltd. (寧波景申置業有限公司) ("Ningbo Jingshen")	31 May 2016	30,000	30,000	65%	65%	Property development
Ningbo Jingjun Property Co., Ltd. (寧波景鈞置業有限公司) ("Ningbo Jingjun") (c)	21 October 2016	10,000	10,000	44%	44%	Property development

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41 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2020	2019	
Subsidiaries established in the PRC						
Ningbo Xiaoyong Investment Co., Ltd. (寧波驍勇投資有限公司) ("Ningbo Xiaoyong") (c)	19 October 2016	10,000	10,000	44%	44%	Investment holding
Wuhan Yanzhuo Building Decoration Engineering Co., Ltd. (武漢衍琢裝飾工程有限公司) ("Wuhan Yanzhuo") (c)	27 June 2018	20,000	20,000	40%	40%	Property development
Shanghai Xiaoze Investment Co., Ltd. (上海驍澤投資有限公司)	7 May 2014	100,000	100,000	70%	70%	Investment holding
Shanghai Linjia Life Development Co., Ltd. (上海鄰加生活企業發展股份有限公司)	23 December 2015	30,000	30,000	100%	100%	Property Management
Ningbo Xiangjun Investment Co., Ltd. (寧波翔竣投資有限公司) ("Ningbo Xiangjun")	19 October 2016	400,000	400,000	51%	51%	Investment holding
Taichang Jingyu Business Consulting Co., Ltd. (太倉璟譽諮詢管理有限公司) ("Taichang Jingyu")	1 April 2017	10,000	10,000	100%	100%	Property Management
Taichang Jingxia Business Consulting Co., Ltd. (太倉璟瑕諮詢管理有限公司)	1 April 2017	100	100	100%	100%	Property Management
Beijing Jingxiu Business Management Centre (北京景秀商業管理中心)	12 January 2017	1,000	1,000	100%	100%	Property Management
Ningbo Meishan Free Trade Port Youyue Investment Co., Ltd. (寧波梅山保稅港區優鉞資產管理有限公司)	23 February 2017	100,000	30,000	100%	100%	Investment holding
Ningbo Jingtong Property Co., Ltd. (寧波景通置業有限公司)	23 May 2017	200,000	200,000	100%	100%	Property development
Shanghai Ruiyue Hotel Management Co., Ltd. (上海瑞越酒店管理有限公司)	16 March 2017	100,000	40,000	100%	100%	Property management
Shanghai Shenxin Real Estate Co., Ltd. (上海申信房地產有限公司) ("Shanghai Shenxin") (a)	20 October 1992	10,800	10,800	100%	100%	Property management
Beijing Zhongguan Xinyuan Management LLP (北京中關信苑企業管理有限公司)	8 March 2017	10,000	10,000	100%	100%	Property management
Shanghai Hutai Real Estate Development Co., Ltd. (上海滬泰房地產發展有限公司) ("Shanghai Hutai") (a)	16 November 1992	79,475	79,475	100%	100%	Property management
Shanghai Zhaoliang Advertising Co., Ltd. (上海兆量廣告有限公司)	7 January 2008	10,000	10,000	100%	100%	Property management
Wuhan Yingjin Jiayuan Real Estate Development Co., Ltd. (武漢盈錦嘉園房地產開發有限公司) ("Wuhan Jiayuan") (c)	23 November 2016	60,000	60,000	40%	40%	Property development
Hangzhou Ruimeng Hotel Management Co., Ltd. (杭州瑞夢酒店管理有限公司)	27 December 2017	10,000	10,000	100%	100%	Property management
Zhongguan Yayuan Enterprise Management Co., Ltd. (北京中關雅苑企業管理有限公司)	9 March 2017	10,000	10,000	100%	100%	Property management
Zhongfa Wenchan Property(Wuhan) Co., Ltd. (中法文產置業(武漢)有限公司)	15 June 2017	55,000	55,000	60%	60%	Property Development

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41 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2020	2019	
Subsidiaries established in the PRC						
Tianjin Ruihua Real Estate Development Co., Ltd. (天津瑞華房地產開發有限責任公司)	14 February 2018	30,000	30,000	100%	100%	Property Development
Tianjin Ruisheng Real Estate Development Co., Ltd. (天津瑞盛房地產開發有限責任公司) ("Tianjin Ruisheng") (a)	7 March 2018	30,000	30,000	100%	100%	Property Development
Hangzhou Jingqi Corporate Management Consulting Co., Ltd. (杭州景祺企業管理諮詢有限公司) (Note 38(b))	17 May 2018	330,000	330,000	100%	60%	Investment holding
Hangzhou Jingsheng Property Co., Ltd. (杭州景勝置業有限公司)	17 May 2018	330,000	330,000	100%	60%	Property Development
Shanghai Shanding Property Management Co., Ltd. (上海山鼎物業管理有限公司)	7 November 2017	1,000	1,000	100%	100%	Property management
Shanghai Shenshi Property Co., Ltd. (上海申實置業有限公司)	28 April 2017	10,000	–	100%	100%	Property management
Tianjin Ruijun Real Estate Development Co., Ltd. (天津瑞駿房地產開發有限責任公司) ("Tianjin Ruijun") (Note 38(l))	13 June 2019	337,000	337,000	51%	51%	Property Development
Ningbo Jingxin Property Co., Ltd. (寧波景心置業有限公司) (Note 38(m))	12 June 2019	1,222,320	1,092,655	100%	33.76%	Property Development
Wuhan Ruiyihongfa Real Estate Development Co., Ltd. (武漢瑞毅弘發房地產開發有限公司) ("Wuhan Ruiyihongfa") (c)	22 July 2019	200,000	200,000	30%	30%	Property Development
Shanghai Yuexia Enterprise Management Co., Ltd. (上海悅瑕企業管理有限責任公司) (Note 39(j))	1 March 2019	10,000	–	100%	100%	Property management
Hangzhou Juanheng Property Co., Ltd. (杭州隽恒置業有限公司)	22 September 2019	350,000	50,000	51%	51%	Property Development
Hangzhou Xiaoying Real Estate Development Co., Ltd. (杭州銷穎房地產開發有限公司) ("Hangzhou Xiaoying") (Note 9(f)), (Note 39(k))	13 January 2011	30,000	30,000	50%	50%	Property Development
Wuhan Botongshirong Real Estate Development Co., Ltd. (武漢博通世融房地產開發有限公司) (Note 39(g))	22 July 2019	10,000	10,000	60%	–	Property Development
Shanghai Jingyao Property Co., Ltd. (上海璟曜置業有限公司)	25 May 2020	285,000	285,000	70%	–	Property Development
Chengdu Jingxu Property Co., Ltd. (成都景旭置業有限公司)	13 March 2020	10,000	–	100%	–	Property Development
Chongqing Jiuruixin Trading Co., Ltd. (重慶九睿鑫貿易有限責任公司) ("Chongqing Jiuruixin") (Note 39(f)), (a)	23 Sept 2019	237,969	217,969	100%	–	Property development
Chengdu Jingyu Property Co., Ltd. (成都景煜置業有限公司)	14 April 2020	10,000	10,000	79%	–	Property Development
Hangzhou Jinghui Property Co., Ltd. (杭州景暉置業有限公司)	11 June 2020	100,000	100,000	100%	–	Property Development

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41 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December 2020	2019	Principal activities
Subsidiaries established in the PRC						
Anhui Wenyi Investment Holding Group Bincheng Property Co., Ltd. (安徽省文一投資控股集團濱城置業有限公司) ("Anhui Wenyi") (Note 39(e)) (a)	25 January 2016	100,000	100,000	50%	-	Property Development
Chongqing Hushenghui Management Consulting Co., Ltd. (重慶滙昇輝企業管理諮詢有限公司)	11 June 2020	10,000	10,000	100%	-	Investment holding
Yangzhou Jingxiao Property Co., Ltd. (揚州景曉置業有限公司)	27 September 2020	20,000	-	100%	-	Property Development
Wuxi Jingyi Property Co., Ltd. (無錫景屹置業有限公司)	9 September 2020	200,000	200,000	83%	-	Property Development
Changzhou Jingrong Property Co., Ltd. (常州景榮置業有限公司)	16 September 2020	20,000	20,000	100%	-	Property Development
Chongqing Jinghuanjin Property Co., Ltd. (重慶景煥金置業有限公司)	12 October 2020	20,000	-	60%	-	Property Development
Chengdu Shijichunqiu Property Co., Ltd. (成都世紀春秋置業有限公司) (Note 39(h))	23 July 2014	20,000	20,000	100%	-	Property Development
Chengdu Yaqing Trading Co., Ltd. (成都亞慶貿易有限公司) (Note 39(i))	28 October 1994	8,800	8,800	63%	-	Property development
Tianjin Ruiming Real Estate Development Co., Ltd. (天津瑞明房地產開發有限公司)	11 November 2020	30,000	-	100%	-	Property Development
Wuxi Jinghang Consultant Management Co., Ltd. (無錫璟航諮詢管理有限公司) ("Wuxi Jinghang") (Note 38(j))	13 November 2020	255,000	255,000	71%	-	Investment holding
Changshu Jiangnan Zhongying Real Estate Property Co., Ltd. (常熟市江南中盈房地產置業有限公司) (a)	02 April 2011	306,200	306,200	34%	N/A	Property management
Changshu Jiangnan Guotai Real Estate Property Co., Ltd. (常熟市江南國泰房地產置業有限公司) (a)	15 March 2011	400,000	400,000	34%	N/A	Property management
Shanghai Youkun Management Consulting Co., Ltd. (上海優昆企業管理有限公司) ("Shanghai Youkun") (d)	19 November 2020	450,000	180,000	79%	-	Investment holding

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41 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2020	2019	
Subsidiaries established in the PRC						
Changshu Junchun Trading Co., Ltd. (常熟駿淳貿易集團有限公司) ("Changshu Junchun") (Note 9(h)), (Note 39(b)), (a), (f)	4 September 2018	500,000	500,000	34%	N/A	Investment holding
Taicang Jinghui Consulting Co., Ltd. (太倉璟惠諮詢管理有限公司) ("Taicang Jinghui") (Note 38(g))	1 April 2017	364,000	364,000	79%	100%	Investment holding
Hunan Kunpeng Property Service Co., Ltd. (湖南鯢鵬物業服務有限公司) ("Hunan Kunpeng") (Note 38(i)), (Note 39(c))	31 March 2005	20,000	20,000	51%	–	Property management
Jiangsu Xinxiang Property Co., Ltd. (江蘇欣祥物業有限公司) ("Jiangsu Xinxiang") (Note 38(j)), (Note 39(d))	25 January 2008	10,000	5,000	51%	–	Property management
Nanchang Jinle Property Co., Ltd. (南昌縣錦樂置業有限公司) ("Nanchang Jinle") (Note 39(a))	23 March 2018	50,000	50,000	51%	–	Property Development
Jiaxing Jinghong Property Co., Ltd. (嘉興璟鴻置業有限公司) ("Jiaxing Jinghong") (c)	20 December 2019	300,000	300,000	40%	–	Property Development
Ningbo Meishan Free Trade Port Jingkai investment management Co., Ltd. (寧波梅山保稅港區景凱投資管理有限公司) ("Meishan Jingkai") (e)	21 December 2017	410,000	207,750	51%	100%	Investment holding
Subsidiaries incorporated in Hong Kong						
Jingrui HK Holdings Limited ("El HK") (b)	25 June 2007	USD10	USD10	100%	100%	Property and investment holding
Sincere Paragon Limited	5 February 2013	HKD380,000	HKD380,000	100%	100%	Investment holding
Subsidiaries incorporated in BVI						
Faithful Gem Limited	18 September 2013	USD50,000	–	100%	100%	Investment holding
Natural Apex Limited	9 January 2013	USD50,000	USD50,000	100%	100%	Investment holding

The English names of the PRC 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.

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41 Particulars of principal subsidiaries (continued)

- (a) Certain equity interests in the subsidiaries of the Company were pledged for trust financing arrangement as at 31 December 2020 and 2019 (Note 19). For details, please refer to the table below:

	As at 31 December	
	2020	2019
Percentage of equity interests in Tianjin Ruisheng	–	100%
Percentage of equity interests in Shanghai Shenxin	–	100%
Percentage of equity interests in Shanghai Hutai	100%	–
Percentage of equity interests in Chongqing Jiuruixin	100%	–
Percentage of equity interests in Wenyi Bincheng	100%	–
Percentage of equity interests in Jiangnan Zhongying	90%	–
Percentage of equity interests in Jiangnan Guotai	90%	–

- (b) The companies are investment holding companies without any business other than the holding of 20.3% equity interests in Jingrui Properties. They were acquired by the Group in April 2013 for the purpose of the reorganisation.
- (c) As at 31 December 2020, the Group owned 44% equity interests in Ningbo Xiaoyong, 50% equity interests in Suzhou Alide, 40% equity interests in Wuhan Jiayuan, 40% equity interests in Wuhan Yanzhuo, 30% equity interests in Shanghai Shenran, 30% equity interests in Shanghai Guicui, 50% equity interests in Wuhan Ruiyihongfa and 40% equity interests in Jiaxing Jinghong.

The directors of the Group consider that the Group has effective control over the above-mentioned companies, because according to agreements between the Group and other shareholders of these companies, other shareholders of these companies follow the Group on all substantive decision on the operating and financing policies after the agreements during the life of these companies.

- (d) As at 31 December 2020, Shanghai Youkun was owned as to 78.67% by the Group and 21.33% by an independent third party. The directors of the Group consider that the Group has effective control over Shanghai Youkun because according to the agreement between the two parties, the third party follows the Group on all substantive decision on the operating and financing policies after the agreement during the life of Shanghai Youkun.
- (e) As at 31 December 2020, Meishan Jingkai was owned as to 51.22% by the Group and 48.78% by an independent third party. The directors of the Group consider that the Group has effective control over Meishan Jingkai because according to the agreement between the two parties, the third party follows the Group on all substantive decision on the operating and financing policies after the agreement during the life of Meishan Jingkai.
- (f) As at 31 December 2020, Changshu Junchun was owned as to 34% by the Group and 66% by two independent third parties. The directors of the Group consider that the Group has effective control over Changshu Junchun because according to the agreement among the three parties, the two third parties follow the Group on all substantive decision on the operating and financing policies after the agreement during the life of Changshu Junchun.

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41 Particulars of principal subsidiaries (continued)

(g) Summarised financial information on subsidiaries with non-controlling interests material to the Group.

The non-controlling interests of the Group are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-controlling interests for		
– Ningbo Xiaoyong	49,122	52,666
– Ningbo Xiangjun	245,836	237,637
– Wuhan Ruiqian	92,130	389,113
– Wuhan Jiayuan	853,759	874,379
– Shanghai Guicui	699,997	699,998
– Shanghai Shenran	699,997	699,998
– Tianjin Ruijun	162,953	164,847
– Meishan Youyu	148,663	93,122
– Tianjin Ruijie Commercial Management Co., Ltd.	76,824	77,515
– Tianjin Ruidong Commercial Management Co., Ltd.	71,839	72,485
– Taicang Jinghui	74,480	30,000
– Shanghai Huajiang	65,181	17,590
– Shanghai Juanyu	164,997	24,734
– Jiaxing Jinghong	176,815	–
– Meishan Jingkai	199,970	–
– Nanchang Jinle	145,109	–
– Wenyi Bincheng	137,632	–
– Changshu Junchun	475,871	–
– Wuxi Jinghang	72,264	–
– Shanghai Youkun	96,000	–
– Zhoushan Jingshang	72,689	–
– Other subsidiaries	348,191	365,830
	5,130,319	3,799,914

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41 Particulars of principal subsidiaries (continued)

Set out below are the summarised financial information for the subsidiaries including Shanghai Huajiang, Ningbo Xiaoyong, Wuhan Ruiqian, Wuhan Jiayuan, Ningbo Xiangjun, Changshu Junchun, Shanghai Guicui, Shanghai Shenran, Nanchang Jinle and Wenyi Bincheng that have non-controlling interests that are material to the Group, and the information below is the amounts before inter-company eliminations.

Summarised balance sheet

	Shanghai Huajiang As at 31 December		Ningbo Xiaoyong As at 31 December	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Current				
Assets	269,142	73,930	142,667	961,069
Liabilities	(68,734)	(19,958)	(55,013)	(883,292)
Total current net assets	200,408	53,972	87,654	77,777
Non-current				
Assets	150	150	63	16,269
Liabilities	—	—	—	—
Total non-current net assets	150	150	63	16,269
Net assets	200,558	54,122	87,717	94,046

	Wuhan Ruiqian As at 31 December		Wuhan Jiayuan As at 31 December	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Current				
Assets	1,818,326	1,583,233	5,748,083	4,923,460
Liabilities	(964,749)	(619,569)	(3,686,531)	(3,244,031)
Total current net assets	853,577	963,664	2,061,552	1,679,429
Non-current				
Assets	4,248	9,117	63,379	41,869
Liabilities	(627,500)	—	(702,000)	(264,000)
Total non-current net (liabilities)/assets	(623,252)	9,117	(638,621)	(222,131)
Net assets	230,325	972,781	1,422,931	1,457,298

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41 Particulars of principal subsidiaries (continued)

Summarised balance sheet (continued)

	Ningbo Xiangjun		Changshu Junchun
	As at 31 December		As at
	2020	2019	31 December
	RMB'000	RMB'000	2020
			RMB'000
Current			
Assets	532,606	646,136	4,879,893
Liabilities	(30,910)	(161,181)	(3,587,702)
Total current net assets	501,696	484,955	1,292,191
Non-current			
Assets	10	19	29,326
Liabilities	–	–	(600,499)
Total non-current net assets/(liabilities)	10	19	(571,173)
Net assets	501,706	484,974	721,018

	Shanghai Shenran		Shanghai Guicui	
	As at 31 December		As at 31 December	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Assets	1,389,755	999,997	1,270,002	999,997
Liabilities	(389,760)	–	(270,007)	–
Total current net assets	999,995	999,997	999,995	999,997
Non-current				
Assets	–	–	–	–
Liabilities	–	–	–	–
Total non-current net assets/(liabilities)	–	–	–	–
Net assets	999,995	999,997	999,995	999,997

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41 Particulars of principal subsidiaries (continued)

Summarised balance sheet (continued)

	Nanchang Jinle As at 31 December 2020 RMB'000	Wenyi Bincheng As at 31 December 2020 RMB'000
Current		
Assets	3,045,524	3,520,765
Liabilities	(2,781,443)	(3,255,373)
Total current net assets	264,081	265,392
Non-current		
Assets	37,833	14,406
Liabilities	(5,774)	(4,535)
Total non-current net assets	32,059	9,871
Net assets	296,140	275,263

Summarised statement of comprehensive income

	Shanghai Huajiang Year ended 31 December		Ningbo Xiaoyong Year ended 31 December	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	1,467	1,257	920,926	–
Profit/(loss) before income tax	195,248	(301)	140,121	(4,910)
Income tax expense/(credit)	(48,812)	(1,763)	(56,450)	3,282
Post-tax profit/(loss)	146,436	(2,064)	83,671	(1,628)
Other comprehensive income	–	–	–	–
Total comprehensive income/(loss)	146,436	(2,064)	83,671	(1,628)
Profit/(loss) allocated to non-controlling interests	47,592	(671)	46,856	(911)

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Summarised statement of comprehensive income (continued)

	Wuhan Ruiqian		Wuhan Jiayuan	
	Year ended 31 December		Year ended 31 December	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	242,204	–	170	170
Profit/(loss) before income tax	109,898	(20,467)	(45,675)	(38,449)
Income tax (expense)/credit	(52,354)	3,110	11,308	9,483
Post-tax profit/(loss)	57,544	(17,357)	(34,367)	(28,966)
Other comprehensive income	–	–	–	–
Total comprehensive income/(loss)	57,544	(17,357)	(34,367)	(28,966)
Profit/(loss) allocated to non-controlling interests	23,018	(6,943)	(20,620)	(17,380)

	Ningbo Xiangjun		Changshu Junchun
	Year ended 31 December		For the period from 31 October 2020 to 31 December 2020
	2020	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue	11,529	1,198,101	1,526,740
(Loss)/profit before income tax	(6,549)	157,854	278,145
Income tax credit/(expense)	23,281	(61,212)	(126,112)
Post-tax profit	16,732	96,642	152,033
Other comprehensive income	–	–	–
Total comprehensive Income	16,732	96,642	152,033
Profit allocated to non-controlling interests	8,199	47,355	100,342

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Summarised statement of comprehensive income (continued)

	Shanghai Shenran		Shanghai Guicui	
	Year ended 31 December		Year ended 31 December	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	–	–	–	–
Loss before income tax	(2)	(3)	(2)	(2)
Income tax expense	–	–	–	–
Post-tax loss	(2)	(3)	(2)	(2)
Other comprehensive income	–	–	–	–
Total comprehensive loss	(2)	(3)	(2)	(2)
Loss allocated to non-controlling interests	(1)	(2)	(1)	(2)

	Nanchang Jinle	Wenyi Bincheng
	For the period from 30 September 2020 to 31 December 2020 RMB'000	For the period from 7 September 2020 to 31 December 2020 RMB'000
Revenue	742,435	2,216,574
Profit before income tax	47,616	204,533
Income tax expense	(36,770)	(53,736)
Post-tax profit	10,846	150,797
Other comprehensive income	–	–
Total comprehensive Income	10,846	150,797
Profit allocated to non-controlling interests	5,315	75,399

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Summarised cash flow statement

	Shanghai Huajiang		Ningbo Xiaoyong	
	For the year ended 31 December		For the year ended 31 December	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	88,621	(4,076)	(57,201)	327,524
Net cash used in investing activities	–	–	–	–
Net cash used in financing activities	–	–	(90,000)	(198,000)
Net increase/(decrease) in cash and cash equivalents	88,621	(4,076)	(147,201)	129,524
Cash and cash equivalents at beginning of the year	45,830	49,906	170,501	40,977
Cash and cash equivalents at end of the year	134,451	45,830	23,300	170,501

	Wuhan Ruiqian		Wuhan Jiayuan	
	For the year ended 31 December		For the year ended 31 December	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(92,120)	20,491	(255,217)	(159,091)
Net cash generated used in investing activities	–	–	–	–
Net cash generated from/(used in) financing activities	257,500	–	211,000	(153,000)
Net increase/(decrease) in cash and cash equivalents	165,380	20,491	(44,217)	(312,091)
Cash and cash equivalents at beginning of the year	21,459	968	515,118	827,209
Cash and cash equivalents at end of the year	186,839	21,459	470,901	515,118

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Particulars of principal subsidiaries (continued)

Summarised cash flow statement (continued)

	Ningbo Xiangjun		Changshu Junchun
	For the year ended 31 December		For the period from 31 October 2020 to 31 December 2020
	2020	2019	2020
	RMB'000	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(52,466)	(153,712)	464,831
Net cash used in investing activities	–	–	–
Net cash used in financing activities	–	–	(543,400)
Net decrease in cash and cash equivalents	(52,466)	(153,712)	(78,569)
Cash and cash equivalents at beginning of the year/period	69,358	223,070	237,264
Cash and cash equivalents at end of the year/period	16,892	69,358	158,695

	Shanghai Shenran		Shanghai Guicui	
	For the year ended 31 December		For the year ended 31 December	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(2)	3	(2)	2
Net cash used in investing activities	–	–	–	–
Net cash generated from financing activities	–	–	–	–
Net (decrease)/increase in cash and cash equivalents	(2)	3	(2)	2
Cash and cash equivalents at beginning of the year	4	1	3	1
Cash and cash equivalents at end of the year	2	4	1	3

	Nanchang Jinle	Wenyi Bincheng
	Period from 30 September 2020 to 31 December 2020	Period from 7 September 2020 to 31 December 2020
	2020	2020
	RMB'000	RMB'000
Net cash generated from operating activities	43,602	126,445
Net cash used in investing activities	–	–
Net cash used in financing activities	(161,250)	(200,000)
Net decrease in cash and cash equivalents	(117,648)	(73,555)
Cash and cash equivalents at beginning of the period	143,362	136,419
Cash and cash equivalents at end of the period	25,714	62,864

The information above is the amounts before inter-company eliminations.

NOTES TO THE CONSOLIDATED ... FINANCIAL STATEMENTS

42 Balance sheet and reserve movements of the Company

Balance sheet of the Company

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	2,798,845	2,797,003
Financial assets at fair value through profit or loss	248,949	230,038
	3,047,794	3,027,041
Current assets		
Amounts due from subsidiaries	4,749,447	6,132,844
Cash at bank and on hand	11,281	54,623
Trade and other receivables and prepayments	204,367	212,858
	4,965,095	6,400,325
Total assets	8,012,889	9,427,366
OWNERS' EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	87,813	86,634
Reserves (note (a))	(1,462,729)	(992,957)
Total equity	(1,374,916)	(906,323)
LIABILITIES		
Non-current liabilities		
Borrowings	5,707,041	5,875,968
Current liabilities		
Trade and other payables	230,220	282,101
Amounts due to subsidiaries	373,673	168,862
Amounts due to a related party	17,916	–
Borrowings	3,058,955	4,006,758
	3,680,764	4,457,721
Total liabilities	9,387,805	10,333,689
Total equity and liabilities	8,012,889	9,427,366

The balance sheet of the Company was approved by the Board of Directors on 23 March 2021 and was signed on its behalf by:

Yan Hao
Director

Chen Chao
Director

... NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Balance sheet and reserve movements of the Company (continued)

(a) Reserve movements of the Company

	Share premium RMB'000	Treasury shares RMB'000	Share award scheme RMB'000	Share option scheme RMB'000	Contributed surplus RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2020	796,937	(10,073)	90,677	3,181	1,115,742	(2,364)	(2,987,057)	(992,957)
Comprehensive income/(loss)								
Loss for the year 2020	-	-	-	-	-	-	(419,298)	(419,298)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the year 2020	-	-	-	-	-	-	(419,298)	(419,298)
Transactions with owners								
Share award scheme (Note 32)	-	500	1,568	-	-	-	-	2,068
Share option scheme (Note 32)	-	-	-	(226)	-	-	-	(226)
2019 final dividend (Note 34)	(309,160)	-	-	-	-	-	-	(309,160)
Place of new shares	256,844	-	-	-	-	-	-	256,844
Balance at 31 December 2020	744,621	(9,573)	92,245	2,955	1,115,742	(2,364)	(3,406,355)	(1,462,729)
Balance at 1 January 2019	1,157,260	(5,848)	80,383	-	1,115,742	(2,364)	(1,974,150)	371,023
Comprehensive income/(loss)								
Loss for the year 2019	-	-	-	-	-	-	(1,012,907)	(1,012,907)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the year 2019	-	-	-	-	-	-	(1,012,907)	(1,012,907)
Transactions with owners								
Share award scheme (Note 32)	-	64	10,294	-	-	-	-	10,358
Share option scheme (Note 32)	-	-	-	3,181	-	-	-	3,181
2018 final dividend (Note 34)	(360,323)	-	-	-	-	-	-	(360,323)
Buy-back of shares	-	(4,289)	-	-	-	-	-	(4,289)
Balance at 31 December 2019	796,937	(10,073)	90,677	3,181	1,115,742	(2,364)	(2,987,057)	(992,957)

43 Events after the reporting period

Same as disclosed below and elsewhere in the notes to the consolidated financial statements set out above, there is no other material subsequent event undertaken by the Group after 31 December 2020.

In March 2021, the Company issued the senior notes with principal amount of USD110,000,000, which were listed on the Stock Exchange. These notes are denominated in USD and due for repayment in March 2023 at annual interest rate of 14.5%.

44 Authorisation for issue of the financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 23 March 2021.

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF JINGRUI HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

羅兵咸永道

Opinion

What we have audited

The consolidated financial statements of Jingrui Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 73 to 224, which comprise:

- the consolidated balance sheet 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 cash flow statement 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.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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 this 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Classification of subsidiary, joint venture and associate
- Provision for properties held or under development for sale
- Valuation of the investment properties

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

Key Audit Matters (continued)

Key Audit Matter 1

Classification of subsidiary, joint venture and associate

Refer to Note 5 (Critical accounting estimates and judgements), Note 10 (Investments in joint ventures), Note 11 (Investments in associates) and Note 42 (Particulars of principal subsidiaries) to the consolidated financial statements.

The Group holds investments in a number of property development companies. During the year ended 31 December 2019, the Group had 8 new non-wholly owned subsidiaries, 3 new joint ventures and 5 new associates, some of which were acquired through equity purchase.

The classification of an investment as a subsidiary, a joint venture or an associate is based on whether the Group is determined to have control, joint control or significant influence (respectively), which involves judgements in some cases.

We focused on this area because significant judgement is involved in determining whether those newly invested companies are a subsidiary, a joint venture or an associate of the Group. Subsidiaries are consolidated, which means each asset, liability and transactions are shown in the Group's financial statements, whereas joint ventures and associates are shown as single investments with a single item of profit or loss for their results. As a result, the inappropriate classification, either on acquisition and disposal or in subsequent reporting periods, can have a material impact on the consolidated financial statements.

