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

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

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

海伦堡
HELENBERGH

Helenbergh China Holdings Limited
海 倫 堡 中 國 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(the "**Company**")

US$270,000,000 11.0% GREEN SENIOR NOTES DUE 2023
(the "Notes", Stock Code: 40877)

PUBLICATION OF THE OFFERING MEMORANDUM

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

Please refer to the offering memorandum dated 4 October 2021 (the "**Offering Memorandum**") appended herein in relation to the issuance of the Notes. As disclosed in the Offering Memorandum, the Notes were intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Stock Exchange on that basis. Accordingly, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) (each as defined in the Offering Memorandum) confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

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

By Order of the Board
Helenbergh China Holdings Limited
Huang Chiheng
Chairman

Hong Kong, 11 October 2021

As of the date of this announcement, the executive Directors are Mr. HUANG Chiheng, Mr. WANG Meng and Mr. YE Jun and the non-executive Directors are Ms. YANG Luning and Mr. SHEK Lai Him Abraham.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OR ARE ACTING FOR THE ACCOUNT OR BENEFIT OF NON-U.S. PERSONS THAT ARE ADDRESSEES OUTSIDE THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following disclaimer applies to the attached document following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the attached document. In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

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

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

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

The attached document is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 (the "EUWA").

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. 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 of the United Kingdom by virtue of the 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 the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

The communication of the attached document and any other document or materials relating to the issue of the New Notes offered hereby 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 FSMA. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 43(2) 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 New Notes offered hereby are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

Confirmation and your representation: In order to be eligible to view the attached document or make an investment decision with respect to the securities, investors must be outside the United States. By accepting the e-mail and accessing the attached document, you shall be deemed to have represented to us and the Initial Purchasers (as defined below) that (1) you are or are acting for the account or benefit of a non-U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act")) outside the United States and to the extent you purchase the securities described in the attached offering memorandum, you will be doing so pursuant to Regulation S under the U.S. Securities Act, (2) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (3) you consent to delivery of the attached document by electronic transmission.

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers are a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction. The attached document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, Haitong International Securities Company Limited, CCB International Capital Limited, ICBC International Securities Limited and YONXI Securities Limited, any person who controls it or any director, officer, employee or agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

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

OFFERING MEMORANDUM **CONFIDENTIAL**

US$102,000,000

海伦堡
HELENBERGH

Helenbergh China Holdings Limited
海倫堡中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

11.0% GREEN SENIOR NOTES DUE 2023

ISSUE PRICE: 100.0%

We are offering 11.0% Green Senior Notes due 2023 in the aggregate principal amount of US$102,000,000 (the "New Notes"). The New Notes will bear interest from and including October 8, 2021 at the rate of 11.0% per annum payable semi-annually in arrears on April 8 and October 8 of each year, commencing April 8, 2022. The New Notes will mature on October 8, 2023.

The New Notes are senior obligations of Helenbergh China Holdings Limited (the "Company") guaranteed (the "Subsidiary Guarantees") by our existing subsidiaries (the "Subsidiary Guarantors") other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in "Description of the New Notes." 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 (the "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 October 8, 2023, the Company may redeem up to 35% of the aggregate principal amount of the New Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 111.0% of the principal amount of the New Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, the Company may at our option redeem the New Notes, in whole but not in part, at any time prior to October 8, 2023 at a redemption price equal to 100% of the principal amount of the New Notes plus a premium as set forth in this offering memorandum and accrued and unpaid interest if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined in the "Description of the New Notes"), the Company must make an offer to repurchase all New Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The New Notes will be (1) at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness (as defined in "Description of the New Notes") of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law), (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the New Notes, (3) effectively subordinated to the secured obligations, if any, of the Company, the Subsidiary Guarantors, and the JV Subsidiary Guarantors, if any, to the extent of the value of the assets serving as security therefor, and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in "Description of the New Notes"). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (as defined in "Description of the New Notes") (if any). See "Risk Factors — Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees."

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

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

Investing in the New Notes involves risks. Furthermore, investors should be aware that the New Notes are guaranteed by Subsidiary Guarantors which do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees and that there are various other risks relating to the New Notes, the Company and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the New Notes. See the section entitled "Risk Factors" beginning on page 12 and particularly pages 49-61 for risks relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees.

We are concurrently conducting an exchange offer for our outstanding 2019 Notes (as defined herein) (the "Concurrent Exchange Offer"). Pursuant to the Concurrent Exchange Offer, we expect to issue additional Notes (the "Exchange Notes") in an aggregate principal amount of US$168,000,000. The total principal amount of the New Notes and Exchange Notes to be issued pursuant to the Exchange Offer and this offering is US$270,000,000. Any Exchange