How our audit addressed the Key Audit Matter

In assessing the classification of the new investments of the Group during the year ended 31 December 2019, we performed audit procedures as follows:

- (1) We conducted interviews with the Group's management to obtain an understanding of the background of the investments and obtained management's assessment and judgement of the classification of those investments.
- (2) We examined the legal documents associated with these investments, to determine the key terms, including rights of the investors, terms of shareholders' agreements and supplemental agreements, dispute resolution provisions, termination provisions, written concerted party agreements, governance structures and the articles of association, and then assessed these against accounting standards based on our own expertise and experience of applying them in similar situations.
- (3) In case where there have been subsequent changes to the shareholders' agreements or governance structures, we critically assessed whether the changes had impact on the initial analysis.
- (4) We sought for confirmation or alternatively inquired the joint controlling shareholders, the non-controlling shareholders or controlling shareholders to confirm the completeness of contracts and agreements we obtained, and no subsequent supplementary or amendments, to confirm their intention to act in concert with the Group if applicable, and to obtain an understanding of their assessment of the rights and obligations in those investments.
- (5) We examined the board resolutions and shareholders resolutions of the investments, to corroborate the explanations of the Group's management.
- (6) We considered the adequacy of the Group's disclosures in respect of the classification and carrying values of subsidiaries, joint ventures and associates.

Based on our audit procedures performed, we consider the classification of subsidiaries, joint ventures and associates made by the Group is supported by the evidence we obtained.



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Key Audit Matters (continued)

Key Audit Matter 2

Provision for properties held or under development for sale

Refer to Note 5 (Critical accounting estimates and judgements) and Note 15 (Properties held or under development for sale) to the consolidated financial statements.

As at 31 December 2019, the Group's properties held or under development for sale amounted to approximately RMB17,865,726,000 (31 December 2018: approximately RMB18,572,034,000), against which a provision of approximately RMB14,527,000 (31 December 2018: approximately RMB30,727,000) was provided. During the year ended 31 December 2019, an additional provision of approximately RMB11,747,000 (year ended 31 December 2018: RMB21,818,000, netting off a reversal of RMB19,963,000) was made.

Properties held or under development for sale are stated at the lower of cost and net realisable value. The determination of the estimated net realisable value of these properties is highly dependent on the Group's expectation of future selling prices and the estimated costs to complete the development projects.

We focused on this area mainly because significant judgement is required to make estimates of future selling prices and the estimated costs to complete the development projects.

How our audit addressed the Key Audit Matter

Regarding the management's assessment of provision of properties held or under development for sale, we conducted the following audit procedures:

- (1) We obtained the calculation schedules for provision for properties held or under development for sale, and tested the completeness of development projects and the mathematical accuracy of the schedules.
- (2) We interviewed the management to understand the reasons for the provision for those projects.
- (3) We corroborated the Group's forecast selling prices by comparing them to, where available, recently transacted prices and prices of comparable properties located in the same vicinity as the properties held or under development for sale.
- (4) We compared the management's budgeted total development costs against underlying contracts with vendors and supporting documents. We discussed with the project managers to assess the reasonableness of estimated costs to complete and corroborated the underlying assumptions made with our understanding of past completed similar projects.
- (5) We challenged the management's assessment and estimation of net realisable value of properties held or under development by using our industry knowledge and external market analysis.
- (6) We compared the provision provided with the subsequent actual written-off and investigated if any significant variance exists, to assess the historical accuracy and adequacy of the provision made by the management.

Based on our audit procedures performed, we consider that the reasonableness of management's judgement and estimates applied on their assessment of provision of properties held or under development for sale is supported by the evidence we obtained.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

Key Audit Matters (continued)

Key Audit Matter 3

Valuation of the investment properties

Refer to Note 5 (Critical accounting estimates and judgements) and Note 8 (Investment properties) to the consolidated financial statements.

The Group's investment properties were carried at approximately RMB6,348,172,000 as at 31 December 2019 (31 December 2018: RMB7,154,272,000) and fair value gains of approximately RMB74,548,000 (year ended 31 December 2018: RMB442,759,000) were presented either as depreciation/appreciation of investment properties under office and apartment platform, or fair value gains on investment properties under other platforms in the consolidated income statement.

We focused on this area because the valuation of the investment properties is significant to the financial statements and the valuation of the investment properties was highly dependent on a range of estimates, such as future rental cash inflows, term yield and reversionary yield which were carried out by well-known independent professional qualified valuers.

How our audit addressed the Key Audit Matter

Regarding the valuation of the investment properties, we performed the following procedures:

- (1) We assessed the independence and competence of the external valuer which issued valuation report.
- (2) We assessed the valuation techniques adopted in the valuation.
- (3) For rental income used in the valuation, we checked the amount to rent roll and lease arrangement on a sample basis.
- (4) For yield rates, market rents and recent prices of similar properties used in the valuation, we compared them with our own expectation using evidence of market transaction. Where we identified estimates and assumptions that were outside the typical ranges used, we discussed these with the valuer to understand the rationale and then assessed, based on all the available evidence and our experience in this sector, whether the use of the estimate or assumption was justified.
- (5) We tested the calculation of the valuation.

Our testing indicated that the estimates and assumptions used are justified in the context of the Group's property portfolio.



羅兵咸永道

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the chairman's statement and management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the corporate profile, corporate information, financial highlights, breakdown of major properties, directors and senior management, corporate governance report, report of the directors and five-year financial information which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the corporate profile, corporate information, financial highlights, breakdown of major properties, directors and senior management, corporate governance report, report of the directors and five-year financial information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and 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.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the audit committee 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 Lee Chung Bor.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 14 April 2020

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	54,839	71,427
Investment properties	8	6,348,172	7,154,272
Intangible assets	9	2,796	2,845
Investments in joint ventures	10	1,012,044	605,828
Investments in associates	11	1,834,909	583,558
Deferred income tax assets	24	274,398	166,276
Financial assets at fair value through profit or loss	13	1,000,587	551,606
Financial assets at fair value through other comprehensive income	13	546,939	472,104
Trade and other receivables and prepayments	16	757,298	325,783
		11,831,982	9,933,699
Current assets			
Prepayments for leasehold land	14	720,095	–
Properties held or under development for sale	15	17,851,199	18,541,307
Trade and other receivables and prepayments	16	7,168,200	6,099,232
Prepaid income taxes		323,224	103,312
Restricted cash	17	3,064,679	1,354,871
Cash and cash equivalents	17	10,683,523	11,715,378
Contract acquisition costs		122,037	42,241
Financial assets at fair value through profit or loss	13	598,250	92,555
		40,531,207	37,948,896
Total assets		52,363,189	47,882,595
OWNERS' EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value	18	86,634	86,634
Reserves	19	5,220,202	4,600,358
		5,306,836	4,686,992
Non-controlling interests	42	3,799,914	4,126,155
Total equity		9,106,750	8,813,147

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	9,607,298	12,017,359
Deferred income tax liabilities	24	1,304,409	1,321,233
Lease liabilities		148,124	–
Derivative financial instruments	21	39,420	–
		11,099,251	13,338,592
Current liabilities			
Trade and other payables	22	14,369,067	13,472,373
Amounts due to non-controlling interests of subsidiaries	23	896,011	377,894
Contract liabilities		6,231,044	4,181,540
Current income tax liabilities		1,242,200	1,000,160
Borrowings	20	9,398,013	6,683,404
Lease liabilities		20,853	–
Financial liabilities for put option written on non-controlling interests	21	–	15,485
		32,157,188	25,730,856
Total liabilities		43,256,439	39,069,448
Total equity and liabilities		52,363,189	47,882,595

The consolidated financial statements on pages 73 to 224 were approved by the Board of Directors on 14 April 2020 and the consolidated balance sheet was signed on its behalf by:

Yan Hao
Director

Chen Chao
Director

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Revenue	25	13,285,127	11,268,203
Cost of sales	28	(10,599,949)	(8,721,010)
Gross profit		2,685,178	2,547,193
(Depreciation)/appreciation of investment properties under office and apartment platform	8	(21,474)	388,051
Fair value gains on investment properties under other platforms	8	96,022	54,708
Selling and marketing costs	28	(385,575)	(307,179)
Administrative expenses	28	(606,562)	(780,274)
Other income	26	158,470	68,338
Other gains – net	27	146,740	228,830
Operating profit		2,072,799	2,199,667
Finance income	29	261,507	53,343
Finance costs	29	(526,987)	(337,650)
Finance costs – net		(265,480)	(284,307)
Share of results of joint ventures	10	170,409	(47,324)
Share of results of associates	11	172,148	172,387
		342,557	125,063
Profit before income tax		2,149,876	2,040,423
Income tax expense	32	(864,866)	(737,532)
Profit for the year		1,285,010	1,302,891
Attributable to:			
Equity holders of the Company		903,591	1,031,919
Non-controlling interests		381,419	270,972
		1,285,010	1,302,891
Earnings per share for profit attributable to equity holders of the Company			
– Basic earnings per share	34	RMB0.65	RMB0.77
– Diluted earnings per share	34	RMB0.65	RMB0.77

The above consolidated income statement should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	1,285,010	1,302,891
Other comprehensive income/(losses) that may be reclassified subsequently to profit or loss		
Changes in fair value of equity investment at fair value through other comprehensive income, net of tax	73,624	(81,702)
Other comprehensive income/(losses) for the year, net of tax	73,624	(81,702)
Total comprehensive income for the year	1,358,634	1,221,189
Attributable to:		
Equity holders of the Company	977,215	950,217
Non-controlling interests	381,419	270,972
	1,358,634	1,221,189

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity holders of the Company						Non-controlling	
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Sub-total	interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 18)	(Note 19)	(Note 19)	(Note 19)	(Note 19)			
Balance at 1 January 2019	86,634	1,157,260	(5,848)	713,207	2,735,739	4,686,992	4,126,155	8,813,147
Change in accounting policy (Note 3)	-	-	-	-	3,686	3,686	-	3,686
Restated balance at 1 January 2019	86,634	1,157,260	(5,848)	713,207	2,739,425	4,690,678	4,126,155	8,816,833
Comprehensive income/(loss)								
Profit for the year 2019	-	-	-	-	903,591	903,591	381,419	1,285,010
Other comprehensive income								
Net changes in fair value of financial assets through other comprehensive income (Note 13)	-	-	-	74,835	-	74,835	-	74,835
Tax on fair value gains on financial assets through other comprehensive income (Note 24)	-	-	-	(1,211)	-	(1,211)	-	(1,211)
Total comprehensive income for the year 2019	-	-	-	73,624	903,591	977,215	381,419	1,358,634
Transactions with owners								
Dividends to the Company's shareholders in respect of year 2018 (Note 35)	-	(360,323)	-	-	-	(360,323)	-	(360,323)
Dividends of subsidiaries	-	-	-	-	-	-	(811,803)	(811,803)
Buy back of shares (Note 18)	-	-	(4,289)	-	-	(4,289)	-	(4,289)
Share award scheme (Note 33)	-	-	64	10,294	-	10,358	-	10,358
Share option scheme (Note 33)	-	-	-	3,181	-	3,181	-	3,181
Capital reduction in respect of non-controlling interests	-	-	-	-	-	-	(144,550)	(144,550)
Contribution from non-controlling interests	-	-	-	-	-	-	885,000	885,000
Changes in ownership interests in subsidiaries without change of control (Note 39)	-	-	-	(25,589)	-	(25,589)	(674,112)	(699,701)
Non-controlling interests on acquisition of subsidiaries	-	-	-	-	-	-	49,468	49,468
Non-controlling interests on deemed disposal of subsidiaries	-	-	-	-	-	-	(11,663)	(11,663)
Lapse of put option written on non-controlling interests (Note 21)	-	-	-	15,605	-	15,605	-	15,605
	-	(360,323)	(4,225)	3,491	-	(361,057)	(707,660)	(1,068,717)
Balance at 31 December 2019	86,634	796,937	(10,073)	790,322	3,643,016	5,306,836	3,799,914	9,106,750

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	(Note 18)	(Note 19)	(Note 19)	(Note 19)	(Note 19)			
Balance at 1 January 2018	79,361	1,193,851	–	665,719	1,792,875	3,731,806	2,401,115	6,132,921
Changes in accounting policies	–	–	–	85,020	(89,055)	(4,035)	–	(4,035)
Restated balance at 1 January 2018	79,361	1,193,851	–	750,739	1,703,820	3,727,771	2,401,115	6,128,886
Comprehensive income/(loss)								
Profit for the year 2018	–	–	–	–	1,031,919	1,031,919	270,972	1,302,891
Other comprehensive income								
Net changes in fair value of financial assets through other comprehensive income (Note 13)	–	–	–	(76,870)	–	(76,870)	–	(76,870)
Tax on fair value gains on financial assets through other comprehensive income (Note 24)	–	–	–	(4,832)	–	(4,832)	–	(4,832)
Total comprehensive income for the year 2018	–	–	–	(81,702)	1,031,919	950,217	270,972	1,221,189
Transactions with owners								
Dividends to the Company's shareholders in respect of year 2017 (Note 35)	–	(260,794)	–	–	–	(260,794)	–	(260,794)
Dividends of a subsidiary	–	–	–	–	–	–	(11,869)	(11,869)
Place of new shares (Note 18)	8,574	261,266	–	–	–	269,840	–	269,840
Buy back and cancellation (Note 18)	(1,301)	(37,063)	–	–	–	(38,364)	–	(38,364)
Buy back of shares (Note 18)	–	–	(5,862)	–	–	(5,862)	–	(5,862)
Share award scheme (Note 33)	–	–	14	4,193	–	4,207	–	4,207
Repayment of the capital	–	–	–	–	–	–	(500)	(500)
Capital contribution from non-controlling interests	–	–	–	–	–	–	1,400,000	1,400,000
Changes in ownership interests in subsidiaries without change of control (Note 39)	–	–	–	39,977	–	39,977	66,437	106,414
	7,273	(36,591)	(5,848)	44,170	–	9,004	1,454,068	1,463,072
Balance at 31 December 2018	86,634	1,157,260	(5,848)	713,207	2,735,739	4,686,992	4,126,155	8,813,147

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Operating activities		
Net cash generated from operations (Note 36(a))	3,614,168	1,093,391
Interest paid	(1,809,812)	(1,490,796)
PRC income tax paid	(372,481)	(451,261)
PRC land appreciation tax paid	(435,551)	(95,754)
Net cash generated from/(used in) operating activities	996,324	(944,420)
Investing activities		
Purchase of property, plant and equipment	(7,645)	(30,734)
Purchase of intangible assets	(1,619)	(922)
Acquisition cost of and capitalised expenditures incurred on investment properties	(113,773)	(1,381,595)
Proceeds from disposal of property, plant and equipment (Note 36(c))	496	2,089
Proceeds from disposal of investment properties	105,270	778,494
Cash receipt of leasing investment receivables	14,732	–
Capital injection to/acquisition of joint ventures	(152,313)	(423,310)
Capital injection to/acquisition of associates	(868,764)	(342,000)
Disposal of interests in associates	–	50,692
Disposal of interests in joint ventures	3,500	–
Acquisition of subsidiaries, net of cash acquired	–	1,674
Acquisition of financial assets at fair value through profit or loss	(1,354,011)	(379,916)
Acquisition of financial assets at fair value through other comprehensive income	–	(59,819)
Cash receipt of remaining consideration in connection with the disposal of subsidiaries	26,871	–
Disposal of shares in subsidiaries	241,148	–
Disposal of financial assets at fair value through profit or loss	795,462	74,555
Disposal of financial assets at fair value through other comprehensive income	–	228,393
Dividend received from financial assets at fair value through other comprehensive income	238	13,816
Receivables from a third party	(629,253)	–
Prepayments for investments	–	(325,783)
Repayments from related parties	766,188	294,778
Providing loans to related parties	(106,693)	(774,723)
Cash advance to non-controlling interests of subsidiaries	(1,203,658)	(413,148)
Cash receipt from non-controlling interests of subsidiaries	673,684	80,183
Cash advance from potential investors of a subsidiary	87,656	–
Interest received from related parties	44,893	–
Interest received	221,835	53,343
Net cash used in investing activities	(1,455,756)	(2,553,933)



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Financing activities		
Proceeds from borrowings	6,096,100	10,919,545
Proceeds from issuance of senior notes	4,101,614	2,178,198
Repayments of borrowings	(8,645,962)	(8,605,530)
Repayment of senior notes	(58,600)	(407,469)
Repayments of corporate bonds	(1,089,898)	–
Dividends paid	(360,323)	(260,794)
Dividend paid of subsidiaries	(13,004)	(11,869)
Capital contribution from non-controlling interests of subsidiaries	885,000	1,400,000
Repayment of the capital to non-controlling interests of a subsidiary	(144,550)	(500)
Cash receipt from non-controlling interests of subsidiaries	709,450	192,284
Repayment to non-controlling interests of subsidiaries	(191,333)	(450,229)
Changes in advance from related parties	(84,764)	(599,000)
Increase in restricted cash relating to financing activities	(1,444,746)	(58,500)
Changes in ownership interests in subsidiaries without change of control (Note 39)	(699,701)	31,891
Payables for acquisition of equity investments	943,126	–
Acquisition of treasury shares	(4,289)	(5,862)
Place of new shares	–	269,840
Buy back and cancellation	–	(38,364)
Amounts due to third parties	(99,995)	1,450,000
Payables to related parties of non-controlling interests	(234,000)	700,000
Payables for acquisition of equity interests of Taizhou Zhenghuang Property Co., Ltd. ("Taizhou Zhenghuang")	(268,930)	268,930
Principal elements of lease payments	(23,366)	–
Changes in deposits paid to secure borrowings	8,231	(31,920)
Net cash (used in)/generated from financing activities	(619,940)	6,940,651
Net (decrease)/increase in cash and cash equivalents	(1,079,372)	3,442,298
Effect of foreign exchange rate changes	47,517	8,244
Cash and cash equivalents at beginning of the year	11,715,378	8,264,836
Cash and cash equivalents at end of the year (Note 17)	10,683,523	11,715,378

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Jingrui Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 7 March 2013 as an exempted company with limited liability under the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together with the Company, referred to as “the Group”) are principally engaged in property development business in the People’s Republic of China (the “PRC”).

The Company’s shares began to list on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 31 October 2013.

These consolidated financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

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 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures

(a) *New standards, amendments and interpretation of HKFRSs adopted by the Group in 2019*

The following new standards, amendments and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2019 and are relevant to the Group's operation.

- * HKFRS 16 Leases ("HKFRS 16")
- * Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- * Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- * Annual Improvements to HKFRSs 2015-2017 Cycle
- * Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- * Interpretation 23 Uncertainty over Income Tax Treatments

The impact of the adoption of HKFRS 16 is disclosed in Note 3 below. The other newly effective standards, amendments and interpretation to existing standards listed above did not have any significant impact on the Group's results of operation and financial position for the year ended 31 December 2019.

(b) *New standards, amendments and interpretation of HKFRSs not yet adopted*

Certain new accounting standards, amendments and interpretation of HKFRSs have been published that are not mandatory for the financial year beginning on 1 January 2019 and have not been early adopted by the Group. The Group has already commenced an assessment of the impact of these new standards, amendments and interpretation, certain of which are relevant to the Group's operation. According to the preliminary assessment made by the directors, the Group does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity respectively.

(a) Business combinations

The Group applies the acquisition method as described below to account for business combination. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the reorganised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisitions date carrying value of the acquirer's previously held equity interests in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held equity interest measured is less than the fair value of the identifiable net assets of the subsidiary acquired as in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

In the Company's balance sheet, the investments in subsidiaries are stated 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 a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Impairment testing of the investments in subsidiaries is also required according to Note 2.11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.3 Joint arrangements

Joint arrangements are classified as either joint ventures or joint operations depending on the contracted rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A joint venture gives the parties rights to the net assets or outcome of the arrangement. A joint venture does not have rights to individual assets or obligations for individual liabilities of the joint venture. Instead, joint ventures share the net assets and, in turn, the outcome (profit or loss) of the activity undertaken by the joint venture. In contrast, a joint operation is a joint arrangement that gives parties to the arrangement direct rights to the assets and obligations for the liabilities. A joint operator will recognise its interest based on its involvement in the joint operation (that is, based on its direct rights and obligations) rather than on the participation interest it has in the joint arrangement.

Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investment in a joint venture is accounted for using the equity method of accounting and is initially recognised at cost. The consolidated income statement include the Group's share of the post-acquisition results of joint ventures, and the consolidated balance sheet include the Group's share of the net assets of the joint ventures and goodwill identified on acquisition net of any accumulated impairment losses.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.4 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movement in other comprehensive income is recognized in other comprehensive income with a corresponding adjustments to the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interests in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. The impairment amount, as the difference between the recoverable amount of the associate and its carrying value is recognised in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors that make strategic decisions.

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the financial statements are presented in RMB, which is the functional currency of the Company and the presentation currency of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(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 the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "Finance income or expenses". All other foreign exchange gains and losses are presented in the consolidated income statement within "Other gains/(losses) – net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) *Group companies*

The results and financial position 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:

- (i) assets and liabilities for each balance sheet are translated at the date of that balance sheet;
- (ii) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rate; and
- (iii) all resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated 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 the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

– Motor vehicles	6 years
– Furniture, fittings and equipment	5 years
– Leasehold improvements and others	shorter of remaining lease term or useful life estimated 5 years

The assets' residual value and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised as "Other gains/(losses) – net" in the consolidated income statement.

2.8 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 by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement in fair value gains or losses on investment properties.

Property that is currently being constructed or developed for future use as an investment property is classified as investment property and stated at fair value. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed, whichever is earlier. Any difference between the fair value of the property at that date and its then carrying amount shall be recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the 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 CGU level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software

Intangible assets of the Group mainly comprise acquired computer software which is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years

2.10 Non-current assets held-for-sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.11 Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Assets that have an indefinite useful life - for example, goodwill 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.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.12 Properties held or under development for sale

Properties held or under development for sale are included in current assets at the lower of cost and net realisable value. The costs of properties held or under development consist of costs of leasehold land, resettlement costs (if any), construction expenditure, capitalised borrowing costs and other direct costs incurred during the development period. The costs of properties held are determined by apportionment of the total development costs for that development project attributable to the unsold properties. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

2.13 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by the Group for development of properties. Land use rights held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets and included in properties held or under development for sale, while those out of the normal operating cycle are classified as non-current assets. Land use rights fall within investment properties are classified as investment properties (Note 2.8).

2.14 Financial assets

2.14.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.14.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.14 Financial assets (continued)

2.14.3 Measurement

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

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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidation income statement.
- **FVOCI:** 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 OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidation income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss 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/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.14 Financial assets (continued)

2.14.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on 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, see Note 16 for further details.

2.15 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement.

2.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the relevant company or the counterparty.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Restricted cash is excluded from cash and cash equivalents.

2.19 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.20 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within twelve months after the reporting period (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fees are capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, 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 balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, joint ventures and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.22 Current and deferred income tax (continued)

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Put option arrangements

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities as there is an obligation for the Group to deliver cash or other financial assets in exchange of its own equity shares. The amount that may become payable under the option on exercise is initially recognised at present value with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries.

Such options, including the transaction costs, are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

2.24 Employee benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to a certain ceiling.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The contributions are recognised as employee benefit expense when they are due.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.25 Share-based payments

The Group operates equity-settled share based compensation plans under which the entity receives services from employees as consideration for equity instruments (including shares options and share awards) of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price),
- excluding the impact of any service and non-market performance vesting conditions (for example profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions

Non-market performance and service conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

2.26 Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.27 Financial guarantee liabilities

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 *Financial Instruments* and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.28 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

(a) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.28 Revenue recognition (continued)

(a) *Sales of properties (continued)*

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the property is accepted by the customer, or deemed as accepted according to the contract, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property, and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. If on the contract commencement date, the Group expects that the interval between the customer's obtaining control of the property and the payment of consideration by the customer will not exceed 1 year, the financing component will not be considered as significant.

(b) *Service income*

Revenue from services is recognised when services have been provided, total amount of revenue and costs can be estimated reliably and the collectability of the related receivables is reasonably assured.

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 price 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.

(c) *Sales of goods*

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

(d) *Contract acquisition cost*

Costs did not qualify for recognition as an asset were expensed when incurred. Costs related directly to the contract, generating resources used in satisfying the contract and expectedly to be recovered are capitalised as contract acquisition cost.

2.29 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 13 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the consolidation income statement as part of other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.29 Interest income (continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 13 below. Any other interest income is included in other 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

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.31 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs they are intended to compensate. Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to an entity within the Group with no future related costs are recognised as income of the period in which they become receivable.

2.32 Leases

As explained in Note 2.1.1 above, 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 in Note 3.

Until the 2018 financial year, leases of property, plant and equipment and investment properties 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, 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 allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it 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:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.32 Leases (continued)

- 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.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security 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 entity, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated income statement 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 that meet the definition of investment property are measured at fair value applying the fair value model.

Other right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.32 Leases (continued)

Right-of-use assets which do not meet the definition of investment property 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.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets 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. 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 balance sheet based on their nature.

2.33 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. Changes in accounting policy

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

As indicated in Note 2.1.1 above, the Group has adopted HKFRS 16 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 balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.32.

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 8.21%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Changes in accounting policy (continued)

(i) 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 Leases and HKFRIC 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	261,675
Less: Short-term leases recognised on a straight-line basis as expense	(7,356)
	<u>254,319</u>
Discounted using the lessee's incremental borrowing rate of the date of initial application, representing additional lease liabilities recognised as at 1 January 2019	<u>182,486</u>
Of which are:	
Current lease liabilities	21,670
Non-current lease liabilities	<u>160,816</u>
	<u>182,486</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Changes in accounting policy (continued)

(iii) Measurement of right-of-use assets

Right-of-use assets together with leasehold improvements leased out as long-term rental apartment were classified as investment properties and carried at fair value. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized included in property, plant and equipment as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets related to the following types of assets:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Investment properties	90,600	209,656
Office properties	35,255	30,954
	125,855	240,610

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Consolidated balance sheet (extract)

	31 December 2018 (As previously stated) RMB'000	Adjustments under HKFRS 16 RMB'000	1 January 2019 (Restated) RMB'000
Non-current assets			
Property, plant and equipment	71,427	(1,359)	70,068
Investment properties	7,154,272	209,656	7,363,928
Current assets			
Trade and other receivables and prepayments	6,099,232	(20,896)	6,078,336
Non-current liabilities			
Lease liabilities	–	160,816	160,816
Deferred income tax liabilities	1,321,233	1,229	1,322,462
Current liabilities			
Lease liabilities	–	21,670	21,670
Equity			
Retained earnings	2,735,739	3,686	2,739,425

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Changes in accounting policy (continued)

(v) 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.

(vi) Accounting policies applied until 31 December 2018

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain car parks. Leases of car parks where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost is charged to the consolidation income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

4.1 Market risk

(a) Foreign exchange risk

The Group is engaged in the development, sale and management of properties solely in the PRC with almost all transactions denominated in RMB. The Company and all of its subsidiaries' functional currency is RMB, accordingly cash and borrowings denominated in Hong Kong Dollar ("HKD") or United States Dollar ("USD") are subject to foreign exchange risk.

Fluctuation of the exchange rates for HKD and USD against RMB will affect the Group's result of operations. The Group currently does not have a foreign currency hedging policy. However, management closely monitors the foreign exchange exposure and will take actions when necessary.

As at 31 December 2019, if HKD had weakened/strengthened by 5% against RMB, all other variables held constant, post-tax profit of the Group for the year 2019 would have been lower/higher by RMB12,137,000 (2018: post-tax profit lower/higher by RMB800,000), mainly as a result of foreign exchange loss/gain from trade and other receivables and prepayments and bank deposits net off trade and other payables and bank borrowings denominated in HKD.

As at 31 December 2019, if USD had weakened/strengthened by 5% against RMB, all other variables held constant, post-tax profit of the Group for the year 2019 would have been higher/lower by RMB295,238,000 (2018: post-tax profit higher/lower by RMB213,381,000), mainly as a result of foreign exchange gain/loss from borrowings net off bank deposits denominated in USD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.1 Market risk (continued)

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits with stable interest rates, the Group has no other significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings from banks and non-bank financial institutions. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow or fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 20.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

As at 31 December 2019 and 2018, if interest rates on borrowings at floating rates had been 50 basis points higher/lower with all other variables held constant, the post-tax results and capitalised interest for the years ended 31 December 2019 and 2018 would have changed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Post-tax results better/(weaker)		
– 50 basis points higher	(2,477)	(525)
– 50 basis points lower	2,477	525
Capitalised interest increase/(decrease)		
– 50 basis points higher	10,610	8,895
– 50 basis points lower	(10,610)	(8,895)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge the obligation under the terms of financial instrument and cause a financial loss to the Group. The Group considered the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

(a) *Cash in banks*

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited with state-owned banks and other listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(b) *Trade receivables*

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss also incorporate forward looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.2 Credit risk (continued)

(b) Trade receivables (continued)

As at 31 December 2019 and 31 December 2018, on that basis, the loss allowance was determined as follows for trade receivables:

31 December 2018	Current RMB'000	More than 90 days past due RMB'000	More than 180 days past due RMB'000	Within 1 year RMB'000	Total RMB'000
Expected loss rate	0.22%	1.20%	7.65%	1%	
Gross carrying amount	90,387	5,370	8,223	33,607	137,587
Loss allowance	(202)	(65)	(629)	(336)	(1,232)
Accounts receivables-net	90,185	5,305	7,594	33,271	136,355

31 December 2019	Current RMB'000	More than 90 days past due RMB'000	More than 180 days past due RMB'000	Within 1 year RMB'000	More than 1 year past due RMB'000	Total RMB'000
Expected loss rate	0.16%	0.87%	7.65%	3.79%	10.34%	
Gross carrying amount	506,480	5,902	3,566	106,982	29,735	652,665
Loss allowance	(788)	(52)	(273)	(4,059)	(3,074)	(8,246)
Accounts receivables-net	505,692	5,850	3,293	102,923	26,661	644,419

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for trade receivables during the year ended 31 December 2019.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.2 Credit risk (continued)

(c) Other receivables

The Group uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flow	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses	Gross carrying amount
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.2 Credit risk (continued)

(c) Other receivables (continued)

The Company accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

	Receivables from government related bodies RMB'000	Due from related parties RMB'000	Receivables from third parties other than government related bodies RMB'000	Total RMB'000
As at 31 December 2018				
Carrying amount of other receivables	387,628	2,073,973	1,927,868	4,389,469
Expected credit loss rate	0.10%	0.35%	2.14%	
Loss allowance	(388)	(7,163)	(41,229)	(48,780)
Other receivables – net	387,240	2,066,810	1,886,639	4,340,689

	Receivables from government related bodies RMB'000	Due from related parties RMB'000	Receivables from third parties other than government related bodies RMB'000	Total RMB'000
As at 31 December 2019				
Carrying amount of other receivables	219,017	2,346,220	3,293,441	5,858,678
Expected credit loss rate	0.10%	0.31%	1.18%	
Loss allowance	(219)	(7,207)	(38,915)	(46,341)
Other receivables – net	218,798	2,339,013	3,254,526	5,812,337



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.2 Credit risk (continued)

(c) *Other receivables (continued)*

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for other receivables during the year ended 31 December 2019.

(d) *Financial guarantee*

The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group also provides guarantees to certain related parties of the Group to obtain borrowings after assessing the credit history of these related parties. The Group closely monitors the repayment progress of the relevant borrowings by these related parties. In the opinion of the directors of the Group, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties. The directors consider that the likelihood of default in payments is minimal and the financial guarantees measured at fair value is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.3 Liquidity risk

Management of the Group aims to maintain sufficient cash through internally generated sales proceeds and an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

The table below analyses the Group's non-derivative financial liabilities and gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivatives financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RMB'000	1 and 2 years RMB'000	2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2019					
Borrowings, principal (Note 20)	9,398,013	5,916,425	3,168,298	522,575	19,005,311
Interest payments on borrowings (note)	1,187,501	637,430	452,342	353,908	2,631,181
Trade and other payables	14,166,938	–	–	–	14,166,938
Amounts due to non-controlling interests of subsidiaries (Note 23)	896,011	–	–	–	896,011
Lease liabilities	20,853	29,780	75,295	95,067	220,995
Derivative financial instruments (Note 21)	–	46,911	–	–	46,911
Financial guarantees (Note 38)	5,021,078	736,000	90,000	–	5,847,078
	30,690,394	7,366,546	3,785,935	971,550	42,814,425
As at 31 December 2018					
Borrowings, principal (Note 20)	6,683,404	7,126,294	3,923,218	967,847	18,700,763
Interest payments on borrowings (note)	1,282,900	720,051	334,589	333,976	2,671,516
Trade and other payables	13,333,401	–	–	–	13,333,401
Amounts due to non-controlling interests of subsidiaries (Note 23)	377,894	–	–	–	377,894
Financial liabilities for put options written on non-controlling interests (Note 21)	15,485	–	–	–	15,485
Financial guarantees (Note 38)	3,862,016	739,500	190,950	–	4,792,466
	25,555,100	8,585,845	4,448,757	1,301,823	39,891,525

note: The interest on borrowings is calculated based on borrowings held as at 31 December 2019 and 2018, respectively. Floating-rate interests are estimated using the current interest rate as at 31 December 2019 and 2018, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and deposits pledged for borrowings. Total capital is calculated as total equity, as shown in the consolidated balance sheets, plus net debt.

The gearing ratios at 31 December 2019 and 2018 were as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Borrowings	19,005,311	18,700,763
Less: Cash and cash equivalents	(10,683,523)	(11,715,378)
Restricted cash deposits pledged for borrowings	(2,340,146)	(895,400)
Net debt	5,981,642	6,089,985
Total equity	9,106,750	8,813,147
Total capital	15,088,392	14,903,132
Gearing ratio	40%	41%

4.5 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2019 and 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- 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).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (continued)

4.5 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2019 and 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
31 December 2018	64,867	–	579,294	644,161
Financial assets at fair value through other comprehensive income				
31 December 2018	–	–	472,104	472,104
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
31 December 2019	22,347	–	1,576,490	1,598,837
Financial assets at fair value through other comprehensive income				
31 December 2019	–	–	546,939	546,939
Derivative financial instruments				
31 December 2019	–	–	39,420	39,420

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The instrument is included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Other than certain financial assets at fair value through profit or loss at 31 December 2019 and 31 December 2018 traded in the market and therefore measured at fair value by level 1, the Group's other financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income as at 31 December 2019 and 31 December 2018 and derivative financial instruments as at 31 December 2019 are measured at fair value by level 3. There were no changes in valuation techniques during the year. The changes in the value of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss during the period are presented in Note 13. The changes in the value of derivative financial instruments are presented in Note 21.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

5.1 Classification as subsidiary, joint venture and associate

In the normal course of business, the Group develops properties together with other developers or institutions, through entering into co-operation agreements with these parties. The rights and obligations of the Group and the other parties are stipulated by respective co-operation agreements, article of associations of the project companies, etc. Because of the complexity of the arrangements, significant judgement is needed in determining whether the project company is a subsidiary, joint venture or associate of the Group.

The Group makes judgement based on the substance of the arrangements and the definition of a subsidiary, joint venture and associate as disclosed in Notes 2.2, 2.3 and 2.4 respectively.

5.2 Provision for write-down of properties held or under development for sale

The management makes provision for write-down of properties held or under development for sale based on the estimate of the net realisable values of the properties. Given the volatility of the property market in the PRC, the actual net realisable value may be higher or lower than the estimate made as at the end of the reporting period. Any increase or decrease in the provision would affect the Group's operating performance in future years.

5.3 Fair value of investment properties

The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions have been disclosed in Note 8.

5.4 Development costs directly attributable to property development activities

The Group allocates portions of land and development costs to properties held and under development for sale. As certain of the Group's property development projects are developed and completed by phases, the budgeted development costs of the whole project are dependent on the estimate on the outcome of total development. Based on the experience and the nature of the development undertaken, the management makes estimates and assumptions concerning the future events that are believed to be reasonable under the circumstances. Given the uncertainties involved in the property development activities, the related actual results may be higher or lower than the amount estimated at the end of the reporting period. Any change in estimates and assumptions would affect the Group's operating performance in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Critical accounting estimates and judgements (continued)

5.5 Land appreciation tax of the PRC

The Group is subject to land appreciation tax in the PRC. However, since the implementation and settlement of the tax varies among various tax jurisdictions in cities of the PRC, significant judgement is required in determining the amount of the land appreciation tax. The Group recognises the land appreciation tax based on management's best estimates according to its understanding of the interpretation of tax rules and latest practice of tax jurisdictions in the cities where the Group's projects are located. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the current income tax and the deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

5.6 Current and deferred income tax

The Group is subject to corporate income tax in the PRC. Significant judgement is required in determining the provision for corporate income tax. There are 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 we initially recorded, such difference will impact the current income tax and deferred tax provision in the period in which such determination is made.

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

5.7 Fair value of derivative financial instrument

The Group assesses the fair value of the embedded derivatives in respect of the floating premiums in the trust loans related derivatives and derivative financial instrument arising from certain put option associated with joint venture agreements based on valuations determined by independent professional qualified valuers, which is estimated by using the discounted cash flow method. The discounted cash flow projections are based on reliable discounted estimates of future cash flows, derived from operation data of the projects such as volatility, property selling prices, net profit and property development plan of the projects estimated by management, and in case of put option, probability-weighted average of floating premium as at the exit date agreed.

Where the actual future operation data and property development plan varies, a material adjustment on the fair value of these derivative financial instruments may arise. When estimating the fair value of these derivative financial instruments with reference to the valuation report, management has exercised its judgment and is satisfied that the methods of valuation are reflective of its best estimation.

5.8 Fair value of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss

The fair value of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss that are not traded in an active market is determined by using valuation techniques or net asset value. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Critical accounting estimates and judgements (continued)

5.9 Impairment of trade receivables and other receivables

For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

5.10 Revenue recognition

The Group develops and sells residential and commercial properties in different locations. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local laws, the local regulators' views and obtained legal advice, when necessary.

6 Segment information

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker (the "CODM") for the purposes of allocating resources and assessing performance.

Following the shift in focus to office and apartment platform business by the Group during the second half year of 2018, the previous presentation of segment information based on the property development segment and property investment segment is no longer consider appropriate. The new reporting segment are as follows:

- Property development platform engages in real estate development in the PRC; and
- Office and apartment platform invests in office buildings and apartments in the PRC for their rental income potential and/or for capital appreciation; and
- All other platforms, including property management platform which provides management and security services to residential and commercial properties in the PRC, the property design and decoration platform, investment platform and other miscellaneous businesses. The revenue derived from all other platforms generally include service fees and investment income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information (continued)

The three new operating segments are consistent with the way in which information is reported internally to the Group's CODM for the purpose of resources allocation and performance assessment. No operating segments have been aggregated to form the above reportable segments.

The CODM assesses the performance of the operating segments based on a measure of revenue and profit or loss before income tax. The measurement basis excludes the effects of income tax expense.

	Year ended 31 December 2019					Total Group RMB'000
	Property development platform RMB'000	Office and apartment platform RMB'000	All other platforms RMB'000	Total segment RMB'000	Elimination RMB'000	
Segment revenue	12,421,047	177,686	856,865	13,455,598	(170,471)	13,285,127
Segment profit before income tax expense	1,705,557	219,752	200,770	2,126,079	23,797	2,149,876
Finance income	88,171	31,262	142,074	261,507	-	261,507
Finance costs	(418,608)	(47,780)	(83,454)	(549,842)	22,855	(526,987)
Share of results of joint ventures	(14,804)	185,274	(61)	170,409	-	170,409
Share of results of associates	175,568	-	(3,420)	172,148	-	172,148
Depreciation and amortisation	(18,837)	(2,378)	(4,741)	(25,956)	-	(25,956)
A reconciliation to profit for the year is as follows:						
Total segment profits before income tax expense						2,149,876
Income tax expense						(864,866)
Profit for the year						1,285,010
Segment assets	60,387,536	7,190,836	18,147,370	85,725,742	(33,362,553)	52,363,189
Segment assets include:						
Investments in joint ventures	429,611	582,102	331	1,012,044	-	1,012,044
Investments in associates	1,748,470	-	86,439	1,834,909	-	1,834,909
Additions to non-current assets (other than financial instruments and deferred income tax assets)	666,969	349,919	5,545	1,022,433	-	1,022,433
Segment liabilities	52,388,826	5,831,372	18,028,849	76,249,047	(32,992,608)	43,256,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information (continued)

	Year ended 31 December 2018					
	Property development platform RMB'000	Office and apartment platform RMB'000	All other platforms RMB'000	Total segment RMB'000	Elimination RMB'000	Total Group RMB'000
Segment revenue	10,629,933	84,817	742,664	11,457,414	(189,211)	11,268,203
Segment profit before income tax expense	1,766,893	192,712	66,118	2,025,723	14,700	2,040,423
Finance income	34,021	129	19,193	53,343	–	53,343
Finance costs	(314,621)	(31,297)	(8,216)	(354,134)	16,484	(337,650)
Share of results of joint ventures	(47,324)	–	–	(47,324)	–	(47,324)
Share of results of associates	158,700	15,192	(1,505)	172,387	–	172,387
Depreciation and amortisation	(4,634)	(3,430)	(6,146)	(14,210)	–	(14,210)
A reconciliation to profit for the year is as follows:						
Total segment profits before income tax expense						2,040,423
Income tax expense						(737,532)
Profit for the year						1,302,891
Segment assets	54,648,239	2,972,632	28,234,958	85,855,829	(37,973,234)	47,882,595
Segment assets include:						
Investments in joint ventures	605,828	–	–	605,828	–	605,828
Investments in associates	574,448	–	9,110	583,558	–	583,558
Additions to non-current assets (other than financial instruments and deferred income tax assets)	257,061	2,205,039	45,184	2,507,284	–	2,507,284
Segment liabilities	46,160,906	2,063,760	25,126,942	73,351,608	(34,282,160)	39,069,448

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Property, plant and equipment

	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Leasehold improvements and others RMB'000	Office properties RMB'000	Total RMB'000
At 1 January 2019					
Cost	25,198	38,681	67,534	–	131,413
Accumulated depreciation	(17,688)	(19,628)	(22,670)	–	(59,986)
Net book amount	<u>7,510</u>	<u>19,053</u>	<u>44,864</u>	<u>–</u>	<u>71,427</u>
Year ended 31 December 2019					
Opening net book amount	7,510	19,053	44,864	–	71,427
Adjustment for changes in accounting policies (Note 3)	–	–	(32,313)	30,954	(1,359)
Restated opening net book amount	7,510	19,053	12,551	30,954	70,068
Other additions	900	3,639	2,193	4,301	11,033
Reduction from disposal of subsidiaries	–	(407)	(461)	–	(868)
Other disposals	(442)	(214)	(59)	–	(715)
Depreciation charge (Note 28)	(2,335)	(4,074)	(3,109)	(15,161)	(24,679)
Closing net book amount	<u>5,633</u>	<u>17,997</u>	<u>11,115</u>	<u>20,094</u>	<u>54,839</u>
At 31 December 2019					
Cost	23,836	40,749	35,868	35,255	135,708
Accumulated depreciation	(18,203)	(22,752)	(24,753)	(15,161)	(80,869)
Net book amount	<u>5,633</u>	<u>17,997</u>	<u>11,115</u>	<u>20,094</u>	<u>54,839</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Property, plant and equipment (continued)

	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Leasehold improvements and others RMB'000	Total RMB'000
At 1 January 2018				
Cost	25,122	35,705	44,138	104,965
Accumulated depreciation	(16,268)	(16,262)	(17,542)	(50,072)
Net book amount	8,854	19,443	26,596	54,893
Year ended 31 December 2018				
Opening net book amount	8,854	19,443	26,596	54,893
Addition from acquisitions of subsidiaries	–	219	2	221
Other additions	2,275	4,015	24,522	30,812
Other disposals	(904)	(170)	(585)	(1,659)
Depreciation charge (Note 28)	(2,715)	(4,454)	(5,671)	(12,840)
Closing net book amount	7,510	19,053	44,864	71,427
At 31 December 2018				
Cost	25,198	38,681	67,534	131,413
Accumulated depreciation	(17,688)	(19,628)	(22,670)	(59,986)
Net book amount	7,510	19,053	44,864	71,427

Depreciation charges of the Group have all been included in administrative expenses and selling and marketing costs for both years ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Property, plant and equipment (continued)

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019 RMB'000	1 January 2019 * RMB'000
Right-of-use assets		
– Office properties	35,255	30,954
Investment properties (Note 8)	90,600	209,656
	125,855	240,610
Lease liabilities		
Current	20,853	21,670
Non-current	148,124	160,816
	168,977	182,486

* For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to Note 3.

(b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	For the year ended 31 December 2019 RMB'000
Depreciation charge of right-of-use assets	
– Office properties	(15,161)
Interest expense (included in finance costs – Note 29)	(14,549)
Expense relating to short-term leases (included in administrative expenses and selling and marketing costs – Note 28)	(12,160)

The total cash outflow for leases for the year ended 31 December 2019 was RMB37,915,000.

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and apartments. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties

	Investment properties under office and apartment platform RMB'000	Investment properties under other platforms RMB'000	Total RMB'000
Year ended 31 December 2019			
Opening balance	5,339,000	1,815,272	7,154,272
Adjustment for changes in accounting policies (Note 3)	209,656	–	209,656
Restated opening net book amount	5,548,656	1,815,272	7,363,928
Transfer to completed properties	–	(894,000)	(894,000)
Additions from acquisition of subsidiaries	100,212	–	100,212
Other additions	21,637	–	21,637
Subsequent expenditures capitalised	136,201	–	136,201
Depreciation of investment properties under office and apartment platform	(21,474)	–	(21,474)
Fair value gains on investment properties under other platforms	–	96,022	96,022
Disposals (a)	(364,832)	(89,522)	(454,354)
Ending balance	5,420,400	927,772	6,348,172
Year ended 31 December 2018			
Opening balance	3,417,200	2,365,772	5,782,972
Transfer from properties held for sale	6,310	1,382	7,692
Additions from acquisition of subsidiaries	909,373	–	909,373
Other additions	536,949	–	536,949
Subsequent expenditures capitalised	86,353	–	86,353
Gains arising from appreciation of investment properties under office and apartment platform	388,051	–	388,051
Fair value losses on investment properties under other platforms	–	54,708	54,708
Disposals	(5,236)	(606,590)	(611,826)
Ending balance	5,339,000	1,815,272	7,154,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties (continued)

note:

- (a) The Group derecognised a right-of-use assets of investment properties of RMB118,832,000 located in Shanghai during the year ended 31 December 2019. Such was netting off with the amounts of leasing investment receivables as the finance lease of lessor.

Beijing San Quan Apartments, investment properties located in Beijing amounting to RMB1,790,000,000 as at 31 December 2019, is held by the Group, whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sale. The Group has measured the deferred tax relating to the temporary differences of the investment properties using the tax rates and the tax base that are consistent with the expected manner of recovery of the investment properties.

Independent valuations of the Group's investment properties were performed by the valuer, DTZ Cushman & Wakefield, to determine the fair value of the investment properties as at 31 December 2019 and 2018. The following table analyses the investment properties carried at fair value, by valuation method.

Fair value hierarchy

Description	Fair value measurements at 31 December 2019 using		
	Quoted prices	Significant	Significant
	in active markets	other	unobservable
	for identical assets (Level 1) RMB'000	observable inputs (Level 2) RMB'000	unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
– Retail	–	–	1,613,000
– Office and car parks	–	–	1,266,000
– Service apartment and car parks	–	–	3,469,172
	–	–	6,348,172

Description	Fair value measurements at 31 December 2018 using		
	Quoted prices	Significant	Significant
	in active markets	other	unobservable
	for identical assets (Level 1) RMB'000	observable inputs (Level 2) RMB'000	unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
– Retail	–	–	1,597,500
– Office and car parks	–	–	1,229,300
– Service apartment and car parks	–	–	4,327,472
	–	–	7,154,272



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties (continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels 1, 2 and 3 during the year.

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019 and 2018 by independent professionally qualified valuers of DTZ Cushman & Wakefield who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance team will review the valuation performed by the valuers, including:

- verifies all major inputs to the independent valuation report;
- assesses property valuations movements when compared to the prior year valuation report;
- holds discussions with independent valuers.

Valuation techniques

The Group has fifteen investment properties as at 31 December 2019 (31 December 2018: sixteen), among which nine properties are located in Shanghai, the PRC; two properties are located in Jiangsu Province, the PRC; one property is located in Zhejiang Province, the PRC; and three properties are located in Beijing, the PRC, all of which were completed as at 31 December 2019.

The Group also has three right-of-use assets of investment properties which are located in Shanghai and Zhejiang Province under office and apartment platform as at 31 December 2019.

The valuation of completed retail properties and office buildings, service apartments and car parks were determined using a combination of the income capitalisation approach (term and reversionary method) which was based on capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties and direct comparison approach by making reference to comparable sales transaction as available in the relevant market. For those investment properties with signed sales contract, the valuation were determined using the actual selling price.

The valuation of service apartments under renovation were determined using combination of the discounted cash flows with estimated renovation costs to complete approach and direct comparison approach by making reference to comparable sales transactions as available in the relevant market with incurred renovation costs.

The valuation of right-of-use assets of investment properties were determined using the income capitalisation approach (term and reversionary method) which was based on capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties.

There were no changes to the valuation techniques during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties (continued)

Information about fair value measurements as at 31 December 2019 using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2019 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed Office buildings and car park	1,266,000 (2018: 1,229,300)	Income capitalisation approach	Term yield (a)	Term yield of 4%~4.5% (31 December 2018: 4%~4.5%).	The higher the term yield, the lower the fair value
			Reversionary yield (b)	Reversionary yield of 4.5%~5% (31 December 2018: 4.5%~5%).	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit (c)	RMB208~RMB460 (31 December 2018: RMB208~RMB450) per square meter per month.	The higher the market unit rent, the higher the fair value
		Direct comparison approach	Adjusted recent prices of similar properties (d)	RMB41,377~RMB93,421 (31 December 2018: RMB39,625~RMB90,446) per square meter.	The higher the unit price, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties (continued)

Information about fair value measurements as at 31 December 2019 using significant unobservable inputs (Level 3): (continued)

Description	Fair value at 31 December 2019 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Service apartment and car parks	3,247,572 (2018: 3,713,172)	Income capitalisation approach	Term yield (a)	Term yield of 2.5%~4.5% (31 December 2018: 2%~4.5%).	The higher the term yield, the lower the fair value
			Reversionary yield (b)	Reversionary yield of 2.5%~5% (31 December 2018: 2.5%~5%).	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit (c)	RMB163~RMB452 (31 December 2018: RMB171 ~ RMB464) per square meter per month.	The higher the market unit rent, the higher the fair value
		Direct comparison approach	Adjusted recent prices of similar properties (d)	RMB34,843~RMB89,895 (31 December 2018: RMB34,303~RMB89,300) per square meter.	The higher the unit price, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties (continued)

Information about fair value measurements as at 31 December 2019 using significant unobservable inputs (Level 3): (continued)

Description	Fair value at 31 December 2019 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Service apartment under renovation	131,000 (2018: 614,300)	Direct comparison approach	Adjusted recent prices of similar properties (a)	RMB28,800~RMB30,000 (31 December 2018: RMB15,957~RMB37,283) per square meter.	The higher the unit price, the higher the fair value
			Discounted cash flows with estimated costs to complete	RMB2,500~RMB4,600 (31 December 2018: RMB3,091~RMB6,702) per room per month.	The higher the market prices, the higher the fair value
			Estimated renovation costs to be incurred (c)	RMB5,840 (31 December 2018: RMB1,590~RMB3,266) per square meter.	The higher the estimated costs to be incurred, the lower the fair value
			Capitalisation rate (d)	4.35% (31 December 2018: 5.5%~6%).	The higher the capitalisation rate, the lower the fair value
			Estimated profit margin required to renovate property to completion	3% (31 December 2018: 3%) of total estimated renovation costs.	The higher the profit margin required, the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties (continued)

Information about fair value measurements as at 31 December 2019 using significant unobservable inputs (Level 3): (continued)

Description	Fair value at 31 December 2019 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed Retail Property	1,613,000 (2018: 1,597,500)	Income capitalisation approach	Term yield (a)	Term yield of 3.75%~5% (31 December 2018: 3.75%~6%).	The higher the term yield, the lower the fair value
			Reversionary yield (b)	Reversionary yield of 4.25%~5.5% (31 December 2018: 4.25%~6.5%).	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit (c)	RMB70~RMB451 (31 December 2018: RMB70~RMB417) per square meter per month.	The higher the market unit rent, the higher the fair value
		Direct comparison approach	Adjusted recent prices of similar properties (d)	RMB15,650~RMB64,935 (31 December 2018: RMB15,440~RMB64,200) per square meter.	The higher the unit price, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties (continued)

Information about fair value measurements as at 31 December 2019 using significant unobservable inputs (Level 3): (continued)

Description	Fair value at 31 December 2019 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Right-of-use assets of investment properties	90,600 (2018: Nil)	Income capitalisation approach	Term yield (a)	Term yield of 4%~5%.	The higher the term yield, the lower the fair value
			Reversionary yield (b)	Reversionary yield of 4.5%~5.5%.	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit (c)	RMB70~RMB90 per square meter per month.	The higher the market unit rent, the higher the fair value

- (a) For term yield, the Group has taken into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received.
- (b) For reversionary rate, the Group has taken into account of annual unit market rental income and unit market value of the comparable properties.
- (c) For market unit rent of individual unit, the Group used direct market comparable and has taken into account of location and other individual factors, such as road frontage, size of property and facilities.
- (d) For adjusted recent prices of similar properties, the Group has taken into account of location and other individual factors, such as road frontage, size of property and facilities.
- (e) The rental income from investment properties has been recognised in the consolidated financial statements:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Rental income	202,287	108,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties (continued)

The Group's interests in investment properties at their net book values are analysed as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
In the PRC, held on:		
Right-of-use assets of investment		
properties with original lease term of less than 11 years	90,600	–
Leases with original term of 70 years		
(and remaining unexpired period between 10 to 70 years)	2,543,000	2,513,000
Leases with original term of 50 years		
(and remaining unexpired period between 10 to 50 years)	3,714,572	4,641,272
	6,348,172	7,154,272

Investment properties with a total carrying amount of RMB5,243,553,000 and RMB6,627,772,000 at 31 December 2019 and 2018 respectively were pledged as collateral for the Group's borrowings (Note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Intangible assets

	Goodwill RMB'000	Computer software RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019				
Cost	26,168	10,631	1,047	37,846
Accumulated amortisation	(26,168)	(8,751)	(82)	(35,001)
Net book amount	–	1,880	965	2,845
Year ended 31 December 2019				
Opening net book amount	–	1,880	965	2,845
Additions	–	1,619	–	1,619
Amortisation charge (Note 28)	–	(1,237)	(40)	(1,277)
Reduction from disposal of subsidiaries	–	(391)	–	(391)
Closing net book amount	–	1,871	925	2,796
At 31 December 2019				
Cost	26,168	12,252	1,047	39,467
Accumulated amortisation	(26,168)	(10,381)	(122)	(36,671)
Net book amount	–	1,871	925	2,796
Year ended 31 December 2018				
Opening net book amount	7,406	2,328	965	10,699
Additions	–	922	–	922
Amortisation charge (Note 28)	–	(1,370)	–	(1,370)
Impairment	(7,406)	–	–	(7,406)
Closing net book amount	–	1,880	965	2,845
At 31 December 2018				
Cost	26,168	10,631	1,047	37,846
Accumulated amortisation	(26,168)	(8,751)	(82)	(35,001)
Net book amount	–	1,880	965	2,845

note:

Amortisation charges of the Group have all been included in administrative expenses for both years ended 31 December 2019 and 2018.

The recoverable amounts of CGUs are determined based on their fair values (less cost of sell). The fair value of property development CGUs are determined according to the value of the underlying properties and decrease along with the sales of underlying properties, and the attributable goodwill is written off accordingly in cost of sales in the consolidated income statement. The fair value of investment properties CGU are determined according to the value of the underlying investment properties and decrease along with the increase of the fair value gains on investment properties and attributable goodwill is written off accordingly in administrative expenses in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in joint ventures

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At beginning of the year	605,828	257,330
Additions (a), (d)	549,141	423,310
Transfer from a subsidiary(e)	391	–
Disposal (b), (c)	(1,649)	–
Change from joint ventures to subsidiaries (f), (g), (h)	(291,196)	(23,396)
Share of results	170,409	(47,324)
Unrealised profit in connection with the transaction between the Group and joint ventures	(20,880)	(4,092)
At end of the year	1,012,044	605,828

The particulars of the joint ventures of the Group, which are unlisted, are set out as follows:

Company name	Country/date of incorporation	Paid-in capital	% interests held		Principal activities
			As at 31 December 2019	2018	
Nanjing Caicheng Property Co., Ltd. ("Nanjing Caicheng") (i)	18 July 2017, Jiangsu, the PRC	RMB50,000,000	65%	65%	Property development
Hangzhou Xiaoying Real Estate Development Co., Ltd. ("Hangzhou Xiaoying") (became a subsidiary in 2019) (f)	13 January 2011, Zhejiang, the PRC	RMB30,000,000	50%	50%	Property development
Suzhou Lingrui Property Co., Ltd. ("Suzhou Lingrui")	8 June 2017, Jiangsu, the PRC	RMB50,000,000	50%	50%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in joint ventures (continued)

Company name	Country/date of incorporation	Paid-in capital	% interests held		Principal activities
			As at 31 December 2019	2018	
Suzhou Chengrui Property Co., Ltd. ("Suzhou Chengrui")	8 June 2017, Jiangsu, the PRC	RMB50,000,000	50%	50%	Property development
Tianjing Yuanming Property Co., Ltd. ("Tianjin Yuanming")	9 October 2016, Tianjin, the PRC	Nil	20%	20%	Investment holding
Changshu Zhicheng Property Development Co., Ltd. ("Changshu Zhicheng")	8 May 2017, Jiangsu, the PRC	RMB80,000,000	25%	25%	Property development
Shanghai Jupan Apartment Management Co., Ltd. ("Shanghai Jupan") (b)	1 November 2016, Shanghai, the PRC	RMB1,000,000	–	50%	Apartment management
Tianjin Xinbi Property Development Co., Ltd. ("Tianjin Xinbi") (a), (c)	27 November 2017, Tianjin, the PRC	RMB10,000,000	–	20%	Property development
Tianjin Junyou Property Information Consultancy Co., Ltd. ("Tianjin Junyou") (a)	31 January 2018, Tianjin, the PRC	RMB1,000,000	33%	16.5%	Property development
Tianjin Ruiyue Commercial Management Co., Ltd. ("Tianjin Ruiyue") (became a subsidiary in 2019) (a), (g)	2 April 2018, Tianjin, the PRC	RMB169,280,000	100%	50%	Investment holding
Nanjing Shansheng Property Development Co., Ltd. ("Nanjing Shansheng") (a)	21 August 2018, Jiangsu, the PRC	RMB900,000,000	19.75%	19.75%	Property development
Changshu Junchun Trading Co., Ltd. ("Changshu Junchun") (a)	4 September 2018, Jiangsu, the PRC	RMB300,000,000	33%	33%	Investment holding
Ningbo Puhong Investment Management LLP ("Ningbo Puhong") (d)	11 May 2018, Zhejiang, the PRC	RMB650,000,000	46.17%	–	Investment holding
Shanghai Weishu Information & Technology Co., Ltd. ("Shanghai Weishu") (e)	11 November 2015, Shanghai, the PRC	RMB2,240,000	33%	70%	Information Technology
Tianjin Shunhe Decoration Engineering Co., Ltd.	28 September 2018, Tianjin, the PRC	Nil	33%	–	Customised decoration



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in joint ventures (continued)

notes:

- (a) During 2019, certain subsidiaries of the Group further injected, or invested in certain joint ventures, including Tianjin Junyou, Tianjin Ruiyue and Nanjing Shansheng. The total addition of investments in joint ventures amounted to approximately RMB152,313,000.

During 2018, certain subsidiaries of the Group further injected, or invested in certain joint ventures, including Tianjin Xinbi, Tianjin Junyou, Tianjin Ruiyue, Nanjing Shansheng, and Changshu Junchun. The total addition of investments in joint ventures amounted to approximately RMB386,383,000.

- (b) In June 2019, the Group disposed its total equity interests in Shanghai Jupan with a consideration of RMB1,500,000. The Group recognised a gain from disposal of Shanghai Jupan amounting to RMB1,500,000.

- (c) In January 2019, the Group disposed its total equity interests in Tianjin Xinbi with a consideration of RMB2,000,000. The Group recognised a gain from disposal of Tianjin Xinbi amounting to RMB351,000.

- (d) In February 2019, the Group acquired 46% equity interests of Ningbo Puhong which indirectly held a property investment company in Shanghai, the PRC, at a total consideration of RMB301,000,000 from a third party seller, and accounted for Ningbo Puhong as a joint venture. Gain on bargain purchase of RMB90,428,000 arising from this acquisition was recognised and recorded as other income (Note 26).

- (e) In July 2019, the Group withdrew the capital investment in its subsidiary Shanghai Weishu at a total consideration of RMB3,090,000 pursuant to the resolution reached in the shareholder meeting of Shanghai Weishu in June 2019. Since then, Shanghai Weishu was held as to 33% by the Group and became a joint venture of the Group.

- (f) Hangzhou Xiaoying was held as to 50% and 50% by the Group through its wholly owned subsidiary Hangzhou Jingxiao Investment Management Co., Ltd. ("Hangzhou Jingxiao") and the other joint venture partner Hangzhou Shunguang Real Estate Development Co., Ltd. ("Hangzhou Shunguang"). In November 2019, Hangzhou Jingxiao entered into a shareholder resolution with Hangzhou Shunguang. Pursuant to the resolution, Hangzhou Shunguang follows Hangzhou Jingxiao on all substantive decision on the operating and financing policies after the resolution during the life of Hangzhou Xiaoying. Since then, the directors of the Company consider that the Group has effective control over Hangzhou Xiaoying, and Hangzhou Xiaoying became a non-wholly owned subsidiary of the Group.

- (g) In July 2019, the Group acquired the 50% equity interests of Tianjin Ruiyue held by the other joint venture partner at a total consideration of RMB184,739,000. Since then, Tianjin Ruiyue became a wholly owned subsidiary of the Group.

Tianjin Ruiyue holds 49% equity interests in an associate company Yangling Guanghui (Tianjin) Real Estate Development Co., Ltd., ("Yangling Guanghui") (Note 11).

- (h) In June 2018, Jingrui Properties (Group) Co., Ltd. ("Jingrui Properties"), a wholly owned subsidiary of the Group, entered into a share purchase agreement with a joint venture partner, Shandong International Trust Co., Ltd. ("Shandong Trust"), pursuant to which Jingrui Properties acquired 49% equity interests of Shanghai Ruice Investment Co., Ltd. ("Shanghai Ruice"), a joint venture of the Group which directly held a property project company, Hangzhou Jingcheng Property Co., Ltd. ("Hangzhou Jingcheng") in Zhejiang Province, the PRC, at a consideration of RMB199,000,000.

Completion of the share purchase agreement took place on 29 June 2018 and Shanghai Ruice and Hangzhou Jingcheng became wholly owned subsidiaries of the Group since then.

- (i) The Group and Shanghai Xuchang Enterprise Management Center (Limited Partnership) ("Xuchang Enterprise") held 60% and 40% equity interests of a joint venture Nanjing Caicheng, respectively. In February 2018, the Group entered into a supplementary agreement with Xuchang Enterprise, pursuant to which the two parties agreed that Nanjing Caicheng will be held as to 50% by Xuchang Enterprise and Nantong Jingrui Property Co., Ltd. ("Nantong Jingrui") respectively upon completion with a total capital contribution of RMB100,000,000. Accordingly, additional RMB20,000,000 has been injected into Nanjing Caicheng by Nantong Jingrui. In addition, Ningbo Meishan Free Trade Port Jingxiao Investment Co., Ltd., another wholly owned subsidiary of the Group, agreed to acquire 30% equity interests of Xuchang Enterprise at a consideration of RMB16,927,000 and therefore indirectly held another 15% equity interests in Nanjing Caicheng. In accordance with the memorandum and articles of Nanjing Caicheng, relevant activities of Nanjing Caicheng require the unanimous consent of all directors, Nanjing Caicheng remains as the joint venture of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in joint ventures (continued)

Summarised financial information for material joint ventures

Set out below are the summarised financial information for Hangzhou Xiaoying, Tianjin Ruiyue, Nanjing Shansheng, Changshu Junchun and Ningbo Puhong which are accounted for using the equity method.

Summarised balance sheet

Hangzhou Xiaoying As at 31 December 2018 RMB'000			
Current			
Assets			2,636,170
Liabilities			(2,493,579)
Total current net assets			142,591
Non-current			
Assets			88,411
Liabilities			–
Total non-current net assets			88,411
Net assets			231,002

	Tianjin Ruiyue As at 31 December 2018 RMB'000	Nanjing Shansheng	
		As at 31 December 2019 RMB'000	2018 RMB'000
Current			
Assets	603,682	2,833,817	1,245,397
Liabilities	(881,971)	(1,541,168)	(365,654)
Total current net (liabilities)/assets	(278,289)	1,292,649	879,743
Non-current			
Assets	298,877	15,427	5,406
Liabilities	–	(450,000)	–
Total non-current net assets/(liabilities)	298,877	(434,573)	5,406
Net assets	20,588	858,076	885,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in joint ventures (continued)

Summarised balance sheet (continued)

Changshu Junchun		
As at 31 December		
	2019	2018
	RMB'000	RMB'000
Current		
Assets	8,191,991	4,405,294
Liabilities	(5,968,540)	(1,992,089)
Total current net assets	2,223,451	2,413,205
Non-current		
Assets	101,404	13,394
Liabilities	(1,900,000)	(1,900,000)
Total non-current net liabilities	(1,798,596)	(1,886,606)
Net assets	424,855	526,599

Ninbo Puhong		
As at 31 December		
	2019	
	RMB'000	
Current		
Assets	1,875,034	
Liabilities	(2,450,602)	
Total current net liabilities	(575,568)	
Non-current		
Assets	3,750,013	
Liabilities	(1,913,546)	
Total non-current net assets	1,836,467	
Net assets	1,260,899	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in joint ventures (continued)

Summarised statement of comprehensive income

	Hangzhou Xiaoying	
	For the period from 1 January 2019 to 26 November 2019	Year ended 31 December 2018
	RMB'000	RMB'000
Revenue	–	–
Profit/(loss) before income tax	37,801	(19,753)
Income tax credit	8,687	–
Post-tax profit/(loss)	46,488	(19,753)
Other comprehensive income	–	–
Total comprehensive income/(loss)	46,488	(19,753)
Dividends received from joint ventures	–	–

	Tianjin Ruiyue		Nanjing Shansheng	
	For the period from 1 January 2019 to 9 July 2019	For the period from 9 October 2018 to 31 December 2018	Year ended 31 December 2019	For the period from 21 August 2018 to 31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	–	–	–	–
Loss before income tax	(17,126)	(17,972)	(40,395)	(21,313)
Income tax credit	–	–	10,099	5,328
Post-tax loss	(17,126)	(17,972)	(30,296)	(15,985)
Other comprehensive income	–	–	–	–
Total comprehensive loss	(17,126)	(17,972)	(30,296)	(15,985)
Dividends received from joint ventures	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in joint ventures (continued)

Summarised statement of comprehensive income (continued)

		Changshu Junchun	
			For the
			period from 21
		Year ended	September 2018
		31 December	to 31 December
		2019	2018
		RMB'000	RMB'000
Revenue		277,889	120,320
Loss before income tax		(135,729)	(53,168)
Income tax credit		33,985	13,204
Post-tax loss		(101,744)	(39,964)
Other comprehensive income		–	–
Total comprehensive loss		(101,744)	(39,964)
Dividends received from joint ventures		–	–

		Ninbo Puhong	
			For the period from
			1 February 2019 to
			31 December 2019
			RMB'000
Revenue			–
Profit before income tax			535,596
Income tax expense			(134,271)
Post-tax profit			401,325
Other comprehensive income			–
Total comprehensive income			401,325
Dividends received from joint ventures			–

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not the Group's share of those amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in joint ventures (continued)

Reconciliation of summarised financial information presented to the carrying amount of the Group's interests in joint ventures is as follows:

	Hangzhou Xiaoying	
	For the period from 1 January 2019 to 26 November 2019	2018
	RMB'000	RMB'000
Opening net assets	231,002	250,755
Profit/(loss) for the relevant period/year	46,488	(19,753)
Other comprehensive income	–	–
Closing net assets	277,490	231,002
Dividends	–	–
Interests in joint ventures	50%	50%
	138,745	115,501
Change from a joint venture to a subsidiary	(138,745)	–
Carrying value	–	115,501

	Tianjin Ruiyue		Nanjing Shansheng	
	For the period from 1 January 2019 to 9 July 2019	For the period from 9 October 2018 to 31 December 2018	For the year ended 31 December 2019	For the period from 21 August 2018 to 31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net assets	20,588	–	885,149	–
Loss for the relevant period/year	(17,126)	(17,972)	(30,296)	(15,985)
Addition from shareholders	301,440	38,560	3,223	901,134
Closing net assets	304,902	20,588	858,076	885,149
Dividends	–	–	–	–
Interests in joint ventures	50%	50%	19.75%	19.75%
	152,451	10,294	169,470	174,817
Change from a joint venture to a subsidiary	(152,451)	–	–	–
Unrealised profit in connection with the transaction between the Group and a joint venture	–	–	(20,740)	(4,092)
Carrying value	–	10,294	148,730	170,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Investments in joint ventures (continued)

		Changshu Junchun	
		For the period from 21 September 2018 to 31 December 2018	
		2019	
		RMB'000	RMB'000
Opening net assets		526,599	–
Addition		–	566,563
Loss for the relevant period/year		(101,744)	(39,964)
Closing net assets		424,855	526,599
Dividends		–	–
Interests in joint ventures		33%	33%
		140,202	173,778
Carrying value		140,202	173,778

		Ninbo Puhong	
		For the period from 1 February 2019 to 31 December 2019	
		RMB'000	
Opening net assets		–	–
Addition		859,574	
Profit for the relevant period		401,325	
Closing net assets		1,260,899	
Dividends		–	–
Interests in joint ventures		46.17%	
		582,102	
Carrying value		582,102	

The commitment relating to the Group's interests in joint ventures is presented in Note 37(b).

The contingent liabilities relating to the Group's interests in joint ventures is presented in Note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Investments in Associates

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balance	583,558	106,462
Additions (a), (Note 10(g))	1,008,354	354,861
Additions from deemed disposal of a subsidiary (b)	80,750	–
Disposal (c), (d)	–	(50,152)
Share of results	172,148	172,387
Unrealised profit in connection with the transaction between the Group and associates	(9,901)	–
Ending balance	1,834,909	583,558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Investments in Associates (continued)

The particulars of the associates of the Group, all of which are unlisted, are set out as follows:

Company name	Country/date of incorporation	Paid-in capital	% interests held as at 31 December 2019	% interests held as at 31 December 2018	Principal activities
Nanjing Yuning Property Co., Ltd. ("Nanjing Yuning")	5 December 2016, Jiangsu, the PRC	RMB60,000,000	17%	17%	Property Development
Ningbo Rongan Education and Investment Management Co., Ltd. ("Ningbo Rongan Education")	1 April 2016, Zhejiang, the PRC	RMB50,000,000	25%	25%	Investment Holding
Ningbo Jiamu Investment Co., Ltd. ("Ningbo Jiamu")	4 August 2016, Zhejiang, the PRC	RMB5,000,000	40%	40%	Investment Holding
Hangzhou Zhenlu Investment Co., Ltd. ("Hangzhou Zhenlu")	2 December 2016, Zhejiang, the PRC	RMB600,000,000	7%	7%	Investment Holding
Tropica Development Limited ("Tropica Development")	31 August 2007, Hong Kong, the PRC	HKD100	25%	25%	Investment Holding
Lingtu Education Investment (Beijing) Co., Ltd. ("Lingtu Education")(a)	11 August 2016, Beijing, the PRC	RMB1,015,620	20%	20%	Technology Development
Shanghai Zhengmin Information Technology Co., Ltd. ("Shanghai Zhengmin")	28 February 2017, Shanghai, the PRC	Nil	49%	49%	Computer Information Technology Development
Ningbo Jingfeng Property Co., Ltd. ("Ningbo Jingfeng") (a)	23 June 2017, Zhejiang, the PRC	RMB225,000,000	50%	50%	Property Development
Changshu Huihuang Property Co., Ltd. ("Changshu Huihuang") (a)	19 December 2006, Jiangsu, the PRC	RMB122,860,800	24.56%	24.56%	Property Development
Tianjin Xuming Property Co., Ltd. ("Tianjin Xuming") (a)	7 December 2015, Tianjin, the PRC	RMB170,000,000	50%	–	Property Development
Tianjin Ruihui Commercial Management Co., Ltd. ("Tianjin Ruihui") (a)	5 July 2018, Tianjin, the PRC	RMB375,000,000	49%	–	Investment Holding
Nanjing Yuesheng Real Estate Development Co., Ltd. ("Nanjing Yuesheng") (a)	23 July 2019, Jiangsu, the PRC	RMB1,500,000,000	30%	–	Property Development
Yangling Guanghui (Note 10(g)), (a)	10 August 2012, Tianjin, the PRC	RMB607,843,000	49%	–	Property Development
Shanghai Pinzhai Decoration Technology Co., Ltd. ("Shanghai Pinzhai") (b)	17 July 2015, Shanghai, the PRC	RMB22,850,000	32.3%	34%	Customised decoration

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Investments in Associates (continued)

Note:

- (a) For the year ended 31 December 2019, certain subsidiaries of the Group further injected, or invested in certain associates, including Tianjin Xuming, Tianjin Ruihui, Nanjing Yuesheng and Yangling Guanghui. The total addition of investments in associates amounted to approximately RMB1,008,354,000.

For the year ended 31 December 2018, certain subsidiaries of the Group further injected, or invested in certain associates, including Changshu Huihuang, Ningbo Jingfeng and Lingtu Education. The total addition of investments in associates amounted to approximately RMB354,861,000.

- (b) In August 2019, an independent third party injected capital contribution of RMB12,500,000 to Shanghai Pinzhai, a non-wholly owned subsidiary of the Group, which has an effective dilution of the Group's interests in Shanghai Pinzhai. After the transaction, the Group lost the control of Shanghai Pinzhai and accounted for Shanghai Pinzhai as an associate, gains of RMB85,191,000 on re-measurement of the Group's original investment in Shanghai Pinzhai was recognised in the consolidated income statement as other gains (Note 27).
- (c) In June 2018, the Group disposed total equity interests in Beijing Urban No. 1 Investment Center LLP with a consideration of RMB45,192,000 and recognised a gain from disposal of RMB719,000.
- (d) In February and July 2018, the Group disposed 40% equity interests in total in Weifang Yuancheng Da Investment management Co., Ltd. with a consideration of RMB5,500,000. The Group recognised a loss from this disposal amounting to RMB179,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Investments in Associates (continued)

Summarised financial information for material associates

Set out below are the summarised financial information for Ningbo Jiamu, Ningbo Jingfeng, Nanjing Yuesheng, Yangling Guanghui and Shanghai Pinzhai which are accounted for using the equity method.

Summarised balance sheet

	Ningbo Jiamu	
	As at	As at 31
	31 December	December
	2019	2018
	RMB'000	RMB'000
Current		
Assets	1,782,617	1,643,314
Liabilities	(1,360,008)	(1,231,469)
Total current net assets	422,609	411,845
Non-current		
Assets	2	2
Liabilities	–	–
Total non-current net assets	2	2
Net assets	422,611	411,847

	Ningbo Jingfeng	
	As at	As at 31
	31 December	December
	2019	2018
	RMB'000	RMB'000
Current		
Assets	1,087,220	1,492,953
Liabilities	(392,128)	(975,404)
Total current net assets	695,092	517,549
Non-current		
Assets	50	14,264
Liabilities	(289)	(100,000)
Total non-current net liabilities	(239)	(85,736)
Net assets	694,853	431,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Investments in Associates (continued)

Summarised balance sheet (continued)

	Nanjing Yuesheng As at 31 December 2019 RMB'000
Current	
Assets	3,102,449
Liabilities	(1,604,068)
Total current net assets	1,498,381
Non-current	
Assets	488
Liabilities	–
Total non-current net assets	488
Net assets	1,498,869

	Yangling Guanghui As at 31 December 2019 RMB'000	Shanghai Pinzhai As at 31 December 2019 RMB'000
Current		
Assets	2,392,251	412,960
Liabilities	(1,045,994)	(151,695)
Total current net assets	1,346,257	261,265
Non-current		
Assets	39,192	2,607
Liabilities	(800,000)	(24,000)
Total non-current net liabilities	(760,808)	(21,393)
Net assets	585,449	239,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Investments in Associates (continued)

Summarised statement of comprehensive income

	Ningbo Jiamu	
	Year Ended	Year Ended
	31 December	31 December
	2019	2018
	RMB'000	RMB'000
Revenue	28,412	1,469,728
Profit before income tax	31,012	747,009
Income tax expense	(20,248)	(328,957)
Post-tax profit	10,764	418,052
Other comprehensive income	–	–
Total comprehensive income	10,764	418,052
Dividends received from associates	–	–

	Ningbo Jingfeng	
	Year Ended	Year Ended
	31 December	31 December
	2019	2018
	RMB'000	RMB'000
Revenue	1,673,529	–
Profit/(loss) before income tax	392,193	(22,213)
Income tax (expense)/credit	(129,153)	4,539
Post-tax profit/(loss)	263,040	(17,674)
Other comprehensive income	–	–
Total comprehensive income/(loss)	263,040	(17,674)
Dividends received from associates	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Investments in Associates (continued)

Summarised statement of comprehensive income (continued)

Nanjing Yuesheng For the period from 15 August 2019 to 31 December 2019 RMB'000	
Revenue	–
Loss before income tax	(1,727)
Income tax credit	432
Post-tax loss	(1,295)
Other comprehensive income	–
Total comprehensive loss	(1,295)
Dividends received from associates	–

	Yangling Guanghui For the period from 9 July 2019 to 31 December 2019 RMB'000	Shanghai Pinzhai For the period from 23 August 2019 to 31 December 2019 RMB'000
Revenue	–	62,742
Loss before income tax	(22,194)	(10,088)
Income tax credit/(expense)	16,713	(40)
Post-tax loss	(5,481)	(10,128)
Other comprehensive income	–	–
Total comprehensive loss	(5,481)	(10,128)
Dividends received from associates	–	–

The information above reflects the amounts presented in the financial statements of the associates, adjusted for differences in accounting policies between the Group and the associates, and not the Group's share of those amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Investments in Associates (continued)

Reconciliation of summarised financial information presented to the carrying amount of the Group's interests in associates is as follows:

	Ningbo Jiamu	
	2019	2018
	RMB'000	RMB'000
Opening net assets	411,847	(6,205)
Profit for the year	10,764	418,052
Other comprehensive income	–	–
Closing net assets	422,611	411,847
Dividends	–	–
Interests in associate	40%	40%
	169,044	164,739
Carrying value	169,044	164,739

	Ningbo Jingfeng	
	2019	2018
	RMB'000	RMB'000
Opening net assets	431,813	(513)
Addition from shareholders	–	450,000
Profit/(loss) for the year	263,040	(17,674)
Other comprehensive income	–	–
Closing net assets	694,853	431,813
Dividends	–	–
Interests in associate	50%	50%
	347,427	215,907
Carrying value	347,427	215,907

	Nanjing Yuesheng	
	For the period from 15 August 2019 to 31 December 2019	
	RMB'000	
Opening net assets	–	
Loss for the relevant period	(1,295)	
Addition from shareholders	1,500,164	
Closing net assets	1,498,869	
Dividends	–	
Interests in associate	30%	
	449,661	
Carrying value	449,661	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Investments in Associates (continued)

	Yangling Guanghui For the period from 9 July 2019 to 31 December 2019 RMB'000	Shanghai Pinzhai For the period from 23 August 2019 to 31 December 2019 RMB'000
Opening net assets	-	-
Addition/deemed disposal	590,930	250,000
Loss for the relevant period	(5,481)	(10,128)
Closing net assets	585,449	239,872
Dividends	-	-
Interests in associates	49%	32.3%
	286,870	77,479
Unrealised profit in connection with the transaction between the Group and an associate	(9,901)	-
Carrying value	276,969	77,479

The commitment relating to the Group's interests in an associate is presented in Note 37(b).

The contingent liabilities relating to the Group's interests in associates is presented in Note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Financial instruments by category

	2019 RMB'000	2018 RMB'000
Financial assets		
Trade and other receivables excluding prepayments	6,866,894	4,787,555
Cash and cash equivalents	10,683,523	11,715,378
Restricted cash	3,064,679	1,354,871
Financial assets at fair value through other comprehensive income (FVOCI)	546,939	472,104
Financial assets at fair value through profit or loss (FVPL)	1,598,837	644,161
	22,760,872	18,974,069

	2019 RMB'000	2018 RMB'000
Financial liabilities		
Borrowings	19,005,311	18,700,763
Trade and other payables excluding non-financial liabilities	14,166,938	13,333,401
Amounts due to non-controlling interests of subsidiaries	896,011	377,894
Lease liabilities	168,977	–
Derivative financial instruments	39,420	–
Financial liabilities for put option written on non-controlling interests	–	15,485
	34,276,657	32,427,543

13 Financial assets at fair value through other comprehensive income/at fair value through profit or loss

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

(ii) Equity investments at fair value through other comprehensive income

	Year ended 31 December 2019 RMB'000
At beginning of the year	472,104
Net fair value losses recognised in other comprehensive income (Note 19)	74,835
At end of the year	546,939
Less: Non-current portion	(546,939)
Current portion	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Financial assets at fair value through other comprehensive income/at fair value through profit or loss (continued)

(ii) Equity investments at fair value through other comprehensive income (continued)

Financial assets at fair value through other comprehensive income include the following:

	As at 31 December 2019 RMB'000
Unlisted equity securities (a)	546,939

The investments mainly represent the unlisted equity securities, the fair value of which were determined mainly based on the valuation techniques. The fair values are within level 3 of the fair value hierarchy.

Financial assets at fair value through other comprehensive income are denominated in the following currencies:

	As at 31 December 2019 RMB'000
RMB	491,129
USD	55,810
	546,939

(iii) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- * debt investments that do not qualify for measurement at either amortised cost or FVOCI,
- * equity investments that are held for trading, and
- * equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

	Year ended 31 December 2019 RMB'000
At beginning of the year	644,161
Additions	1,702,906
Disposals	(795,462)
Net fair value gains recognised in profit or loss (Note 27)	47,232
At end of the year	1,598,837
Less: Non-current portion	(1,000,587)
Current portion	598,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Financial assets at fair value through other comprehensive income/at fair value through profit or loss (continued)

(iii) Classification of financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss include the following:

	As at 31 December 2019 RMB'000
Unlisted equity securities (a)	149,810
Debt investments (b)	150,000
Private fund investments (c)	649,130
Wealth management products (d)	627,550
Listed equity securities (e)	22,347
	1,598,837

- (a) The fair value of unlisted equity securities are based on valuation techniques. The fair value is within level 3 of the fair value hierarchy. The significant unobservable inputs are the adjusted ratios of the comparable company.
- (b) The fair values of debt investments are based on the discounted cash flows. The fair values are within level 3 of the fair value hierarchy. The significant unobservable inputs are the adjusted discount rate of the cash flows.
- (c) The fair values of private fund investments are based on net asset value. The fair values are within level 3 of the fair value hierarchy. The significant unobservable inputs are the the adjusted net assets price based on market prices of portfolio assets in the fund.
- (d) Wealth management products are mainly investments in financial products issued by commercial banks. The fair values of these investments approximated their carrying values as at 31 December 2019.
- (e) This represented equity interest in a company listed on the Main Board of the Stock Exchange of Hong Kong Limited. The fair value of the investment at 31 December 2019 was calculated using the quoted market price.

Financial assets at fair value through profit or loss are denominated in the following currencies:

	As at 31 December 2019 RMB'000
RMB	842,250
HKD	50,181
USD	706,406
	1,598,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Prepayments for leasehold land

The Group made prepayments of RMB720,095,000 as at 31 December 2019 (31 December 2018: Nil) for the acquisition of leasehold land, which will be transferred to properties under development for sale upon receipt of ownership certificates or commencement of development activities.

15 Properties held or under development for sale

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Properties under development for sale	13,279,230	14,433,269
Properties held for sale	4,586,496	4,138,765
	17,865,726	18,572,034
Less: Provision for write-down	(14,527)	(30,727)
	17,851,199	18,541,307

The properties held or under development for sale are all located in the PRC.

Borrowing costs capitalised in properties under development for sale and held for sale for the year ended 31 December 2019 were approximately RMB1,550,206,000 (2018: RMB1,387,128,000).

The capitalisation rate of borrowings was 9.48% for the year ended 31 December 2019 (2018: 10.40%).

As at 31 December 2019 and 2018, the Group's following properties under development for sale and properties held for sale were pledged as collateral for the Group's borrowings (Note 20).

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Carrying value pledged:		
Properties under development for sale	3,156,080	7,068,539
Properties held for sale	2,452,185	2,540,587

As at 31 December 2019, properties under development for sale with a total carrying amount of RMB9,109,685,815 (2018: RMB7,402,643,000) were related to property projects which were not scheduled to complete within one year from reporting period end although pre-sales of some of these properties may occur. The other balances in properties under development for sale as at 31 December 2019 and 2018 were expected to be recovered within one year from respective reporting period end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Trade and other receivables and prepayments

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables	652,665	137,587
Less: Provision for impairment of trade receivables	(8,246)	(1,232)
Trade receivables – net	644,419	136,355
Amounts due from joint ventures and associates	2,346,220	2,073,973
Prepaid taxes and surcharges and input VAT to be deducted (a)	327,671	253,164
Receivables arising from disposal of subsidiaries (b)	22,917	26,871
Loans due from disposed subsidiaries assumed by third parties (c)	29,485	38,276
Tender deposits (d)	50,000	–
Deposits with public housing fund centres (e)	27,653	36,255
Prepayments of construction costs	21,542	15,311
Temporary funding receivables (f)	134,154	108,484
Deposits paid for construction work	377,049	488,714
Amounts due from non-controlling interests of subsidiaries (g)	1,931,976	1,255,702
Deposits paid to secure borrowings	47,469	55,700
Prepayments for acquisition of completed properties for sale (h)	709,391	1,043,202
Deposits paid for advanced proceeds received from customers (i)	–	276,109
Prepayments for investments (j) (l)	–	325,783
Deposits for potential investment	343,248	262,324
Dividend receivables	14,745	–
Net leasing investment receivables (l)	111,526	–
Receivables from a third party (k) (l)	660,126	–
Others	172,248	77,572
Less: Provision for impairment of other receivables	(46,341)	(48,780)
	7,925,498	6,425,015
Less: non-current portion (l)	(757,298)	(325,783)
	7,168,200	6,099,232

notes:

- (a) Turnover taxes and surcharges are levied when the Group receives advances from customers and the prepaid are recorded as prepayments before the relevant revenue is recognised.
- (b) The balances represent the outstanding consideration for disposal of subsidiaries.
- (c) The balance represents the outstanding amounts originally due by the disposed subsidiaries which have been assumed by the acquirers based on the share purchase agreements.
- (d) The balance represents the tender deposits for bidding of land use rights, which will be subsequently returned or transferred to prepayments for leasehold land upon successful bidding of the land use rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Trade and other receivables and prepayments (continued)

notes: (continued)

- (e) The balance represents the deposits paid to public housing fund centres to secure the housing fund loans taken by certain property purchasers of the Group. Such deposits will be released upon the transfer of the properties' ownership certificates to these purchasers.
- (f) Temporary funding receivables are funds temporarily advanced to non-related parties, which are non-interest bearing and unsecured.
- (g) The balance as at 31 December 2019 includes amounts of RMB24,137,500 (31 December 2018: RMB69,137,500), representing the outstanding principal balance from the non-controlling interests of Suzhou Ailide Trade Co., Ltd., ("Suzhou Ailide") which is with annual interest rate of 7.2% and is unsecured and repayable on demand.

Except for the loan lent to the non-controlling interests of Suzhou Ailide as mentioned above, the funding provided to other non-controlling interests of certain subsidiaries are unsecured, non-interest bearing and repayable on demand.
- (h) The balance represents the prepayments paid to third parties for the selling rights of certain completed properties and for decoration work located in Hangzhou.
- (i) The balance as at 31 December 2018 represents the deposits paid for the advanced proceeds of properties received from customers in Changzhou and Tianjin, which were fully collected in 2019.
- (j) The balance as at 31 December 2018 represents the prepayment for investments in equity interests of RMB325,783,000. The transaction was completed in February 2019, the prepayment was transferred to investments in equity interests.
- (k) The balance as at 31 December 2019 includes the loan principal and interest receivable, totalling USD94,653,000 (equivalent to RMB660,126,000), due from a third party which will be matured in 2022.
- (l) The balance as at 31 December 2019, includes the loan principal and interest receivable of RMB660,126,000 due from a third party and the long-term portion of net leasing investment receivables of RMB97,172,000. The balance as at 31 December 2018 included the prepayment for investments in equity interests of RMB325,783,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Trade and other receivables and prepayments (continued)

The aging analysis of trade receivables, based on the property delivery or service rendered date is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Less than 1 year	620,412	131,493
Between 1 and 2 years	30,454	3,987
Between 2 and 3 years	544	810
Over 3 years	1,255	1,297
	652,665	137,587

Movements on the provision for impairment of trade and other receivables are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	50,012	17,384
Accrual of provision for receivables impairment from adoption of HKFRS 9 on 1 January 2018	–	5,381
Accrual of provision for receivables impairment during the year (Note 28)	4,575	27,247
At end of the year	54,587	50,012

As at 31 December 2019 and 2018, the fair value of trade and other receivables approximate their carrying amounts.

Trade and other receivables with a total carrying amount of RMB4,463,000 as at 31 December 2019 were pledged as collateral for the Group's borrowings (Note 20) (2018: RMB2,840,000).

As at 31 December 2019 and 31 December 2018, the carrying amounts of trade and other receivables and prepayments are denominated in below currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
– RMB	6,922,124	6,166,481
– USD	792,313	16,210
– HKD	211,061	242,324
	7,925,498	6,425,015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Cash at bank and on hand

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank and on hand		
– denominated in RMB	12,306,175	13,021,965
– denominated in USD	1,428,058	8,747
– denominated in HKD	13,919	18,696
– denominated in SGD	50	20,841
	13,748,202	13,070,249

The weighted average interest rate on the Group's bank deposits as at 31 December 2019 was 2.00% (2018: 0.47%).

Cash and cash equivalents of the Group were determined as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank and on hand	13,748,202	13,070,249
Less: Restricted cash	(3,064,679)	(1,354,871)
	10,683,523	11,715,378

Restricted cash of the Group comprised of the following:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Deposits for notes issued	–	257
Deposits as security for property purchasers' mortgage loans (a)	21,073	80,153
Deposits pledged for borrowings (Note 20)	2,340,146	895,400
Deposits for letters of guarantee issued for project construction	–	8,400
Deposits for advanced proceeds received from property purchasers	665,563	356,757
Deposits as security for construction work	2,411	4,943
Deposits for investments	–	1,000
Deposits for ongoing litigations	28,279	–
Others	7,207	7,961
	3,064,679	1,354,871

notes:

- (a) These bank deposits are restricted to secure the bank loans taken by certain property purchasers of the Group pursuant to the local regulations of certain cities. Such deposits will be released upon the transfer of the properties' ownership certificates to these purchasers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Share capital

(a) Authorised shares

	Number of authorised shares
As at 31 December 2019 and 2018	10,000,000,000

(b) Ordinary shares, issued and fully paid and treasury shares

	Number of ordinary shares	Ordinary shares (nominal value) RMB'000	Treasury shares RMB'000	Total RMB'000
As at 31 December 2018	1,400,194,213	86,634	(5,848)	80,786
Buy-back of shares (i)	–	–	(4,289)	(4,289)
Share award scheme	–	–	64	64
As at 31 December 2019	1,400,194,213	86,634	(10,073)	76,561

- (i) The Group bought back a total of 2,400,000 of the Company's shares during the year ended 31 December 2019. The total consideration paid to buy back these shares was RMB4,289,000, which has been deducted from equity attributable to the owners of the Company. These shares are not cancelled, and will be used in share award scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Reserves

	Share premium RMB'000 (c)	Treasury shares RMB'000	Merger reserve RMB'000 (a)	Capital reserve RMB'000	Share award scheme RMB'000	Share option scheme RMB'000	Statutory surplus reserve RMB'000 (b)	Financial assets through other comprehensive income RMB'000 (d)	Retained Earnings RMB'000	Total RMB'000
Balance at 1 January 2019	1,157,260	(5,848)	125,481	332,327	80,382	-	245,437	(70,420)	2,735,739	4,600,358
Change in accounting policy (Note 3)	-	-	-	-	-	-	-	-	3,686	3,686
Restated balance at 1 January 2019	1,157,260	(5,848)	125,481	332,327	80,382	-	245,437	(70,420)	2,739,425	4,604,044
Comprehensive income										
Profit for the year 2019	-	-	-	-	-	-	-	-	903,591	903,591
Net Changes in fair value of financial assets through other comprehensive income (Note 13)	-	-	-	-	-	-	-	74,835	-	74,835
Taxes on fair value gains on financial assets through other comprehensive income (Note 24)	-	-	-	-	-	-	-	(1,211)	-	(1,211)
Total comprehensive income for the year 2019	-	-	-	-	-	-	-	73,624	903,591	977,215
Transactions with owners										
Dividends (Note 35)	(360,323)	-	-	-	-	-	-	-	-	(360,323)
Changes in ownership interests in subsidiaries without change of control (Note 39)	-	-	-	(25,589)	-	-	-	-	-	(25,589)
Share award scheme (Note 33)	-	64	-	-	10,294	-	-	-	-	10,358
Share option scheme (Note 33)	-	-	-	-	-	3,181	-	-	-	3,181
Buy-back of shares	-	(4,289)	-	-	-	-	-	-	-	(4,289)
Lapse of put option written on non-controlling interests (Note 21)	-	-	-	15,605	-	-	-	-	-	15,605
	(360,323)	(4,225)	-	(9,984)	10,294	3,181	-	-	-	(361,057)
Balance at 31 December 2019	796,937	(10,073)	125,481	322,343	90,676	3,181	245,437	3,204	3,643,016	5,220,202

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Reserves (continued)

	Share premium RMB'000 (c)	Treasury shares RMB'000	Merger reserve RMB'000 (a)	Capital reserve RMB'000	Share award scheme RMB'000	Statutory surplus reserve RMB'000 (b)	Financial assets through other comprehensive income RMB'000 (d)	Retained Earnings RMB'000	Total RMB'000
Balance at 1 January 2018	1,193,851	–	125,481	296,385	76,189	245,437	(77,773)	1,792,875	3,652,445
Changes in accounting policies	–	–	–	(4,035)	–	–	89,055	(89,055)	(4,035)
Restated balance at 1 January 2018	1,193,851	–	125,481	292,350	76,189	245,437	11,282	1,703,820	3,648,410
Comprehensive income/(loss)									
Profit for the year 2018	–	–	–	–	–	–	–	1,031,919	1,031,919
Net Changes in fair value of financial assets through other comprehensive income (Note 13)	–	–	–	–	–	–	(76,870)	–	(76,870)
Taxes on fair value gains on financial assets through other comprehensive income (Note 24)	–	–	–	–	–	–	(4,832)	–	(4,832)
Total comprehensive income for the year 2018	–	–	–	–	–	–	(81,702)	1,031,919	950,217
Transactions with owners									
Dividends (Note 35)	(260,794)	–	–	–	–	–	–	–	(260,794)
Changes in ownership interests in subsidiaries without change of control (Note 39)	–	–	–	39,977	–	–	–	–	39,977
Place of new shares	261,266	–	–	–	–	–	–	–	261,266
Share award scheme (Note 33)	–	14	–	–	4,193	–	–	–	4,207
Buy back and cancellation	(37,063)	–	–	–	–	–	–	–	(37,063)
Buy-back of shares	–	(5,862)	–	–	–	–	–	–	(5,862)
	(36,591)	(5,848)	–	39,977	4,193	–	–	–	1,731
Balance at 31 December 2018	1,157,260	(5,848)	125,481	332,327	80,382	245,437	(70,420)	2,735,739	4,600,358

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Reserves (continued)

notes:

(a) Merger reserve

Merger reserve represent the difference of aggregate consideration paid by the Group for the acquisition of subsidiaries pursuant to the reorganisation in 2013 and the aggregate capital of the subsidiaries acquired, after elimination of investment in subsidiaries.

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the PRC subsidiaries, these subsidiaries registered in the PRC shall appropriate 10% of its annual statutory profit (after offsetting any prior years' losses) to the statutory surplus reserve ("SSR") account. When the balance of SSR reaches 50% of the registered capital/share capital of these subsidiaries, any further appropriation is optional. The SSR can be utilised to offset prior years' losses or to increase paid-in capital. However, SSR shall be maintained at a minimum of 25% of registered capital/share capital after such utilisation.

The SSR are non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations.

(c) Under the Cayman Companies Law, the share premium account may be applied by the Company for paying distributions or dividends to shareholders if immediately following the date on which the Company proposes to distribute the dividend, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. Details of the proposed final dividend are set out in Note 35.

(d) Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in Note 2.14. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Borrowings

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
– Bank loans, secured (a)	4,742,601	5,392,476
– Other loans, secured (j)	1,459,000	2,335,000
– Trust financing arrangements, secured (b)	251,700	1,094,700
– Senior notes due 2020, secured, issued in April 2017 (c)	2,750,975	2,724,530
– Senior notes due 2021, secured, issued in April 2018 (d)	2,429,874	2,382,473
– Senior notes due 2020, secured, issued in January 2019 (e)	1,042,469	–
– Senior notes due 2021, secured, issued in April 2019 (f)	1,355,493	–
– Senior notes due 2022, secured, issued in July 2019 (g)	1,805,273	–
– Corporate bonds due 2021 (h)	992,976	1,491,522
– Corporate bonds due 2019 (i)	–	946,942
	16,830,361	16,367,643
Less: Current portion of long-term borrowings	(7,223,063)	(4,350,284)
	9,607,298	12,017,359
Borrowings included in current liabilities		
– Bank loans, secured (a)	2,050,250	1,045,600
– Other loans, secured (j)	–	1,055,620
– Trust financing arrangements, secured (b)	124,700	231,900
	2,174,950	2,333,120
Add: Current portion of long-term borrowings	7,223,063	4,350,284
	9,398,013	6,683,404

notes:

- (a) The Group's bank borrowings are secured by properties held or under development for sale (Note 15), investment properties (Note 8) and bank deposits (Note 17) of the Group or guaranteed by subsidiaries of the Company for each other.
- (b) These borrowings are mainly obtained through trust arrangements with trust financing companies. Borrowings under trust financing arrangements are secured by certain properties held or under development for sale (Note 15) and shares of certain subsidiaries of the Group or guaranteed by subsidiaries of the Company. Under the conventional loan trust financing arrangements, these trust financing companies provide loans to the Group through loan agreements entered into with the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Borrowings (Continued)

notes: (continued)

(c) Senior notes due 2020, issued in April 2017

In April 2017, the Company issued three-year senior notes with principal amount of USD400,000,000, which were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 12 April 2017 at 7.75% per annum payable semi-annually in arrears, and are due for repayment on 12 April 2020. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 12 April 2020, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The Group purchased back part of senior notes due 2020, issued in April 2017 in the aggregate principal amount of USD5,000,000 with unpaid accrued interest during the year ended 31 December 2019.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2019.

(d) Senior notes due 2021, issued in April 2018

In April 2018, the Company issued three-year senior notes with principal amount of USD350,000,000, which were listed on the Stock Exchange, among which USD20,000,000 were subscribed by Beyond Wisdom Limited, a company wholly owned by Yan Hao. These notes are denominated in USD, and bear interest from 23 April 2018 at 9.45% per annum payable semi-annually in arrears, and are due for repayment on 23 April 2021. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 12 April 2021, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The Group purchased back part of senior notes due 2021, issued in April 2018 in the aggregate principal amount of USD3,400,000 with unpaid accrued interest during the year ended 31 December 2019.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2019.

(e) Senior notes due 2020, issued in January 2019

In January 2019, the Company issued one-and-a-half-year senior notes with principal amount of USD150,000,000, which were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 29 January 2019 at 13% per annum payable semi-annually in arrears, and are due for repayment on 31 July 2020. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 31 July 2020, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2019.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Borrowings (Continued)

notes: (continued)

(f) Senior notes due 2021, issued in April 2019

In April 2019, the Company issued two-and-a-half-year senior notes with principal amount of USD200,000,000, which were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 1 April 2019 at 10.875% per annum payable semi-annually in arrears, and are due for repayment on 4 October 2021. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 4 October 2021, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2019.

(g) Senior notes due 2022, issued in July 2019

In July 2019, the Company issued three-year senior notes with principal amount of USD260,000,000, which were listed on the Stock Exchange. These notes are denominated in USD, and bear interest from 25 July 2019 at 12% per annum payable semi-annually in arrears, and are due for repayment on 25 July 2022. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of certain subsidiaries.

At any time and from time to time prior to 25 July 2022, the Company may at its option redeem the whole or a portion of the senior notes at redemption prices agreed in the terms, plus accrued and unpaid interest up to the redemption date.

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The board of directors is of the view that the fair values of the above early redemption options were insignificant on initial recognition and as at 31 December 2019.

(h) Corporate bonds due 2021

In March 2016, the Group issued five-year corporate bonds with principal amount of RMB1,500,000,000 ("Corporate bonds due 2021"), which were listed on the Shanghai Stock Exchange. The corporate bonds due 2021 are denominated in RMB, and bear interest rate at 5.88% per annum for the first three years and 7.00% per annum for the last two years, payable annually in arrears.

(i) Corporate bonds due 2019

In September 2016, the Group issued three-year corporate bonds with principal amount of RMB1,000,000,000, which were not listed. The corporate bonds due 2019 are denominated in RMB, and bear interest rate at 9.00% per annum, payable annually in arrears. The corporate bonds due 2019 were fully repaid by 31 December 2019.

(j) Other loans

Other loans, mainly including the loans from other financial institutions, are secured by properties held or under development for sale (Note 15), investment properties (Note 8), trade and other receivables and prepayments (Note 16), equity interests in the subsidiaries of the Company and guaranteed by a subsidiary of the Company. Included in other loans, there is a commercial mortgage backed securitization which was issued in July 2018 and is due on 28 November 2029 with principal amount of RMB720,000,000 including priority tranche of RMB684,000,000 with an annual interest rate at 6.60% and posterior tranche of RMB36,000,000 which were subscribed by the Group. The commercial mortgage backed securitization are guaranteed by certain subsidiaries and secured by the investment properties of Beijing San Quan Apartments and accounts receivables of rental income generated from Beijing San Quan Apartments. The commercial mortgage backed securitization are denominated in RMB, and bear the above interest rate per annum for the first three years, payable quarterly in arrears.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Borrowings (Continued)

The maturity of non-current borrowings at the reporting dates is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Between 1 and 2 years	5,916,425	7,126,294
Between 2 and 5 years	3,168,298	3,923,218
Above 5 years	522,575	967,847
	9,607,298	12,017,359

The range of effective interest rates as at 31 December 2019 and 2018 were as follows:

	As at 31 December	
	2019	2018
Bank and other loans	2.82%-11.3%	2.82%-11.7%
Trust financing arrangements	10.2%-10.9%	7.2%-13%

The cost of financing of the trust financing arrangements includes the interest costs and administrative fees, such as arrangement or consultancy fees and trustee fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Borrowings (Continued)

As at 31 December 2019 and 2018, the fair values of borrowings approximate their carrying amounts.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity whichever is the earlier date is as follows:

	6 months or less RMB'000	6 – 12 months RMB'000	1 – 5 years RMB'000	Over 5 Years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:					
As at 31 December 2019	1,209,824	700,000	7,374,474	323,000	9,607,298
As at 31 December 2018	1,461,820	854,847	8,939,692	761,000	12,017,359
Borrowings included in current liabilities:					
As at 31 December 2019	6,853,553	2,544,460	–	–	9,398,013
As at 31 December 2018	2,981,430	3,701,974	–	–	6,683,404

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	8,646,075	12,808,787
USD	9,812,362	5,620,354
HKD	546,874	271,622
	19,005,311	18,700,763

21 Derivative financial instrument/Financial liabilities for put option written on non-controlling interests

	31 December 2019 RMB'000
Derivative financial instrument	39,420
Less: Current portion	–
Non-current portion	39,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Derivative financial instrument/Financial liabilities for put option written on non-controlling interests (Continued)

During acquisition of the investment in a joint venture, the Group granted a call option to one of other joint venture partners during the agreed exercise period and a right to higher proportion of the excess profit distribution than the shareholding of the joint venture partner in the joint venture according to the agreement, which was recognised as derivative financial instrument during the year ended 31 December 2019.

An independent valuation was performed by the valuer, DTZ Cushman & Wakefield, to determine the fair value of the derivative financial instrument. The valuation of the derivative financial instrument was determined using the Monte Carlo Simulation. The significant unobservable input is the volatility of the property price of the underlying investment property held by the joint venture.

The movement of the derivative is set out below:

	31 December 2019 RMB'000	2018 RMB'000
Opening balance	–	–
Initial recognition at fair value	5,400	–
Losses arising on changes in fair values (Note 27)	34,020	–
	39,420	–
Less: Current portion	–	–
	39,420	–

	31 December 2019 RMB'000	2018 RMB'000
Financial liabilities for put option written on non-controlling interests	–	15,485
Less: Current portion	–	(15,485)
Non-current portion	–	–

- (a) In November 2017, Chongqing Jingkang Property Development Co., Ltd., ("Chongqing Jingkang"), a wholly-owned subsidiary of the Group, entered into equity interests transfer agreement with the non-controlling interests of Chongqing Jingteng Property Development Co., Ltd. ("Chongqing Jingteng"), pursuant to which, Chongqing Jingkang issued put option to the non-controlling interests which granted its right to sell the 30.23% equity interest in Chongqing Jingteng back to Chongqing Jingkang. The put option written to the non-controlling interests of Chongqing Jingteng was then regarded as redemption liabilities determined as the present value of future cash outflows assuming the exercise of the put option by the non-controlling interests, with corresponding charges in equity. In 2018, the Group redeemed 30.23% equity interests of Chongqing Jingteng at a consideration of RMB59,024,000 and then Chongqing Jingteng became a wholly owned subsidiary of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Derivative financial instrument/Financial liabilities for put option written on non-controlling interests (Continued)

(b) In March 2016, Shanghai Jingrui Investment Co., Ltd. ("Shanghai Jingrui"), an indirectly wholly owned subsidiary of the Group, transferred 35% and 15% equity shares in its wholly owned subsidiary Shanghai Xiaoyi Investment Co., Ltd. ("Shanghai Xiaoyi") at a total consideration of RMB50,000 to two third parties, Shanghai Jiayu Property Co., Ltd. ("Shanghai Jiayu") and Shenzhen Pingjia Investment and Management Co., Ltd. ("Shenzhen Pingjia") respectively. Pursuant to the equity transfer agreement, Shanghai Jingrui issued put option to the two non-controlling interests of Shanghai Xiaoyi which grant them the rights to sell to Shanghai Jingrui their shares of Shanghai Xiaoyi at the agreed exercise date and at a price calculated based on the terms agreed in the equity transfer agreement. It was regarded as redemption liabilities determined as the present value of future cash outflows assuming the exercise of the put option by the non-controlling interests, with corresponding charges in equity.

In April 2019, Shenzhen Pingjia obtained its share of profit through profit distributions of Shanghai Xiaoyi, and then transferred 15% equity interests to the Group at a consideration of RMB15,000. As the non-controlling interests obtained the consideration of equity interests through profit distributions of Shanghai Xiaoyi instead of exercising the put option to sell the equity interests to Shanghai Jingrui, the Group reclassified the redemption liabilities back to the capital reserve.

The movement of the redemption liabilities is set out below:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balance	15,485	73,968
Lapse of put option written on non-controlling interests	(15,605)	(59,024)
Changes in discounted present value (Note 29)	120	541
	–	15,485
Less: Current portion	–	(15,485)
	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Trade and other payables

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables	3,780,651	4,127,692
Notes payable	96,078	298,531
Amounts due to joint ventures and associates	4,229,631	2,811,325
Turnover taxes payable	171,226	105,855
Electricity fee and cleaning fee collected on behalf	74,763	38,588
Deed tax collected on behalf	2,381	18,583
Accrued payroll	30,903	33,117
Interest payable	380,654	221,428
Temporary funding payable	1,350,005	1,450,000
Construction deposits received from suppliers	38,586	63,693
Deposits received from customers	21,441	37,293
Payables for sales commission	–	2,091
Consideration payables for acquisition	846,540	165,401
Payment received in connection with disposal of subsidiaries	117,556	–
Dividend payable to non-controlling interests of certain subsidiaries	676,929	–
Dividend payable (d)	1,379	1,379
Amount received in connection with the transferring the right of collection of future receivables (a)	183,969	1,032,109
Payable to related parties of non-controlling interests (b)	466,000	700,000
Deposits received in connection with cooperation with third parties for property development and property investment	800,000	1,750,000
Payables for acquisition of equity investments (c)	943,126	268,930
Others	157,249	346,358
	14,369,067	13,472,373

notes:

- (a) The balance represents the consideration received from a third party in connection with the transferring the right of collection of certain future trade receivables for the remaining receipts from sales of properties.
- (b) The balance represents the payables to related parties of non-controlling interests of certain subsidiaries which are unsecured, non-interest bearing and repayable on demand.
- (c) The balance represents the interest-bearing payables relating to the acquisition of equity interests in certain subsidiaries, joint ventures and associates by the Group from independent third parties, among which the payables amounting to RMB268,930,000 related to acquisition of Taizhou Zhenghuang as at 31 December 2018 has been fully repaid during the year ended 31 December 2019. The interest rate is approximately ranging from 6% – 10% per annum.
- (d) The dividend payable as at 31 December 2018 and 31 December 2019 of RMB1,379,000 is the remaining unpaid final dividend declared in 2015 relating to year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Trade and other payables (Continued)

The aging analysis of trade payables and notes payable, based on the invoice date or service rendered date are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Less than 1 year	3,034,446	4,159,960
Between 1 and 2 years	749,824	202,840
Between 2 and 3 years	57,227	40,192
Over 3 years	35,232	23,231
	3,876,729	4,426,223

As at 31 December 2019 and 2018, the fair value of trade and other payables approximate their carrying amounts.

As at 31 December 2019 and 31 December 2018, the carrying amounts of trade and other payables are denominated in below currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	14,086,290	13,366,876
USD	281,012	94,775
HKD	1,765	10,722
	14,369,067	13,472,373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Amounts due to non-controlling interests of subsidiaries

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Amounts due to non-controlling interests of subsidiaries	896,011	377,894

The balance as at 31 December 2019 includes amounts of RMB91,200,000 (31 December 2018: Nil), which were the outstanding principal balance of shareholder's loan from Wuhan Xinfeilun Group Co., Ltd. to Wuhan Ruixiao Real Estate Investment Co., Ltd., ("Wuhan Ruixiao") a subsidiary of the Group. The shareholder's loan was unsecured and repayable on demand with an annual interest rate of 9%.

The balance as at 31 December 2019 includes amounts of RMB105,000,000 (31 December 2018: Nil), which were the outstanding principal and interest payable balance of shareholder's loan from Wuhan Yanjiu Management Consulting Co., Ltd. to Wuhan Ruixiao a subsidiary of the Group. The shareholder's loan was unsecured and repayable on demand with an annual interest rate of 9%.

The balance as at 31 December 2019 includes amounts of RMB231,640,000 (31 December 2018: Nil), which were the outstanding principal balance of shareholder's loan from Shanghai Juanxiang Real Estate Development Co., Ltd. to Hangzhou Juanheng Property Co., Ltd., a subsidiary of the Group. The shareholder's loan was unsecured and repayable on demand with an annual interest rate of 10%.

The balance as at 31 December 2019 includes amounts of RMB8,477,000 (31 December 2018: Nil), which were the outstanding principal balance of shareholder's loan from Zhuhai Huafa Industry Share Co., Ltd. to Tianjin Ruijun Real Estate Development Co., Ltd. ("Tianjin Ruijun Development"), a subsidiary of the Group. The shareholder's loan was unsecured and repayable on demand with an annual interest rate of 4.75%.

The balances as at 31 December 2018 include amounts of RMB97,420,000 and RMB89,412,000 which were the outstanding principal and interest payable balance of shareholders' loan from two non-controlling shareholders to Ningbo Jingjun Property Co., Ltd., a non-wholly owned subsidiary of the Group, respectively. These shareholders' loans were unsecured with annual interest rate of 5% and were fully repaid in 2019.

Except for the shareholder's loans mentioned above which carry an interest, the fundings from other non-controlling interests of certain subsidiaries for their operational purpose in property development are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Deferred income tax

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Deferred tax assets to be recovered		
– within 12 months	145,310	95,198
– after 12 months	129,088	71,078
	274,398	166,276
Deferred tax liabilities to be settled		
– within 12 months	(101,518)	(208,528)
– after 12 months	(1,202,891)	(1,112,705)
	(1,304,409)	(1,321,233)
Deferred tax liabilities, net	(1,030,011)	(1,154,957)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balance	(1,154,957)	(1,189,555)
Adjustment of changing in accounting policy (Note 3)	(1,229)	1,346
Addition arising from acquisition of Zhongguan Xinyuan Management LLP ("Zhongguan Xinyuan") (Note 40)	–	(29,595)
Addition arising from acquisition of Hangzhou Jingcheng (Note 10)	–	91,452
Addition arising from acquisition of Hangzhou Xiaoying (Note 40)	96,632	–
Addition arising from disposal of Beijing Chengyuan Property Co., Ltd. ("Beijing Chengyuan")	(11,768)	–
Charged to the consolidated income statement (Note 32)	42,522	(23,773)
Charged to other comprehensive income (Note 19)	(1,211)	(4,832)
Ending balance	(1,030,011)	(1,154,957)

As at 31 December 2019, deferred income tax assets and deferred income tax liabilities amounting to RMB22,821,000 (31 December 2018: RMB33,752,000) were offset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities for both years ended 31 December 2019 and 2018 without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses RMB'000	Provision for impairment of properties held for sale and receivables RMB'000	Land appreciation tax RMB'000	Elimination of inter-company transactions RMB'000	Temporary difference on recognition of sales and cost of sales RMB'000	Accruals RMB'000	Total RMB'000
At 1 January 2019	64,524	15,190	5,484	19,396	84,896	10,538	200,028
Addition arising from acquisition of Hangzhou Xiaoying (Note 40)	-	-	-	-	96,632	-	96,632
Credited/(charged) to the consolidated income statement	47,556	(721)	(5,484)	(4,881)	(34,525)	(1,386)	559
At 31 December 2019	112,080	14,469	-	14,515	147,003	9,152	297,219
At 1 January 2018	96,223	9,039	12,277	12,866	170,855	10,184	311,444
Adjustment of adoption of HKFRS 9 on 1 January 2018	-	1,346	-	-	-	-	1,346
Addition arising from acquisition of Zhongguan Xinyuan (Note 40)	2,817	-	-	-	-	-	2,817
Addition arising from acquisition of Hangzhou Jingcheng (Note 40)	-	-	-	-	91,452	-	91,452
(Charged)/credited to the consolidated income statement	(34,516)	4,805	(6,793)	6,530	(177,411)	354	(207,031)
At 31 December 2018	64,524	15,190	5,484	19,396	84,896	10,538	200,028

In accordance with the PRC laws and regulations, tax losses could be carried forward for a period of five years to offset against its future taxable profits. Deferred tax assets relating to unutilised tax losses are recognised to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to be utilised.

The Group did not recognise deferred income tax assets of RMB499,341,000 (31 December 2018: RMB454,997,000) in respect of tax losses amounting to RMB1,997,364,000 (31 December 2018: RMB1,819,988,000) as at 31 December 2019. All these tax losses will expire within five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Deferred income tax (Continued)

Deferred income tax liabilities

	Temporary difference on recognition of fair value gains RMB'000	Temporary difference on recognition of cost of sales and expenses RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Re-measurement of the remaining interests in Shanghai Jingqi Property Development Co., Ltd. RMB'000	Acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2019	410,696	313,640	37,182	-	593,467	1,354,985
Adjustment for changes in accounting policies on 1 January 2019 (Note 3)	-	1,229	-	-	-	1,229
Charged to other comprehensive income (Note 19)	1,211	-	-	-	-	1,211
Addition arising from disposal of Beijing Chengyuan (Note 40)	11,768	-	-	-	-	11,768
(Credited)/charged to the consolidated income statement	(19,969)	(16,227)	(20,658)	-	14,891	(41,963)
At 31 December 2019	403,706	298,642	16,524	-	608,358	1,327,230
At 1 January 2018	432,058	190,319	37,182	45,736	795,704	1,500,999
Addition arising from acquisition of Zhongguan Xinyuan (Note 40)	32,412	-	-	-	-	32,412
Charged to other comprehensive income (Note 19)	4,832	-	-	-	-	4,832
(Credited)/charged to the consolidated income statement	(58,606)	123,321	-	(45,736)	(202,237)	(183,258)
At 31 December 2018	410,696	313,640	37,182	-	593,467	1,354,985

Deferred income tax arose as a result of differences in timing of recognition of certain revenues, costs and expenses between the tax based accounts and the financial statements prepared in accordance with HKFRSs. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated balance sheets and their tax bases, in accordance with HKAS 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Revenue

Revenue of the Group consists of the following:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers recognised at a point in time		
– Sales of properties	12,366,104	10,440,273
– Others	59,016	56,894
	12,425,120	10,497,167
Revenue from contract with customers recognised over time		
– Property management service	441,123	386,329
– Decoration of properties	180,264	250,976
	621,387	637,305
Rental income	238,620	133,731
	13,285,127	11,268,203

26 Other income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Gain from acquisition of shares in Ningbo Puhong (a)	90,428	–
Government grants	51,578	26,969
Compensation income	2,492	12,668
Interest income on loans to joint ventures	13,022	21,074
Others	950	7,627
	158,470	68,338

note:

- (a) In February 2019, the Group acquired 46% equity interests of Ningbo Puhong which indirectly held a property investment company in Shanghai, the PRC, at a total consideration of RMB301,000,000 from a third party seller, and accounted for Ningbo Puhong as a joint venture. Gain on bargain purchase of RMB90,428,000 arising from this acquisition was recognised and recorded as other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Other gains – net

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Fair value gains from financial assets at fair value through profit or loss	47,232	62,061
Investment income from financial assets at fair value through other comprehensive income	14,983	13,816
Gains from lease modification	12,987	–
(Losses)/gains from disposal of property, plant and equipment	(219)	430
Changes in fair values of derivative financial instruments	(34,020)	–
Gain from disposal of joint ventures	1,851	–
Gain from disposal of shares in subsidiaries	31,378	–
Gains from deemed disposal of a subsidiary (Note 11(b))	85,191	–
Compensation and late payment charges	(36,103)	(11,762)
Disposal gains on investment properties	14,373	166,670
Others	9,087	(2,385)
	146,740	228,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Expenses by nature

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of properties sold	10,069,234	8,204,721
Cost of properties management	292,698	271,491
Cost of design and decoration of properties	110,985	154,943
Tax and surcharges	42,335	60,764
Accrual of provision for write-down of properties held or under development for sale-net	11,747	1,855
Depreciation of property, plant and equipment (Note 7)	24,679	12,840
Amortisation of intangible assets (Note 9)	1,277	1,370
Bank charges	11,168	7,500
Staff costs (Note 30)	448,060	453,180
Entertainment expenses	21,545	24,369
Stamp duty and other taxes	30,229	25,722
Professional fees	100,518	186,159
Auditors' remuneration		
– annual audit and interim review	3,995	3,940
– non-audit services	2,400	455
Sales commission	67,835	45,162
Advertising and publicity costs	80,254	64,162
Office and meeting expenses	43,720	41,850
Rental expenses	12,160	58,314
Travelling expenses	16,673	23,835
Net impairment losses on financial assets (Note 16)	4,575	27,247
Other expenses	195,999	138,584
Total cost of sales, selling and marketing costs and administrative expenses	11,592,086	9,808,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Finance costs – net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits and financial assets	261,507	53,343
Finance costs		
– Interest on financing arrangements	(2,004,793)	(1,535,272)
– Net foreign exchange losses on financing activities	(57,731)	(188,965)
– Changes in discounted present value of financial liabilities for put option written on non-controlling interests (Note 21)	(120)	(541)
– Interest on lease liabilities	(14,549)	–
– Less: Amount capitalised	1,550,206	1,387,128
	(526,987)	(337,650)
Net finance costs	(265,480)	(284,307)

30 Staff costs (including directors' emoluments)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages and salaries	369,590	382,130
Pension	21,758	22,558
Other welfare benefit expenses	43,173	44,285
Share award scheme (Note 33)	10,358	4,207
Share option scheme (Note 33)	3,181	–
	448,060	453,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive is set out below:

Name of director	Fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Share award scheme RMB'000	Share option scheme RMB'000	Total RMB'000
Year ended 31 December 2019:							
Chen Xin Ge (陳新戈) (ii)	-	-	-	-	-	-	-
Yan Hao (閔浩) (i)(ii)	-	1,489	2,366	63	-	-	3,918
Xu Chao Hui (許朝輝) (ii)	-	2,205	138	65	17	-	2,425
Xu Hai Feng (徐海峰) (ii)	-	2,679	761	64	849	688	5,041
Qian Shi Zheng (錢世政) (iii)	263	-	-	-	-	-	263
Han Jiong (韓炯) (iii)	263	-	-	-	-	-	263
Lo Wing Yan (盧永仁) (iii)	263	-	-	-	-	-	263
	789	6,373	3,265	192	866	688	12,173
Year ended 31 December 2018:							
Chen Xin Ge (陳新戈) (ii)	-	-	-	-	-	-	-
Yan Hao (閔浩) (i) (ii)	-	1,416	4,008	96	-	-	5,520
Yang Tie Jun (楊鐵軍) (ii)	-	410	-	14	-	-	424
Xu Chao Hui (許朝輝) (ii)	-	2,264	2,046	92	41	-	4,443
Xu Hai Feng (徐海峰) (ii)	-	1,969	841	88	-	-	2,898
Qian Shi Zheng (錢世政) (iii)	258	-	-	-	-	-	258
Han Jiong (韓炯) (iii)	258	-	-	-	-	-	258
Lo Wing Yan (盧永仁) (iii)	258	-	-	-	-	-	258
	774	6,059	6,895	290	41	-	14,059

notes:

- (i) The chief executive of the Company is Yan Hao, who is also one of the executive directors of the Company.
- (ii) Mr. Chen Xin Ge, Mr. Yan Hao, Mr. Xu Chao Hui and Mr. Yang Tie Jun were appointed as the executive directors of the Company in October 2013.
- Mr. Yang Tie Jun resigned as executive director of the Company with effect from 12 February 2018. Mr. Xu Hai Feng was appointed as executive director of the Company from 15 March 2018.
- Mr. Xu Chao Hui resigned as executive director of the Company with effect from 18 January 2020. Mr. Chen Chao was appointed as executive director of the Company from 30 March 2020.
- (iii) Han Jiong (韓炯), Qian Shi Zheng (錢世政) and Lo Wing Yan (盧永仁) were appointed as independent non-executive directors of the Company in October 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Benefits and interests of directors (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2019 include two (2018: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2018: two) individuals are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances, share award, share option and benefits in kind	8,822	4,337
Bonuses	2,548	–
	11,370	4,337

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emoluments bands (in Hong Kong dollar)		
HKD1,000,000 and below	–	1
HKD1,000,001 - HKD1,500,000	–	–
HKD1,500,001 - HKD2,000,000	–	–
HKD2,000,001 - HKD2,500,000	–	–
HKD2,500,001 - HKD3,000,000	–	–
HKD3,000,001 - HKD3,500,000	1	–
HKD3,500,001 - HKD4,000,000	1	–
HKD4,000,001 - HKD4,500,000	–	1
HKD4,500,001 and above	1	–

- (c)** During the year ended 31 December 2019, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2018: Nil).

During the year ended 31 December 2019, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2018: Nil).

During the year ended 31 December 2019, no consideration was provided to or receivable by third parties for making available director's services (2018: Nil).

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Benefits and interests of directors (continued)

(d) Directors' material interests in transactions, arrangements or contracts

During the year ended 31 December 2018, USD20,000,000 of senior notes due 2021 were subscribed by Beyond Wisdom Limited, a company wholly owned by Yan Hao.

32 Income tax expense

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Current income tax		
– PRC land appreciation tax	428,308	275,706
– PRC corporate income tax	479,080	438,053
	907,388	713,759
Deferred income tax (Note 24)	(42,522)	23,773
Total income tax charged for the year	864,866	737,532

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 companies within the Group as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before income tax	2,149,876	2,040,423
PRC land appreciation tax	(428,308)	(275,706)
	1,721,568	1,764,717
Income tax calculated at statutory rate of 25%	430,392	441,179
The difference from income tax calculated at statutory rate of 16.5%	(2,624)	–
Effect of expenses not deductible for income tax purposes	108,539	173,141
Share of results of joint ventures and associates	(85,639)	(31,266)
Income not subject to tax	(45,544)	(18,076)
Utilisation of previously unrecognised tax losses	(62,618)	(47,876)
Tax losses and temporary differences not recognised as deferred tax assets	106,962	150,576
PRC land appreciation tax and other tax on change in fair value of investment properties	(17,213)	(223,366)
PRC land appreciation tax deductible for calculation of income tax purpose	4,303	17,514
PRC land appreciation tax	428,308	275,706
Total income tax expense	864,866	737,532



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Income tax expense (continued)

PRC corporate income tax

Under the Corporate Income Tax Law of the PRC (the "CIT Law"), the CIT rate applicable to the Group's subsidiaries located in the PRC from 1 January 2008 is 25%.

The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The directors of the Company had confirmed that retained earnings of the Group's PRC subsidiaries as at 30 June 2013 will not be distributed in the foreseeable future. No PRC withholding income tax was accrued for the year ended 31 December 2019 (2018: Nil). The Group controls the dividend policies of these subsidiaries and it has been determined that the remaining earnings will not be distributed in the foreseeable future.

As at 31 December 2019, the Group did not recognise deferred income tax for PRC withholding income tax with amount of RMB541,406,000 (31 December 2018: RMB372,226,000) on the remaining unremitted distributable profits generated by its PRC subsidiaries attributable to the investors outside the PRC with amount of RMB5,414,056,000 (31 December 2018: RMB3,722,259,000).

Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures, and is included in the consolidated income statement as income tax expense.

33 Share-based payments

(a) New share award scheme

The Company's board approved and adopted the Share Award Scheme on 29 November 2017 (the "New Share Scheme"). Pursuant to the New Share Scheme, subject to certain vesting conditions, the shares can be vested in tranches on 1 January 2018, 2019, 2020 respectively. In March and September 2019, under the same scheme, certain shares were granted to the selected employees and can be vested in tranches in March 2019, January 2020 and January 2021 respectively subject to certain vesting conditions.

An expenses of RMB10,358,000 was recognised for the year ended 31 December 2019 in relation to the employees' service provided (2018: RMB4,207,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Share-based payments (continued)

(b) Share option scheme

The Company's board approved and adopted the Share Option Scheme on 7 May 2019. On 9 September 2019, the Company granted 27,000,000 share options with an exercise price of HKD2.53 per share to certain directors of the Company and certain employees of the Company and its subsidiaries.

The amount of options that will vest depends on the achievement of certain targets of the Group mainly including contracted sales and net profits attributable to equity holders of the Company. Once vested, the options remain exercisable at any time during the period prior to the expiration of 10 years from the date on which the options are granted and accepted, in accordance with the terms of the Share Option Scheme.

Set out below are summaries of options granted under the plan:

	2019	
	Exercise price per share option (HKD per share)	Number of options
As at 1 January	–	–
Granted during the year	2.53	27,000,000
As at 31 December	2.53	27,000,000

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price in HKD per share	Share options at 31 December 2019
9 September 2019	8 September 2029	2.53	27,000,000

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss.

An independent valuation was performed by the valuer, DTZ Cushman & Wakefield, to determine the fair value of the share option at grant date. The valuation was determined using the Binomial model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk free interest rate for the term of the option. An expenses of RMB3,181,000 was recognised for the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Earnings per share

(a) Basic earnings per share

Basic earnings per share for the years ended 31 December 2019 and 2018 are calculated by dividing the Group's profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2019	2018
Group's profit attributable to equity holders of the Company (RMB'000)	903,591	1,031,919
Weighted average number of shares in issue (in thousand)	1,394,723	1,343,986
Basic earnings per share (RMB)	0.65	0.77

(b) Diluted earnings per share

	Year ended 31 December	
	2019	2018
Group's profit attributable to equity holders of the Company (RMB'000)	903,591	1,031,919
Weighted average number of shares in issue (in thousand)	1,394,723	1,343,986
Effect of dilutive potential ordinary shares in respect of share award scheme (in thousand)	4,747	1,170
Weighted average number of ordinary shares for diluted earnings per share (in thousand)	1,399,470	1,345,156
Diluted earnings per share (RMB)	0.65	0.77

35 Dividends

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Proposed final dividend of HKD24 cents (2018: HKD30 cents) per ordinary share (a)	305,261	359,024

notes:

- (a) At a board meeting held on 30 March 2020, the directors proposed a final dividend for the year ended 31 December 2019 of HKD24 cents per ordinary share using the share premium account. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of share premium for the year ending 31 December 2020 upon approval by the shareholders at the forthcoming annual general meeting of the Company.
- (b) A final dividend in respect of the year ended 31 December 2018 of HKD30 cents per ordinary share has been approved at the annual general meeting of the Company held on 7 May 2019. The dividend of RMB360,323,000 has been paid out by the Company in May 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Notes to the consolidated cash flow statement

(a) Net cash generated from operations:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before income tax	2,149,876	2,040,423
Adjustments for:		
Depreciation (Note 28)	24,679	12,840
Amortisation (Note 28)	1,277	1,370
Losses/(gains) on disposals of property, plant and equipment (Note 27)	219	(430)
Net impairment losses on financial assets (Note 28)	4,575	27,247
Gain on disposal of subsidiaries (Note 27)	(31,378)	–
Gain from lease modification	(12,987)	–
Other losses on acquisition of subsidiaries	–	1,585
Gains from deemed disposal of a subsidiary	(85,191)	–
Gains on disposal of associates	–	(540)
Change in fair value of financial assets at fair value through profit or loss (Note 27)	(47,232)	(62,061)
Accrual of provision for write-down of properties held for sale (Note 28)	11,747	1,855
Gains on disposal of joint ventures	(1,851)	–
Depreciation/(appreciation) of investment properties under office and apartment platform	21,474	(388,051)
Fair value gains on investment properties under other platforms	(96,022)	(54,708)
Share of results of joint ventures (Note 10)	(170,409)	47,324
Share of results of associate (Note 11)	(172,148)	(172,387)
Foreign exchange losses (Note 29)	57,731	188,965
Unrealised profit in connection with the sales from the Group to a joint venture (Note 10)	–	4,092
Interest income on loans to joint ventures (Note 26)	(13,022)	(21,074)
Gain from acquisition of shares in Ningbo Puhong	(90,428)	–
Finance costs (Note 29)	469,256	148,685
Finance income (Note 29)	(261,507)	(53,343)
Share award scheme (Note 33)	10,358	4,207
Share option scheme (Note 33)	3,181	–
Changes in fair value of derivative financial instruments (Note 27)	34,020	–
Gains from disposal of investment properties (Note 27)	(14,373)	(166,670)
Investment income from financial assets at fair value through other comprehensive income (Note 27)	(14,983)	(13,816)
Changes in working capital		
– Restricted cash relating to operating activities	(265,062)	(47,926)
– Prepayments for leasehold land	(669,650)	911,176
– Properties held or under development for sales (excluding capitalised interest)	5,166,737	(250,451)
– Trade and other receivables and prepayments	265,326	(403,247)
– Advances from pre-sale of properties	(1,227,817)	(5,307,615)
– Trade and other payables	(2,002,466)	2,864,899
– (Increase)/decrease in amounts due from joint ventures and associates	(71,184)	700,893
– Increase in amounts due to related parties	641,422	1,080,149
Net cash generated from operations	3,614,168	1,093,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Notes to the consolidated cash flow statement (continued)

(b) Major non-cash transaction:

One subsidiary of the Group declared dividends of RMB121,870,000 during the year ended 31 December 2019 to its non-controlling interests. Such dividends payable was settled by netting off with the amounts due from non-controlling interests of the subsidiary during the year ended 31 December 2019.

(c) Proceeds from disposal of property, plant and equipment:

In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net book value (Note 7)	715	1,659
(Losses)/gains on disposals of property, plant and equipment (Note 27)	(219)	430
Proceeds from disposal of property, plant and equipment	496	2,089

(d) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt

	31 December	
	2019	2018
	RMB'000	RMB'000
Borrowings	19,005,311	18,700,763
Leases liabilities	168,977	–
Amounts due to related parties	1,272,736	1,357,500
Amounts due to non-controlling interests of subsidiaries	896,011	377,894
	21,343,035	20,436,157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Notes to the consolidated cash flow statement (continued)

(d) Net debt reconciliation (continued)

Net debt (continued)

	Liabilities from financing activities				Total RMB'000
	Borrowings RMB'000	Leases liabilities RMB'000	Amounts due to related parties RMB'000	Amounts due to non- controlling interests of subsidiaries RMB'000	
Balance as at 31 December 2018	18,700,763	–	1,357,500	377,894	20,436,157
Adjustment for changes in accounting policy (Note 3)	–	182,486	–	–	182,486
Restated balance as at 1 January 2019	18,700,763	182,486	1,357,500	377,894	20,618,643
Net Cash flows	403,254	(23,366)	(84,764)	518,117	813,241
Foreign exchange movements	214,696	–	–	–	214,696
Other non-cash movements	(313,402)	9,857	–	–	(303,545)
Balance as at 31 December 2019	19,005,311	168,977	1,272,736	896,011	21,343,035

	Liabilities from financing activities				Total RMB'000
	Borrowings RMB'000	Finance leases RMB'000	Amounts due to related parties RMB'000	Amounts due to non- controlling interests of subsidiaries RMB'000	
Balance as at 31 December 2017	14,114,763	4,251	2,201,500	635,839	16,956,353
Net Cash flows	4,084,744	–	(599,000)	(257,945)	3,227,799
Acquisitions of subsidiaries	110,000	–	(245,000)	–	(135,000)
Foreign exchange movements	361,859	–	–	–	361,859
Other non-cash movements	29,397	(4,251)	–	–	25,146
Balance as at 31 December 2018	18,700,763	–	1,357,500	377,894	20,436,157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Commitments

(a) Property development expenditure commitments

Property development expenditure committed at each balance sheet date but not yet incurred is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Land use rights	1,164,900	–
Other property development expenditure	1,754,489	2,490,684
	2,919,389	2,490,684

(b) Investment commitments

As at 31 December 2019 and 2018, committed investments are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Committed investments	18,190	22,500
Committed for the selling rights of certain completed properties for sale	–	284,760
	18,190	307,260

(c) Operating lease rental receivables

As at 31 December 2019 and 2018, the future aggregate minimum rental receipts under non-cancellable operating lease in respect of certain buildings are receivable in the following periods:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	147,693	88,775
1 to 5 years	313,772	292,023
After 5 years	205,596	228,706
	667,061	609,504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Financial guarantees and contingent liabilities

(a) Guarantees on mortgage facilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities at each balance sheet date:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	4,363,078	3,862,016

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser, or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of mortgage. The directors consider that the likelihood of default of payments by the purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

(b) Guarantees provided to joint ventures and associates

As at 31 December 2019, the Group provided guarantees for a total of bank borrowings of RMB1,484,000,000 of its joint ventures and associates (31 December 2018: RMB930,450,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Changes in ownership interests in subsidiaries without change of control

Acquisition of additional interests in subsidiaries

In 2019, the Group acquired additional equity interests of certain subsidiaries from the relevant non-controlling interests for a total cash consideration of RMB980,830,000 (2018: RMB212,277,000). The excess of RMB24,706,000 in total over the carrying amount of the non-controlling interests of RMB956,124,000 was recognised in equity attributable to equity holders of the Company.

During 2019 and 2018, major acquisition of additional interests in subsidiaries are as follows:

- (a) In April 2019, the Group acquired an additional 15% equity interests of its subsidiary Shanghai Xiaoyi Investment Co., Ltd. at a consideration of RMB15,000. The excess of RMB3,164,000 over the carrying amount of the non-controlling interests of RMB3,179,000 was recognised in equity attributable to equity holders of the Company.
- (b) In July 2019, the Group acquired an additional 49% equity interests of its subsidiary Hangzhou Jinghang Property Co., Ltd. through acquire 100% equity interest of Shanghai Jiacan Investment Co., Ltd. at a consideration of RMB65,213,000. The lower of RMB7,667,000 over the carrying amount of the non-controlling interests of RMB72,880,000 was recognised in equity attributable to equity holders of the Company.
- (c) In August 2019, the Group acquired an additional 30% equity interests of its subsidiary Shanghai Xiaopin Investment Co., Ltd. at a consideration of RMB201,000,000. The excess of RMB36,468,000 over the carrying amount of the non-controlling interests of RMB164,532,000 was recognised in equity attributable to equity holders of the Company.
- (d) In December 2019, the Group acquired an additional 70% equity interests of its subsidiary Taicang Jingrui Business Consulting Co., Ltd. with the carrying amount of the non-controlling interests of RMB700,000,000 at a consideration of RMB700,000,000.
- (e) In January and July 2018, the Group acquired an additional 18.77% and 30.23% equity interests of its subsidiary Chongqing Jingteng Property Co., Ltd. respectively at a total consideration of RMB95,777,000. The excess of RMB23,883,000 over the carrying amount of the non-controlling interests of RMB71,894,000 was recognised in equity attributable to equity holders of the Company.
- (f) In April 2018, the Group acquired an additional 16% equity interests of its subsidiary Ningbo Xiaoyong Investment Co., Ltd. at a consideration of RMB16,000,000. The excess of RMB266,000 over the carrying amount of the non-controlling interests of RMB15,734,000 was recognised in equity attributable to equity holders of the Company.
- (g) In August 2018, the Group acquired an additional 45% equity interests of a subsidiary at nil consideration. The excess of RMB1,466,000 over the carrying amount of the non-controlling interests was recognised in equity attributable to equity holders of the Company.
- (h) In July 2018, the Group acquired equity interests of a subsidiary Suzhou Youte Investment Centre (Limited Partnership) ("Suzhou Youte") at a consideration of RMB100,500,000. The amount RMB17,098,000 less than the carrying amount of the non-controlling interests of RMB117,598,000 was recognised in equity attributable to equity holders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Changes in ownership interests in subsidiaries without change of control (continued)

The following table summarises the carrying amount of non-controlling interests acquired, considerations need to be paid to non-controlling interests and excess of consideration paid recognised within equity of these subsidiaries at the acquisition date.

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Consideration need be paid to non-controlling interests	(980,830)	(212,277)
Carrying amount of non-controlling interests acquired	956,124	203,760
Excess of consideration paid recognised within equity	24,706	8,517

Deemed disposal of interests in subsidiaries without loss of control

In 2019, certain third parties injected capital contribution of RMB281,129,000 to certain subsidiaries which have an effective dilution of the Group's interests in these subsidiaries. The Group recognised an increase in non-controlling interests of RMB282,012,000 and an increase in equity attributable to equity holders of the Company of RMB883,000.

During 2019, major deemed disposal of interests in subsidiaries without loss of control are as follows:

- (i) In July 2019, pursuant to certain agreements, Tianjing Huajing Property Co., Ltd. ("Tianjing Huajing") injected capital contribution of RMB165,130,000 to Tianjin Ruijun Business Management Co., Ltd. ("Tianjin Ruijun"), a wholly owned subsidiary of the Group, which has an effective dilution of the Group's interests in Tianjin Ruijun. After the transaction, Tianjing Huajing and the Group own equity interests of Tianjin Ruijun as to 49% and 51% respectively, and the Group still controls Tianjin Ruijun. The Group recognised an increase in non-controlling interests of RMB165,129,000 and a decrease in equity attributable to equity holders of the Company of RMB1,000. Tianjin Ruijun has a wholly-owned subsidiary, namely Tianjin Ruijun Development.
- (j) In August 2019, pursuant to certain agreements, Shanghai International Trust Co., Ltd. ("Shanghai Trust") and Shanghai Shangxin Kunpu Investment Management Co., Ltd. ("Shangxin Kunpu") injected capital contribution of RMB101,444,000 and RMB1,195,000 respectively to Ningbo Meishan Free Trade Port Youyu Investment Center LLP ("Meishan Youyu"), a wholly owned subsidiary of the Group, which has an effective dilution of the Group's interests in Meishan Youyu. After these transactions, Shanghai Trust, Shangxin Kunpu and the Group own equity interests of Meishan Youyu as to 65.47%, 0.77% and 33.76% respectively, and the Group still controls Meishan Youyu. The Group recognised an increase in non-controlling interests of RMB102,635,000 and a decrease in equity attributable to equity holders of the Company of RMB4,000. Meishan Youyu has a subsidiary, namely Ningbo Jingxin Property Co., Ltd.
- (k) In 2019, certain employees injected capital contribution of RMB13,360,000 through certain limited liability partnerships established by the Group and employees to certain subsidiaries which have an effective dilution of the Group's interests in these subsidiaries.
- (l) In January 2018, pursuant to certain agreements, Nanjing Luode Dening Property Investment LLP ("Nanjing Luode Dening") and Jiangsu Luode Equity Investment Fund Management Co., Ltd. ("Jiangsu Luode") injected capital contribution of RMB75,375,000 to Suzhou Youte, a non-wholly owned subsidiary of the Group, which has an effective dilution of the Group's interests in Suzhou Youte. After the transaction, Nanjing Luode Dening and Jiangsu Luode and the Group own equity interests of Suzhou Youte as to 0.25%, 49.63% and 50.12% respectively, and the Group still controls Suzhou Youte. The Group recognised an increase in non-controlling interests of RMB80,153,000 and a decrease in equity attributable to equity holders of the Company of RMB4,778,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Changes in ownership interests in subsidiaries without change of control (continued)

Deemed disposal of interests in subsidiaries without loss of control (continued)

- (m) In July 2018, pursuant to certain agreements, Shandong Trust injected capital contribution of RMB132,000,000 to Hangzhou Jingqi Enterprise Management Consulting Co., Ltd. ("Hangzhou Jingqi"), a non-wholly owned subsidiary of the Group, which has an effective dilution of the Group's interests in Hangzhou Jingqi. After the transaction, Shandong Trust own equity interests of Hangzhou Jingqi as to 40%, and the Group still controls Hangzhou Jingqi. The Group recognised an increase in non-controlling interests of RMB132,004,000 and a decrease in equity attributable to equity holders of the Company of RMB4,000.

The following table summarises the carrying amount of non-controlling interests disposed of, considerations received from non-controlling interests and loss on disposal recognised within equity of these subsidiaries at the deemed disposal date.

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Carrying amount of non-controlling interests disposed of	(282,012)	(270,197)
Consideration received from non-controlling interests	281,129	259,667
Loss on disposal recognised within equity	883	10,530

Aggregate effects of all above transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2019 and 2018.

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Excess of consideration paid recognised within equity	(24,706)	(8,517)
Loss on disposal recognised within equity for equity attributable to equity holders for the Company	(883)	(10,530)
Put options written on non-controlling interests (Note 21)	—	59,024
Net effects for transactions with non-controlling interests on equity attributable to equity holders for the Company	(25,589)	39,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Business combination and assets acquisitions

Assets acquisitions in 2019

(a) In January 2019, the Group entered into a purchase agreement with three third parties, pursuant to which third parties transferred 100% equity interests in total of Shanghai Yuexia Enterprise Management Co., Ltd. ("Shanghai Yuexia") to the Group at a total consideration of RMB2,555,000. The transaction was regarded as assets acquisition which was completed in October 2019.

(b) The Group and Hangzhou Shunguang hold 50% equity interests of a joint venture Hangzhou Xiaoying, a property project company in Hangzhou, respectively.

In November 2019, the Group and Hangzhou Shunguang entered into a shareholder resolution, pursuant to which, Hangzhou Shunguang follows the Group on all substantive decision on the operating and financing policies of Hangzhou Xiaoying thereafter. Since then, the directors of the Company consider that the Group has effective control over Hangzhou Xiaoying, and Hangzhou Xiaoying became a non-wholly owned subsidiary of the Group. The transaction was regarded as assets acquisition.

(c) In December 2019, the Group entered into a purchase agreement with a third party, pursuant to which the third party transferred 51% equity interests of Shanghai Juanyu Real Estate Development Co., Ltd. to the Group at a total consideration of RMB25,727,000. The transaction was regarded as assets acquisition which was completed in December 2019.

Business Combination in 2018

(d) On 28 April 2018, the Group acquired 100% equity interests and obtained the control of Zhejiang Guodu Property Management Development Co., Ltd. at a consideration of RMB11,120,000.

Assets acquisitions in 2018

(e) In January 2018, the Group entered into a purchase agreement with a third party, pursuant to which the third party transferred 100% equity interests of Beijing Chengyuan to the Group at a total consideration of RMB269,000,000. The transaction was regarded as assets acquisition which was completed in February 2018.

(f) In March 2018, the Group entered into a purchase agreement with a then associate, pursuant to which the then associate transferred 100% equity interests of Zhongguan Xinyuan and Zhongguan Yayuan Enterprise Management Co., Ltd. to the Group at a total consideration of RMB213,154,000. The transaction was regarded as assets acquisition which was completed in May 2018.

(g) In April 2018, the Group entered into a purchase agreement with a third party, pursuant to which the third party transferred 100% equity interests of Zhongfa Wenchan Property (Wuhan) Co., Ltd. to the Group at a total consideration of RMB239,530,000. The transaction was regarded as assets acquisition which was completed in May 2018.

(h) In April 2018, the Group entered into a purchase agreement with a third party, pursuant to which the third party transferred 100% equity interests of Taizhou Zhenghuang to the Group at a total consideration of RMB339,709,000. The transaction was regarded as assets acquisition which was completed in May 2018.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Business combination and assets acquisitions (continued)

Assets acquisitions in 2018 (continued)

- (i) In June 2018, Jingrui Properties, a wholly owned subsidiary of the Group, entered into a share purchase agreement with a joint venture partner, Shandong Trust, pursuant to which Jingrui Properties acquired 49% equity interests of Shanghai Ruice, a joint venture of the Group which directly held a property project company, Hangzhou Jingcheng in Zhejiang Province, the PRC, at a consideration of RMB199,000,000.

Completion of the share purchase agreement took place on 29 June 2018 and Hangzhou Jingcheng became a wholly owned subsidiary of the Group since then.

- (j) In May 2018, the Group entered into a purchase agreement with a third party, pursuant to which the third party transferred 100% equity interests of Xinhua Wenhua Tower to the Group at a total consideration of RMB241,370,000. The transaction was regarded as assets acquisition which was completed in July 2018.
- (k) In August 2018, the Group entered into a purchase agreement with a third party, pursuant to which the third party transferred 100% equity interests of Yinqiao Apartment to the Group at a total consideration of RMB228,999,000. The transaction was regarded as assets acquisition which was completed in September 2018.
- (l) In May 2018, the Group entered into a purchase agreement with a third party, pursuant to which the third party transferred 100% equity interests of Zhongshan Building to the Group at a total consideration of RMB79,300,000. The transaction was regarded as assets acquisition which was completed in September 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Related-party transactions

(a) Name and relationship with related parties

Name	Relationship with the Group
Shanghai Jupan	Then joint venture
Ningbo Haipanju Apartment Management Co., Ltd. ("Ningbo Haipanju")	A subsidiary of a then joint venture
Ningbo Jiamu	Associate
Ningbo Jinghang Property Co., Ltd. ("Ningbo Jinghang")	A subsidiary of an associate
Nanjing Yuning	Associate
Ningbo Rongan Education	Associate
Ningbo Kanghua Property Co., Ltd. ("Ningbo Kanghua")	A subsidiary of an associate
Tianjin Ruiyue	Joint venture before July 2019 (i)
Hangzhou Xiaoying	Joint venture before November 2019 (ii)
Changshu Zhicheng	Joint venture
Tianjin Yuanming	Joint venture
Hangzhou Zhenlu	Associate
Hangzhou Lvcheng Guixi Real Estate Development Co., Ltd. ("Lvcheng Guixi")	A subsidiary of an associate
Suzhou Lingrui	Joint venture
Suzhou Chengrui	Joint venture
Tropica Development	Associate
Nanjing Caicheng	Joint venture
Ningbo Jingfeng	Associate
Tianjin Xinbi	Then Joint venture
Tianjin Jinyuan Real Estate Development Co., Ltd. ("Tianjin Jinyuan")	A subsidiary of a then joint venture
Tianjin Junyou	Joint venture
Tianjin Xinyou Property Co., Ltd. ("Tianjin Xinyou")	A subsidiary of a joint venture
Changshu Huihuang	Associate
Nanjing Shansheng	Joint venture
Changshu Junchun	Joint venture
Changshu Jiangnan Zhongying Real Estate Property Co., Ltd. ("Jiangnan Zhongying")	A subsidiary of a joint venture
Changshu Jiangnan Guotai Real Estate Property Co., Ltd. ("Jiangnan Guotai")	A subsidiary of a joint venture
Tianjin Ruihui	Associate (iii)
Tianjin Ruihui Real Estate Development Co., Ltd. ("Tianjin Ruihui Development")	A subsidiary of an associate (iii)
Shanghai Pinzhai	Associate (iv)
Nanjing Yuesheng	Associate (v)
Yangling Guanghui	Associate (vi)
Tianjin Xuming	Associate
Hangzhou Jingcheng	Joint venture before June 2018 (vii)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Related-party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship with the Group
Tianjin Hesheng Real Estate Development Co., Ltd. ("Tianjin Hesheng")	A subsidiary of an associate
Ningbo Puhong	Joint venture
Tianjin Xinghuacheng Property Co., Ltd. ("Tianjin Xinghuacheng")	Joint venture
Shanghai Puhong Property Co., Ltd. ("Shanghai Puhong")	A subsidiary of a joint venture
Hangzhou Yuerong Real Estate Development Co., Ltd. ("Hangzhou Yuerong")	A subsidiary of an associate
Shanghai Maglink Enterprise Management Co., Ltd. ("Shanghai Maglink")	A subsidiary of a joint venture
Beyond Wisdom Limited	A company wholly owned by Yan Hao
Decent King Limited	A company wholly owned by Chen Xin Ge
Yan Hao	Substantial shareholder, director, co-chairmen, chief executive officer
Chen Xin Ge	Substantial shareholder, director, co-chairmen

Note:

- (i) Tianjin Ruiyue became a wholly owned subsidiary of the Group since July 2019 (Note 10).
- (ii) Hangzhou Xiaoying became a non-wholly owned subsidiary of the Group since November 2019 (Note 10).
- (iii) Since December 2019, Tianjin Ruihui and its wholly owned subsidiary Tianjin Ruihui Development became associates of the Group (Note 11).
- (iv) Since August 2019, Shanghai Pinzhai became an associate of the Group (Note 11).
- (v) Since July 2019, Nanjing Yuesheng became an associate of the Group (Note 11).
- (vi) Since July 2019, Yangling Guanghui became an associate of the Group (Note 11).
- (vii) Hangzhou Jingcheng became a wholly owned subsidiary of the Group since June 2018 (Note 10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Related-party transactions (continued)

(b) Transactions with related parties

The Group has the following related party transactions:

		Year ended 31 December	
		2019	2018
		RMB'000	RMB'000
(i)	Providing/(repayment of) temporary funding to/(from) related parties		
	– Nanjing Yuning	(14,689)	(238,000)
	– Ningbo Rongan Education	–	(17,960)
	– Ningbo Jingfeng	798	(466,000)
	– Nanjing Caicheng	861,647	25,375
	– Suzhou Chengrui	–	62,900
	– Tianjin Xinbi	–	50,317
	– Tianjin Jinyuan	–	800
	– Tianjin Junyou	40,817	44,613
	– Tianjin Xinyou	(330)	330
	– Changshu Huihuang	(39,805)	39,805
	– Changshu Junchun	14,108	303,534
	– Tianjin Ruiyue	–	713,373
	– Nanjing Yuesheng	1,543	–
	– Ningbo Puhong	(17,086)	–
	– Tianjin Ruihui	2	–
		847,005	519,087
(ii)	Loan from a related party		
	– Chen Xin Ge (note)	–	50,000
(iii)	Providing loans to related parties		
	– Nanjing Shansheng	–	61,350
	– Tianjin Ruihui Development	13,183	–
	– Tianjin Xuming	93,510	–
		106,693	61,350

note: During the year ended 31 December 2018, the Group received a loan from a related party, which was non-interest bearing and unsecured. The loan was fully repaid by 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Related-party transactions (continued)

(b) Transactions with related parties (continued)

		Year ended 31 December	
		2019	2018
		RMB'000	RMB'000
(iv)	(Repayment)/collection of temporary funding (to)/from related parties		
	– Ningbo Kanghua	–	(599,000)
	– Ningbo Jiamu	100,000	187,000
	– Hangzhou Xiaoying	–	87,696
	– Changshu Zhicheng	(16,000)	(7,250)
	– Suzhou Lingrui	(7,500)	17,000
	– Suzhou Chengrui	16,342	77,000
	– Nanjing Caicheng	776,884	775,445
	– Ningbo Rongan Education	–	13,790
	– Shanghai Jupan	–	20
	– Lvcheng Guixi	10,500	42,000
	– Tianjin Xinghuacheng	–	16,000
	– Jiangnan Zhongying	46,209	12,017
	– Jiangnan Guotai	38,280	28,653
	– Tianjin Xinyou	15,345	–
	– Ningbo Jingfeng	135,000	–
	– Nanjing Yuning	27,250	–
	– Changshu Huihuang	399,026	–
	– Nanjing Shansheng	47,908	–
	– Tianjin Hesheng	82,500	–
	– Ningbo Puhong	9,241	–
	– Hangzhou Yuerong	24,863	–
		1,705,848	650,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Related-party transactions (continued)

(b) Transactions with related parties (continued)

		Year ended 31 December	
		2019	2018
		RMB'000	RMB'000
(v)	Collection of shareholder's loan from related parties		
	– Hangzhou Zhenlu	–	70
	– Lvcheng Guixi	–	28,000
	– Hangzhou Xiaoying	–	93,134
	– Tropica Development	–	173,574
	– Tianjin Ruiyue	624,892	–
	– Nanjing Shansheng	61,350	–
	– Yangling Guanghui	79,946	–
		766,188	294,778
(vi)	Expenses paid by the Group on behalf of related parties		
	– Ningbo Jinghang	962	2
	– Ningbo Jingfeng	6	1,106
	– Changshu Huihuang	254	624
	– Hangzhou Xiaoying	1,125	1,158
	– Suzhou Chengrui	1,731	–
	– Tianjin Hesheng	5,086	–
	– Shanghai Maglink	1,688	–
	– Yangling Guanghui	8,255	–
		19,107	2,890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Related-party transactions (continued)

(b) Transactions with related parties (continued)

		Year ended 31 December	
		2019	2018
		RMB'000	RMB'000
(vii)	Providing property management services to related parties		
	– Hangzhou Jingcheng	–	681
	– Ningbo Haipanju	–	643
	– Changshu Huihuang	1,223	–
		1,223	1,324
(viii)	Interest income from related parties		
	– Tianjin Ruiyue	13,022	16,865
	– Nanjing Shansheng	10,005	4,209
	– Yangling Guanghui	9,901	–
	– Tianjin Yuanming	4,233	–
	– Shanghai Pinzhai	791	–
		37,952	21,074
(ix)	Providing consulting service to related parties		
	– Ningbo Jinghang	–	8,328
	– Ningbo Jingfeng	3,774	8,300
	– Tianjin Xinghuacheng	–	10,876
	– Nanjing Shansheng	6,643	–
	– Suzhou Chengrui	1,717	–
	– Jiangnan Guotai	2,566	–
	– Jiangnan Zhongying	1,775	–
	– Changshu Zhicheng	802	–
		17,277	27,504
(x)	Senior notes subscribed by a related party		
	Beyond Wisdom Limited		
	– Discounted principal amount (Note 20)	–	155,687
	– Fully capitalised interest	8,739	7,445
		8,739	163,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Related-party transactions (continued)

(b) Transactions with related parties (continued)

		Year ended 31 December	
		2019	2018
		RMB'000	RMB'000
(xi)	Guarantee provided to joint ventures and associates (Note 38)		
	– Changshu Zhicheng	31,000	112,500
	– Nanjing Caicheng	344,000	120,000
	– Changshu Junchun	627,000	627,000
	– Suzhou Chengrui	–	31,200
	– Suzhou Lingrui	–	19,750
	– Tianjin Xinbi	–	20,000
	– Tianjin Hesheng	90,000	–
	– Yangling Guanghui	392,000	–
		1,484,000	930,450

(c) Key management compensation

Key management includes directors (executive and non-executive), chief financial officer, vice presidents, head of Carry Capital, head of Joyride Apartment, head of Co-Fortune Capital and secretary of the board of directors. The compensation paid or payable to key management for employee services is shown below:

		Year ended 31 December	
		2019	2018
		RMB'000	RMB'000
	Salaries and other short-term employee benefits	17,597	18,674
	Share award scheme	4,953	41
	Share option	1,312	–
	Post-employment benefits	420	495
		24,282	19,210

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Related-party transactions (continued)

(d) Related-party balances

		As at 31 December	
		2019	2018
		RMB'000	RMB'000
(i)	Amounts due from related parties (Note 16)		
	– Shanghai Jupan	–	1,500
	– Ningbo Haipanju	–	853
	– Ningbo Jinghang	9,789	10,018
	– Hangzhou Xiaoying	–	1,125
	– Nanjing Yuning	–	14,689
	– Tianjin Yuanming (note (1))	145,729	141,496
	– Nanjing Caicheng	1,427,085	565,438
	– Ningbo Jingfeng	7,111	34,940
	– Suzhou Chengrui	64,720	62,900
	– Tianjin Xinbi	–	50,317
	– Tianjin Jinyuan	–	800
	– Tianjin Junyou	85,430	44,613
	– Tianjin Xinyou	–	330
	– Tianjin Ruiyue	–	731,251
	– Changshu Huihuang	356	40,060
	– Changshu Junchun	317,642	303,534
	– Nanjing Shansheng (note (2))	–	69,427
	– Jiangnan Guotai	–	682
	– Tianjin Xuming (note (3))	93,510	–
	– Ningbo Puhong	8,698	–
	– Yangling Guanghui (note (4))	142,941	–
	– Shanghai Maglink	1,688	–
	– Tianjin Hesheng	2,710	–
	– Tianjin Ruihui	2	–
	– Tianjin Ruihui Development (note (5))	13,183	–
	– Nanjing Yuesheng	1,543	–
	– Shanghai Pinzhai (note (6))	24,083	–
		2,346,220	2,073,973

Note:

- (1) The balance as at 31 December 2019 includes an amount of RMB141,496,000 (31 December 2018: RMB141,496,000) due from Tianjin Yuanming, which is the outstanding principal for a shareholder's loan granted to Tianjin Yuanming. The shareholder loan has an annual interest rate of 9% and unsecured.
- (2) The balance of RMB69,427,000 as at 31 December 2018 due from Nanjing Shansheng represents the outstanding principal RMB61,350,000 and interest receivable balance of RMB8,077,000 for a shareholder's loan granted to Nanjing Shansheng, which was fully repaid by Nanjing Shansheng to the Group for the year ended 31 December 2019. The shareholder loan has an annual interest rate of 9% and unsecured.
- (3) The balance of RMB93,510,000 as at 31 December 2019 (31 December 2018: Nil) due from Tianjin Xuming represents the outstanding principal RMB93,510,000 for a shareholder's loan granted to Tianjin Xuming. The shareholder loan has an annual interest rate of 12% and unsecured.
- (4) The balance as at 31 December 2019 includes an amount of RMB136,220,000 (31 December 2018: Nil) due from Yangling Guanghui represents the outstanding principal for a shareholder's loan granted to Yangling Guanghui and interest receivable. The shareholder loan has an annual interest rate of 10% and unsecured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Related-party transactions (continued)

(d) Related-party balances (Continued)

Note: (Continued)

- (5) The balance of RMB13,183,000 as at 31 December 2019 (31 December 2018: Nil) due from Tianjin Ruihui Development represents the outstanding principal RMB13,183,000 for a shareholder's loan granted to Tianjin Ruihui Development. The shareholder loan has an annual interest rate of 4.75% and unsecured.
- (6) The balance of RMB24,083,000 as at 31 December 2019 (31 December 2018: Nil) due from Shanghai Pinzhai represents the outstanding principal for a shareholder's loan granted to Shanghai Pinzhai and interest receivable. The shareholder loan has an annual interest rate of 10% and unsecured.

		Year ended 31 December	
		2019	2018
		RMB'000	RMB'000
(ii)	Amounts due to related parties (Note 22)		
	– Ningbo Jiamu	231,008	131,008
	– Ningbo Jinghang	13	9
	– Hangzhou Xiaoying	–	268,170
	– Changshu Zhicheng	6,041	22,041
	– Suzhou Lingrui	15,763	23,263
	– Suzhou Chengrui	96,584	114,978
	– Nanjing Caicheng	2,909,829	2,132,945
	– Ningbo Rongan Education	31,750	31,750
	– Lvcheng Guixi	52,500	42,000
	– Tianjin Xinghuacheng	16,000	4,471
	– Shanghai Jupan	–	20
	– Jiangnan Zhongying	58,226	12,017
	– Jiangnan Guotai	66,933	28,653
	– Nangjing Yuning	27,250	–
	– Ningbo Jingfeng	135,000	–
	– Tianjin Xinyou	15,345	–
	– Changshu Huihuang	399,026	–
	– Nanjing Shansheng	47,908	–
	– Ningbo Puhong	9,241	–
	– Shanghai Pinzhai	3,851	–
	– Hangzhou Yuerong	24,863	–
	– Tianjin Hesheng	82,500	–
		4,229,631	2,811,325

Note:

These balances due to related parties represented the temporary fundings from related parties.

Except for those balances disclosed above, other fundings provided to or from related parties are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries

Particulars of the subsidiaries of the Group as at 31 December 2019 and 2018 are as follows:

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2019	2018	
Subsidiaries established in the PRC						
Jingrui Properties (Group) Co., Ltd. (景瑞地產（集團）有限公司) ("Jingrui Properties")	8 September 1993	1,621,079	1,621,079	100%	100%	Property land investment holding
Taichang Jingrui Property Co., Ltd. (太倉景瑞置業有限公司)	25 December 2007	500,600	500,600	100%	100%	Property development
Ningbo Jingrui Property Co., Ltd. (寧波景瑞置業有限公司)	20 February 2013	620,000	620,000	100%	100%	Property development
Equity International Urban Facilities Development (Tianjin) Co., Ltd. (權益城市設施開發（天津）有限公司) (b)	25 June 2007	USD 71,600	USD 71,600	100%	100%	Urban infrastructure development
EI Urban Facilities Development (Tianjin) Co., Ltd. (天津億安城市設施開發有限公司) (b)	15 August 2007	533,325	533,325	100%	100%	Urban infrastructure development
Shanghai Jiaguan Investment Co., Ltd. (上海佳冠投資有限公司)	10 July 2013	30,500	30,500	100%	100%	Investment holding
Shimmetry Amber Co., Ltd. (亮珀有限公司)	30 October 2013	HKD10,000	–	100%	100%	Investment holding
Suzhou Jinglong Property Co., Ltd. (蘇州景隆置業有限公司)	10 October 2013	615,000	615,000	100%	100%	Property Development
Wuxi Jingrui Property Co., Ltd. (無錫景瑞置業有限公司)	20 February 2014	USD74,000	USD74,000	100%	100%	Property Development
Shanghai Xiaopin Investment Co., Ltd. (上海驍品投資有限公司) ("Shanghai Xiaopin") (Note 39(c))	4 May 2014	500,000	500,000	100%	70%	Investment holding
Hangzhou Jingxi Property Co., Ltd. (杭州景璽置業有限公司)	11 September 2014	1,105,000	1,105,000	100%	100%	Property development
Ningbo Jingyue Property Co., Ltd. (寧波景越置業有限公司)	13 March 2015	HKD495,880	HKD495,880	100%	100%	Property development
Shanghai Xiaoyi Investment Co., Ltd. (上海驍意投資有限公司) ("Shanghai Xiaoyi") (Note 39(a)), (f)	13 May 2014	100	100	65%	50%	Investment holding
Suzhou Jinghui Property Co., Ltd. (蘇州璟輝置業有限公司)	14 April 2016	600,000	600,000	100%	70%	Property development
Wuhan Ruixiao Real Estate Investment Co., Ltd. (武漢瑞驍房地產投資有限公司) ("Wuhan Ruixiao")	17 March 2017	1,003,000	1,003,000	100%	100%	Investment holding
Wuhan Ruiqian Business Consulting Co., Ltd. (武漢瑞乾商務諮詢有限公司) ("Wuhan Ruiqian")	12 December 2017	1,000,000	1,000,000	60%	60%	Property management
Nanjing Jingrui Investment Co., Ltd. (南京景銳企業管理有限公司)	12 October 2016	1,053	53	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB '000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		
				2019	2018	Principal activities
Subsidiaries established in the PRC						
Taicang Jingrui Business Consulting Co., Ltd. (太倉璟睿諮詢有限公司) (Note 39(d))	1 April 2017	1,000,000	1,000,000	100%	30%	Investment holding
Shanghai Shenran Business Consulting Co., Ltd. (上海榮冉商務諮詢有限公司) ("Shanghai Shenran") (i)	17 December 2018	1,000,000	1,000,000	30%	30%	Investment holding
Shanghai Guicui Information Consulting Co., Ltd. (上海暮翠信息諮詢有限公司) ("Shanghai Guicui") (i)	17 December 2018	1,000,000	1,000,000	30%	30%	Investment holding
Shanghai Jingrui Property Management Co., Ltd. (上海景瑞物業管理有限公司)	31 December 1996	30,000	30,000	100%	100%	Property management
Shanghai Lichen Building Decoration Engineering Co., Ltd. (上海立臣建築裝飾工程有限公司)	4 November 2011	500,000	500,000	100%	100%	Building decoration engineering
Shanghai Jingrui Investment Co.,Ltd. (上海景瑞投資有限公司)	22 July 2003	100,000	100,000	100%	100%	Investment holding
Taicang Jingshang Property Co., Ltd. (太倉景尚置業有限公司) ("Taicang Jingshang")	6 January 2010	150,000	150,000	70%	70%	Property development
Changzhou Jingshen Property Co., Ltd. (常州景申置業有限公司)	14 April 2006	80,000	80,000	100%	100%	Property development
Changzhou Jingshang Property Co., Ltd. (常州景尚置業有限公司)	23 February 2011	620,000	620,000	100%	100%	Property development
Taizhou Jingrui Property Co., Ltd. (泰州景瑞置業有限公司)	17 November 2009	205,000	205,000	100%	100%	Property development
Nantong Jingrui Property Co., Ltd. (南通景瑞置業有限公司) ("Nantong Jingrui") (Note 10(i))	26 January 2010	210,520	210,520	100%	100%	Property development
Huzhou Jingrui Property Co., Ltd. (湖州景瑞置業有限公司)	20 August 2007	100,000	100,000	100%	100%	Property development
Huzhou Jingshang Property Co., Ltd. (湖州景尚置業有限公司)	12 May 2011	51,000	51,000	100%	100%	Property development
Zhoushan Jingrui Property Co., Ltd. (舟山景瑞置業有限公司)	16 February 2006	50,000	50,000	100%	100%	Property development
Zhoushan Jingshang Property Co., Ltd. (舟山景尚置業有限公司)	17 August 2010	200,000	200,000	100%	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2019	2018	
Subsidiaries established in the PRC						
Shaoxing Jingrui Property Co., Ltd. (紹興景瑞置業有限公司)	27 June 2011	100,000	100,000	100%	100%	Property development
Shaoxing Jingxiang Property Co., Ltd. (紹興景祥置業有限公司)	17 January 2012	5,000	5,000	100%	100%	Property development
Shaoxing Jingkang Property Co., Ltd. (紹興景康置業有限公司)	17 January 2012	5,000	5,000	100%	100%	Property development
Shaoxing Jinghu Property Co., Ltd. (紹興景湖置業有限公司)	25 January 2013	5,000	5,000	100%	100%	Property development
Shanghai Huajiang Construction and Development Co., Ltd. (上海華江建設發展有限公司)	16 August 2002	10,000	10,000	67.5%	67.5%	Property development
Shanghai Jingshang Property Co., Ltd. (上海景尚置業有限公司)	8 April 2008	20,000	20,000	100%	100%	Property development
Shanghai Jingxiang Property Co., Ltd. (上海景祥置業有限公司)	9 April 2004	20,000	20,000	100%	100%	Property development
Shanghai Lijing Real Estate Development Co., Ltd. (上海麗景房地產開發有限公司)	18 October 2000	10,000	10,000	100%	100%	Property development
Shanghai Jingxiu Property Development Co., Ltd. (上海景秀置業發展有限公司)	13 July 2001	70,599	70,599	100%	100%	Property development
Tianjin Jingshang Property Investment Co., Ltd. (天津景尚置業投資有限公司)	14 August 2007	30,000	30,000	100%	100%	Property development
Chongqing Jingkang Property Co., Ltd. (重慶景康實業有限公司) ("Chongqing Jingkang")	20 July 2005	10,000	10,000	100%	100%	Property development
Chongqing Jingshang Property Co., Ltd. (重慶景尚置業有限公司)	6 December 2012	100,000	100,000	100%	100%	Property development
Chongqing Jingteng Property Co., Ltd. (重慶景騰置業有限公司) ("Chongqing Jingteng") (Note 39(e))	19 June 2015	150,000	150,000	100%	100%	Property development
Hangzhou Jingyue Property Co., Ltd. (杭州景越置業有限公司)	1 March 2013	100,000	100,000	100%	100%	Property development
Yangzhou Jingrui Property Co., Ltd. (揚州景瑞置業有限公司)	8 April 2013	100,000	100,000	100%	100%	Property development
Hainan Jingshen Investment Management Co., Ltd. (海南景申投資管理有限公司)	14 May 2013	10,000	10,000	100%	100%	Property management and investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2019	2018	
Subsidiaries established in the PRC						
Hainan Jingshang Commercial Management Co., Ltd. (海南景尚商業管理有限公司)	17 April 2013	USD2,000	USD2,000	100%	100%	Property management and investment holding
Zhuji Jingrui Property Co., Ltd. (諸暨景瑞置業有限公司)	19 June 2013	100,000	100,000	100%	100%	Property development
Nantong Jingshang Property Co., Ltd. (南通景尚置業有限公司)	2 July 2013	100,000	100,000	100%	100%	Property development
Hangzhou Jinghang Property Co., Ltd. (杭州景航置業有限公司) ("Hangzhou Jinghang") (Note 39(b))	14 August 2013	100,000	100,000	100%	51%	Property Development
Shanghai Fengxiang Property Development Co., Ltd. (上海鳳翔房地產開發有限公司)	23 June 1998	100,000	100,000	100%	100%	Property Development
Taicang Derun Investment Development Co., Ltd. (太倉德潤投資發展有限公司)	14 August 2013	247,000	247,000	100%	100%	Property Development
Hangzhou Jingheng Property Co., Ltd. (杭州景恒置業有限公司)	18 February 2014	100,000	100,000	100%	100%	Property development
Shaoxing Jingming Property Co., Ltd. (紹興景明置業有限公司) ("Shaoxing Jingming")	22 January 2014	5,000	5,000	51%	51%	Property development
Taizhou Jingrui Property Co., Ltd. (台州景瑞置業有限公司)	23 January 2014	100,000	100,000	100%	100%	Property development
Shanghai Jingyue Property Co., Ltd. (上海景月置業有限公司)	8 April 2015	80,608	80,608	100%	100%	Property development
Shanghai Hefu Investment Co., Ltd. (上海合福投資管理有限公司)	16 October 2015	100,000	100,000	100%	100%	Investment holding
Shanghai Shangpu Investment Fund Management Center LLP (上海上璞股權投資基金管理中心(有限合夥))	23 July 2015	192,030	192,030	100%	100%	Investment holding
Ningbo Gangcheng Business and Trading Co., Ltd. (寧波港程商貿有限公司) (d)	28 February 2014	50,000	50,000	50%	50%	Property development
Suzhou Ailide Trade Co., Ltd. (蘇州艾力得貿易有限公司) ("Suzhou Ailide") (d)	8 January 2015	50,000	50,000	50%	50%	Hardware and building materials

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2019	2018	
Subsidiaries established in the PRC						
Ningbo Harbour City Business Management Co., Ltd. (寧波海港城商業管理有限公司) (d)	23 April 2014	50	50	50%	50%	Investment holding
Suzhou Jingrui Property Co., Ltd. (蘇州璟瑞置業有限公司)	22 February 2016	100,000	100,000	100%	100%	Property development
Hangzhou Jingcheng Property Co., Ltd. 杭州景程置業有限公司 ("Hangzhou Jingcheng") (Note 10(h)), (Note 40(i))	6 November 2017	5,000	5,000	100%	100%	Property development
Hangzhou Jiaheng Property Co., Ltd. (杭州嘉恒房地產開發有限公司)	26 October 2011	5,000	5,000	100%	100%	Property development
Tianjin Tianrui Investment Development Co., Ltd. (天津天瑞投資發展有限公司)	14 October 2011	30,000	30,000	70%	70%	Property development
Nanjing Jingteng Property Co., Ltd. (南京景騰置業有限公司)	13 May 2016	51,100	51,100	100%	100%	Property development
Ningbo Jingshen Property Co., Ltd. (寧波景申置業有限公司)	31 May 2016	30,000	30,000	65%	50%	Property development
Suzhou Helan Investment LLP (蘇州合嵐投資合夥企業(有限合夥))	20 July 2016	500,010	104,000	100%	100%	Investment holding
Shanghai Taoyong Property Management Co., Limited (上海韜永物業管理有限公司)	17 January 2011	610,000	610,000	100%	100%	Property development
Ningbo Jingjun Property Co., Ltd. (寧波景鈞置業有限公司) ("Ningbo Jingjun") (Note 23), (c)	21 October 2016	200,000	100,000	44%	44%	Property development
Ningbo Xiaoyong Investment Co., Ltd. (寧波驍勇投資有限公司) ("Ningbo Xiaoyong") (Note 39(f)), (c)	19 October 2016	200,000	100,000	44%	44%	Investment holding
Wuhan Yanzhuo Building Decoration Engineering Co., Ltd. (武漢衍琢裝飾工程有限公司) ("Wuhan Yanzhuo") (h)	27 June 2018	20,000	20,000	40%	40%	Property development
Shanghai Ruizhi Investment Co., Ltd. (上海瑞徵投資有限公司)	16 February 2013	11,000	11,000	99%	99%	Investment holding
Shanghai Ruibin Investment Co., Ltd. (上海瑞賓投資有限公司)	16 April 2013	11,000	11,000	99%	99%	Investment holding
Shanghai Xiaoze Investment Co., Ltd. (上海驍澤投資有限公司) ("Shanghai Xiaoze")	7 May 2014	100,000	100,000	70%	70%	Investment holding
Shanghai Linjia Life Development Co., Ltd. (上海鄰加生活企業發展股份有限公司)	23 December 2015	30,000	30,000	100%	100%	Property Management
Ningbo Xiangjun Investment Co., Ltd. (寧波翔竣投資有限公司) ("Ningbo Xiangjun")	19 October 2016	400,000	400,000	51%	51%	Investment holding

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42 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2019	2018	
Subsidiaries established in the PRC						
Ningbo Jingxi Property Co., Ltd. (寧波景璽置業有限公司)	29 September 2016	5,000	5,000	100%	100%	Property development
Ningbo Jinghuang Property Co., Ltd. (寧波景煌置業有限公司)	21 October 2016	400,000	400,000	51%	51%	Property development
Taicang Jingyu Business Consulting Co., Ltd. (太倉璟譽諮詢管理有限公司)	1 April 2017	10,000	10,000	100%	100%	Investment holding
Taicang Jingxia Business Consulting Co., Ltd. (太倉璟瑕諮詢管理有限公司)	1 April 2017	100	100	100%	100%	Investment holding
Beijing Jingxiu Business Management Centre (北京景秀商業管理中心)	12 January 2017	1,000	1,000	100%	100%	Investment holding
Ningbo Meishan Free Trade Port Youyue Investment Co., Ltd. (寧波梅山保稅港區優銳資產管理有限公司)	23 February 2017	100,000	30,000	100%	100%	Investment holding
Nanjing Jingsheng Property Development Co.,Ltd. (南京景晟置業有限公司)	18 April 2017	10,000	–	100%	100%	Property development
Nanjing Jingkun Property Development Co.,Ltd. (南京景坤置業有限公司)	27 April 2017	5,000	–	100%	100%	Property development
Suzhou Youte Investment Centre (Limited Partnership) (蘇州優特投資中心(有限合夥)) ("Suzhou Youte") (Note 39(h), (l))	12 May 2017	201,500	–	100%	100%	Investment holding
Ningbo Jingtong Property Co., Ltd. (寧波景通置業有限公司)	23 May 2017	200,000	200,000	100%	100%	Property development
Shanghai Ruiyue Hotel Management Co., Ltd. (上海瑞越酒店管理有限公司)	16 March 2017	100,000	40,000	100%	100%	Property management
Nanjing Qiancheng Property Co., Ltd. (南京乾程置業有限公司)	6 June 2017	230,000	230,000	100%	100%	Property development
Shanghai Shenxin Real Estate Co., Ltd. (上海申信房地產有限公司) ("Shanghai Shenxin") (a)	20 October 1992	10,800	10,800	100%	100%	Property management
Beijing Zhongguan Xinyuan Management LLP (北京中關信苑企業管理有限公司) ("Zhongquan Xinyuan") (Note 40(f))	8 March 2017	10,000	10,000	100%	100%	Property management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2019	2018	
Subsidiaries established in the PRC						
Shanghai Haopei Property Co. Ltd. (上海浩沛置業有限公司)	30 October 2017	10,000	10,000	100%	100%	Property Development
Shanghai Hutai Real Estate Development Company Limited (上海滬泰房地產發展有限公司)	16 November 1992	79,475	79,475	100%	100%	Property management
Shanghai Zhaoliang Advertising Co. Ltd. (上海兆量廣告有限公司)	7 January 2008	10,000	10,000	100%	100%	Property management
Wuhan Yingjin Jiayuan Real Estate Development Co. Ltd. (武漢盈錦嘉園房地產開發有限公司) ("Wuhan Jiayuan") (e)	23 November 2016	60,000	60,000	40%	40%	Property development
Hangzhou Ruimeng Hotel Management Co. Ltd. (杭州瑞夢酒店管理有限公司)	27 December 2017	10,000	10,000	100%	100%	Property management
Zhongguan Yayuan Enterprise Management Co., Ltd. (北京中關雅苑企業管理有限公司) ("Zhongguan Yayuan") (Note 40(f))	9 March 2017	10,000	10,000	100%	100%	Property management
Wuhan Ruiyun Real Estate Development Co., Ltd. (武漢瑞允房地產開發有限責任公司)	23 March 2018	10,000	10,000	60%	60%	Property Development
Zhongfa Wenchang Property (Wuhan) Co., Ltd. (中法文產置業(武漢)有限公司) ("Zhongfa Wenchang") (Note 40(g))	15 June 2017	55,000	55,000	60%	60%	Property Development
Tianjin Ruihua Real Estate Development Co., Ltd. (天津瑞華房地產開發有限責任公司) ("Tianjin Ruihua") (a)	14 February 2018	30,000	30,000	100%	100%	Property Development
Tianjin Ruisheng Real Estate Development Co., Ltd. (天津瑞盛房地產開發有限責任公司) ("Tianjin Ruisheng") (a)	7 March 2018	30,000	30,000	100%	100%	Property Development
Beijing Chengyuan Property Co., Ltd. (北京程遠置業有限公司)	26 September 2017	100,000	100,000	–	100%	Property Development
Taizhou Zhenghuang Property Co., Ltd. (台州市正黃置業有限公司) ("Taizhou Zhenghuang") (Note 40(h))	25 September 2017	10,000	10,000	100%	100%	Property Development
Hangzhou Jingqi Corporate Management Consulting Co., Ltd. (杭州景祺企業管理諮詢有限公司) ("Hangzhou Jingqi") (Note 39(m)), (j)	17 May 2018	330,000	330,000	60%	60%	Investment holding
Hangzhou Jingsheng Property Co., Ltd. (杭州景勝置業有限公司) ("Hangzhou Jingsheng") (j)	17 May 2018	330,000	330,000	60%	60%	Property Development
Shanghai Shanding Property Management Co., Ltd. (上海山鼎物業管理有限公司)	7 November 2017	1,000	1,000	100%	100%	Property management
Shanghai Shenshi Property Co., Ltd. (上海申實置業有限公司)	28 April 2017	10,000	–	100%	100%	Property management

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42 Particulars of principal subsidiaries (continued)

Company name	Date of incorporation/ establishment	Authorised or registered capital RMB'000	Issued and fully paid capital RMB'000	Percentage of attributable equity interest as at 31 December		Principal activities
				2019	2018	
Subsidiaries established in the PRC						
Shanghai Kaikang Enterprise Management Co., Ltd. (上海鑑康企業管理有限公司)	29 March 2018	200,000	–	100%	100%	Investment holding
Tianjin Ruijun Real Estate Development Co., Ltd. (天津瑞駿房地產開發有限責任公司) ("Tianjin Ruijun Development") (Note 39(i))	13 June 2019	337,000	337,000	51%	–	Property Development
Ningbo Jingxin Property Co., Ltd. (寧波景心置業有限公司) (Note 39(j))	12 June 2019	1,222,320	1,092,655	33.76%	–	Property Development
Wuhan Ruiyihongfa Real Estate Development Co., Ltd. (武漢瑞毅弘發房地產開發有限公司) ("Wuhan Ruiyihongfa") (k)	22 July 2019	10,000	10,000	50%	–	Property Development
Shanghai Yuexia Enterprise Management Co., Ltd. (上海悅翹企業管理有限責任公司) ("Shanghai Yuexia") (Note 40(a))	1 March 2019	10,000	–	100%	–	Property management
Hangzhou Juanheng Property Co., Ltd. (杭州隴恒置業有限公司)	22 September 2019	350,000	50,000	51%	–	Property Development
Hangzhou Xiaoying Real Estate Development Co., Ltd. (杭州銷穎房地產開發有限公司) ("Hangzhou Xiaoying") (Note 40(b))	13 January 2011	30,000	30,000	50%	50%	Property Development
Subsidiaries incorporated in Hong Kong						
Jingrui HK Holdings Limited ("EI HK") (b)	25 June 2007	USD10	USD10	100%	100%	Property and investment holding
Sincere Paragon Limited	5 February 2013	HKD380,000	HKD380,000	100%	100%	Investment holding
Subsidiaries incorporated in BVI						
Faithful Gem Limited	18 September 2013	USD50,000	–	100%	100%	Investment holding
Natural Apex Limited	9 January 2013	USD50,000	USD50,000	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries (continued)

The English names of the PRC 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.

- (a) Certain equity interests in the subsidiaries of the Company were pledged for trust financing arrangement as at 31 December 2019 and 2018 (Note 20). For details, please refer to the table below:

	As at 31 December	
	2019	2018
Percentage of equity interests in Tianjin Ruisheng	100%	100%
Percentage of equity interests in Tianjin Ruihua	–	100%
Percentage of equity interests in Shanghai Ruice	–	51%
Percentage of equity interests in Shanghai Shenxin	100%	–

- (b) The companies are investment holding companies without any business other than the holding of 20.3% equity interests in Jingrui Properties. They were acquired by the Group in April 2013 for the purpose of the reorganisation.
- (c) Ningbo Xiaoyong was owned as to 44% by the Group, 29% by Ningbo Weike Property Co., Ltd. and 27% by Ningbo Kaisheng Investment Co., Ltd.. The directors of the Group consider that the Group has effective control of Ningbo Xiaoyong even though it legally hold less than 50% equity interest in Ningbo Xiaoyong. This is because that the Group is the mainly shareholder of Ningbo Xiaoyong, Ningbo Weike Property Co., Ltd. and Ningbo Kaisheng Investment Co., Ltd. are following with the Group on all the substantive decision on the operating and financing policies during the life of Ningbo Xiaoyong based on agreement between the Group and each of Ningbo Weike Property Co., Ltd. and Ningbo Kaisheng Investment Co., Ltd. respectively, and there is no history of other shareholders forming a group to exercise their votes collectively. Ningbo Xiaoyong has a wholly-owned subsidiary, namely Ningbo Jingjun.
- (d) Suzhou Ailide was owned as to 50% equity interests by the Group and an independent third party, Kunshan Harbour Investment Consultant Limited respectively. Based on the shareholder's agreement with Kunshan Harbour Investment Consultant Limited, Kunshan Harbour Investment Consultant Limited follows the Group on all substantive decision on the operating and financing policies during the life of Suzhou Ailide, the directors of the Group consider that the Group has effective control over Suzhou Ailide. Suzhou Ailide has three wholly-owned subsidiaries, namely Ningbo Gangcheng Business and Trading Co., Ltd., Ningbo Harbour City Business Management Co., Ltd. and Harbour City HK Business Management Co., Ltd..
- (e) Wuhan Jiayuan was owned as to 40% and 60% equity interests by the Group and an independent third party. Based on the agreement between the Group and the independent third party, the third party are following with the Group on all the substantive decision on the operating and financing policies during the life of Wuhan Jiayuan, the directors of the Group consider that the Group has effective control over Wuhan Jiayuan.
- (f) Shanghai Xiaoyi was owned as to 35%, 15% and 50% equity interests by Shanghai Jiayu, Shenzhen Pingjia and the Group respectively in 2016. Based on the concerted agreement with the independent third party, Shanghai Jiayu agreed to follow the Group on all the substantive decision on the operating and financing policies during the entire operating period of Shanghai Xiaoyi, the directors of the Group therefore consider that the Group has effective control over Shanghai Xiaoyi and its wholly-owned subsidiary, namely Ningbo Jingshen Property Co., Ltd..

In April 2019, the Group acquired an additional 15% equity interests of Shanghai Xiaoyi at a consideration of RMB15,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries (continued)

- (g) In March and August 2016, two third party individuals, through a series of capital injection and equity transfer, invested in the Group's subsidiaries, Shanghai Jizhai Investment Holding Company ("Shanghai Jizhai") and Shanghai Pinzhai which are specialised in decoration design business. Their investments effectively diluted the Group's equity interests in Shanghai Jizhai and Shanghai Pinzhai to 34%, and the two third party individuals hold remaining 66% in total. However, the Group still controls Shanghai Pinzhai as the Group approves all the resolutions pursuant to the agreements between the three parties.

In August 2019, an independent third party injected capital contribution of RMB12,500,000 to Shanghai Pinzhai, after the transaction, the Group lost the control of Shanghai Pinzhai, and accounted for Shanghai Pinzhai as an associate (Note 11).

- (h) Wuhan Yanzhuo was owned as to 40% by the Group, and 60% by an independent third party. Wuhan Yanzhuo is specialized in decoration design business. Based on the concerted agreement with the independent third party which agreed to follow the Group on all the substantive decision on the operating and financing policies during the entire operating period of Wuhan Yanzhuo, the directors of the Group therefore consider that the Group has effective control over Wuhan Yanzhuo.
- (i) Shanghai Shenran and Shanghai Guicui were owned as to 30% by the Group and 70% by an independent third party respectively. Based on the concerted agreement with the independent third party which agreed to follow the Group on all the substantive decision on the operating and financing policies during the entire operating period of these two entities, the directors of the Group therefore consider that the Group has effective control over the two entities.
- (j) Hangzhou Jingqi was owned as to 60% by the Group and 40% by Shandong Trust. In accordance with the memorandum and articles of Hangzhou Jingqi, relevant activities of Hangzhou Jingqi require the unanimous consent of all directors. The directors of the Group consider that the Group has effective control of Hangzhou Jingqi and its wholly-owned subsidiary, namely Hangzhou Jingsheng, as Shandong Trust agreed to follow the Group on all the substantive decision on the operating and financing policies during the life of Hangzhou Jingqi based on agreement between the Group and Shandong Trust.
- (k) Wuhan Ruiyihongfa was owned as to 50% by the Group and 50% by an independent third party. The directors of the Group consider that the Group has effective control of Wuhan RuiyiHongfa because according to the agreement between the two parties, the third party follows the Group on all substantive decision on the operating and financing policies during the life of Wuhan Ruiyihongfa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries (continued)

(I) Summarised financial information on subsidiaries with non-controlling interests material to the Group.

The non-controlling interests of the Group are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-controlling interests for		
– Taicang Jingshang	51,526	60,874
– Hangzhou Jinghang	–	67,179
– Shaoxing Jingming	2,451	180,845
– Suzhou Ailide	25,001	241,222
– Shanghai Xiaoze	30,001	76,905
– Shanghai Xiaopin	–	154,397
– Ningbo Xiaoyong	52,666	53,577
– Ningbo Xiangjun	237,637	190,283
– Wuhan Ruiqian	389,113	396,055
– Wuhan Jiayuan	874,379	891,758
– Hangzhou Jingqi	119,230	130,556
– Shanghai Guicui	699,998	700,000
– Shanghai Shenran	699,998	700,000
– Shanghai Xiaoyi	35	164,347
– Wuhan Yanzhuo	43,573	21,837
– Tianjin Ruijun	164,847	–
– Meishan Youyu	93,122	–
– Tianjin Ruijie Commercial Management Co., Ltd.	77,515	–
– Tianjin Ruidong Commercial Management Co., Ltd.	72,485	–
– Taicang Jinghui Business Consulting Co., Ltd.	30,000	–
– Other subsidiaries	136,337	96,320
	3,799,914	4,126,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries (continued)

Set out below are the summarised financial information for the subsidiaries including Suzhou Ailide, Wuhan Ruiqian, Wuhan Jiayuan, Ningbo Xiangjun, Hangzhou Jingqi, Shanghai Guicui, Shanghai Shenran and Tianjin Ruijun that have non-controlling interests that are material to the Group, and the information below is the amounts before inter-company eliminations.

Summarised balance sheet

	Suzhou Ailide As at 31 December	
	2019	2018
	RMB'000	RMB'000
Current		
Assets	58,109	35,200
Liabilities	(574,035)	(118,285)
Total current net liabilities	(515,926)	(83,085)
Non-current		
Assets	673,780	673,523
Liabilities	(107,852)	(107,994)
Total non-current net assets	565,928	565,529
Net assets	50,002	482,444

	Wuhan Ruiqian As at 31 December		Wuhan Jiayuan As at 31 December	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Assets	1,583,233	1,274,683	4,923,460	3,658,548
Liabilities	(619,569)	(142,514)	(3,244,031)	(1,383,313)
Total current net assets	963,664	1,132,169	1,679,429	2,275,235
Non-current				
Assets	9,117	969	41,869	3,029
Liabilities	–	(143,000)	(264,000)	(792,000)
Total non-current net assets/(liabilities)	9,117	(142,031)	(222,131)	(788,971)
Net assets	972,781	990,138	1,457,298	1,486,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries (continued)

Summarised balance sheet (continued)

	Ningbo Xiangjun As at 31 December		Hangzhou Jingqi As at 31 December	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Current				
Assets	646,136	1,252,514	2,311,989	1,761,811
Liabilities	(161,181)	(867,755)	(2,035,949)	(736,105)
Total current net assets	484,955	384,759	276,040	1,025,706
Non-current				
Assets	19	3,574	22,035	685
Liabilities	–	–	–	(700,000)
Total non-current net assets/(liabilities)	19	3,574	22,035	(699,315)
Net assets	484,974	388,333	298,075	326,391

	Shanghai Shenran As at 31 December		Shanghai Guicui As at 31 December	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Current				
Assets	999,997	1,000,000	999,997	1,000,000
Liabilities	–	–	–	–
Total current net assets	999,997	1,000,000	999,997	1,000,000
Non-current				
Assets	–	–	–	–
Liabilities	–	–	–	–
Total non-current net assets/(liabilities)	–	–	–	–
Net assets	999,997	1,000,000	999,997	1,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries (continued)

Summarised balance sheet (continued)

	Tianjin Ruijun As at 31 December 2019 RMB'000
Current	
Assets	353,776
Liabilities	(17,354)
Total current net assets	336,422
Non-current	
Assets	–
Liabilities	–
Total non-current net assets/(liabilities)	–
Net assets	336,422

Summarised statement of comprehensive income

	Suzhou Ailide Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	51,554	27,867
Profit before income tax	19,971	49,105
Income tax (expense)/credit	(5,249)	8,853
Post-tax profit	14,722	57,958
Other comprehensive income	–	–
Total comprehensive income	14,722	57,958
Profit allocated to non-controlling interests	7,361	28,979

	Wuhan Ruiqian		Wuhan Jiayuan	
	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Revenue	–	–	170	–
Loss before income tax	(20,467)	(10,691)	(38,449)	(11,306)
Income tax expense	3,110	829	9,483	2,823
Post-tax Loss	(17,357)	(9,862)	(28,966)	(8,483)
Other comprehensive income	–	–	–	–
Total comprehensive loss	(17,357)	(9,862)	(28,966)	(8,483)
Loss allocated to non-controlling interests	(6,943)	(3,945)	(17,380)	(5,090)

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42 Particulars of principal subsidiaries (continued)

Summarised statement of comprehensive income (continued)

	Ningbo Xiangjun		Hangzhou Jingqi	
	Year ended	Year ended	Year ended	Year ended
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,198,101	–	–	–
Loss before income tax	157,854	(14,444)	(37,643)	(4,293)
Income tax (expense)/credit	(61,212)	3,556	9,327	675
Post-tax profit/(loss)	96,642	(10,888)	(28,316)	(3,618)
Other comprehensive income	–	–	–	–
Total comprehensive income/(loss)	96,642	(10,888)	(28,316)	(3,618)
Loss allocated to non-controlling interests	47,355	(5,336)	(11,326)	(1,447)

	Shanghai Shenran		Shanghai Guicui	
	Year ended 31 December	Year ended 31 December	Year ended 31 December	Year ended 31 December
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	–	–	–	–
Loss before income tax	(3)	–	(2)	–
Income tax expense	–	–	–	–
Post-tax Loss	(3)	–	(2)	–
Other comprehensive income	–	–	–	–
Total comprehensive loss	(3)	–	(2)	–
Loss allocated to non-controlling interests	(2)	–	(2)	–

	Tianjin Ruijun
	As at
	31 December
	2019
	RMB'000
Revenue	–
Loss before income tax	(578)
Income tax expense	–
Post-tax Loss	(578)
Other comprehensive income	–
Total comprehensive loss	(578)
Loss allocated to non-controlling interests	(283)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries (continued)

Summarised cash flow statement

	Suzhou Ailide For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	6,389	(26,093)
Net cash used in investing activities	–	–
Net cash used in financing activities	–	–
Net increase/(decrease) in cash and cash equivalents	6,389	(26,093)
Cash and cash equivalents at beginning of the year	10,081	36,174
Cash and cash equivalents at end of the year	16,470	10,081

	Wuhan Ruiqian		Wuhan Jiayuan	
	For the year ended 31 December	For the year ended 31 December	For the year ended 31 December	For the year ended 31 December
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	20,491	(141,923)	(159,091)	(510,206)
Net cash generated used in investing activities	–	(110)	–	(45)
Net cash generated from/(used in) financing activities	–	143,000	(153,000)	1,320,000
Net increase/(decrease) in cash and cash equivalents	20,491	967	(312,091)	809,749
Cash and cash equivalents at beginning of the year	968	1	827,209	17,460
Cash and cash equivalents at end of the year	21,459	968	515,118	827,209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries (continued)

Summarised cash flow statement (continued)

	Ningbo Xiangjun		Hangzhou Jingqi	
	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Net cash (used in)/generated from operating activities	(153,712)	221,455	611,950	(984,329)
Net cash generated used in investing activities	–	–	–	–
Net cash (used in)/generated from financing activities	–	–	(409,910)	988,290
Net (decrease)/increase in cash and cash equivalents	(153,712)	221,455	202,040	3,961
Cash and cash equivalents at beginning of the year	223,070	1,615	3,961	–
Cash and cash equivalents at end of the year	69,358	223,070	206,001	3,961

	Shanghai Shenran		Shanghai Guicui	
	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Net cash generated from operating activities	3	–	2	–
Net cash used in investing activities	–	(999,999)	–	(999,999)
Net cash generated from financing activities	–	1,000,000	–	1,000,000
Net increase in cash and cash equivalents	3	1	2	1
Cash and cash equivalents at beginning of the year	1	–	1	–
Cash and cash equivalents at end of the year	4	1	3	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Particulars of principal subsidiaries (continued)

Summarised cash flow statement (continued)

	Tianjin Ruijun For the year ended 31 December 2019 RMB'000
Net cash used in operating activities	(336,626)
Net cash used in investing activities	–
Net cash generated from financing activities	337,000
Net increase in cash and cash equivalents	374
Cash and cash equivalents at beginning of the year	–
Cash and cash equivalents at end of the year	374

The information above is the amounts before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 Balance sheet and reserve movements of the Company

Balance sheet of the Company

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	2,797,003	2,774,824
Financial assets at fair value through profit or loss	230,038	211,965
	3,027,041	2,986,789
Current assets		
Amounts due from subsidiaries	6,132,844	3,496,229
Cash at bank and on hand	54,623	19,104
Trade and other receivables and prepayments	212,858	249,614
	6,400,325	3,764,947
Total assets	9,427,366	6,751,736
OWNERS' EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital: nominal value	86,634	86,634
Reserves (note (a))	(992,957)	371,023
Total equity	(906,323)	457,657
LIABILITIES		
Non-current liabilities		
Borrowings	5,875,968	5,380,570
Current liabilities		
Trade and other payables	282,101	87,819
Amounts due to subsidiaries	168,862	435,558
Borrowings	4,006,758	390,132
	4,457,721	913,509
Total liabilities	10,333,689	6,294,079
Total equity and liabilities	9,427,366	6,751,736

The balance sheet of the Company was approved by the Board of Directors on 14 April 2020 and was signed on its behalf by:

Yan Hao
Director

Chen Chao
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 Balance sheet and reserve movements of the Company (continued)

(a) Reserve movements of the Company

	Share premium RMB'000	Treasury shares RMB'000	Share award scheme RMB'000	Share option scheme RMB'000	Contributed surplus RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019	1,157,260	(5,848)	80,383	-	1,115,742	(2,364)	(1,974,150)	371,023
Comprehensive income/(loss)								
Loss for the year 2019	-	-	-	-	-	-	(1,012,907)	(1,012,907)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the year 2019	-	-	-	-	-	-	(1,012,907)	(1,012,907)
Transactions with owners								
Share award scheme (Note 33)	-	64	10,294	-	-	-	-	10,358
Share option scheme (Note 33)	-	-	-	3,181	-	-	-	3,181
2018 final dividend (Note 35)	(360,323)	-	-	-	-	-	-	(360,323)
Buy-back of shares	-	(4,289)	-	-	-	-	-	(4,289)
Balance at 31 December 2019	796,937	(10,073)	90,677	3,181	1,115,742	(2,364)	(2,987,057)	(992,957)
Balance at 1 January 2018	1,193,851	-	76,190	-	1,115,742	(90,384)	(1,169,504)	1,125,895
Changes in accounting policies	-	-	-	-	-	88,020	(88,020)	-
Restated balance at 1 January 2018	1,193,851	-	76,190	-	1,115,742	(2,364)	(1,257,524)	1,125,895
Comprehensive income/(loss)								
Loss for the year 2018	-	-	-	-	-	-	(716,626)	(716,626)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the year 2018	-	-	-	-	-	-	(716,626)	(716,626)
Transactions with owners								
Share award scheme (Note 33)	-	14	4,193	-	-	-	-	4,207
2017 final dividend (Note 35)	(260,794)	-	-	-	-	-	-	(260,794)
Place of new shares	261,266	-	-	-	-	-	-	261,266
Cancellation of shares	(37,063)	-	-	-	-	-	-	(37,063)
Buy-back of shares	-	(5,862)	-	-	-	-	-	(5,862)
Balance at 31 December 2018	1,157,260	(5,848)	80,383	-	1,115,742	(2,364)	(1,974,150)	371,023



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 Events after the reporting period

Same as disclosed below and elsewhere in the notes to the consolidated financial statements set out above, there is no other material subsequent event undertaken by the Group after 31 December 2019.

In March 2020, the Company issued the senior notes with principal amount of USD190,000,000, which were listed on the Singapore Exchange Limited. These notes are denominated in USD and due for repayment in March 2022 at annual interest rate of 12.75%.

In March 2020, the Group entered into a shares sales agreement with an independent third party, pursuant to which, the Group sold 100% interests of Shanghai Haopei Property Co., Ltd. at a total consideration of RMB476,000,000 including liabilities assumed by the independent third party of RMB220,765,000. Shanghai Haopei Property Co., Ltd. holds an investment property located in Beijing.

There has been an outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, 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.

45 Authorisation for issue of the financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 14 April 2020.

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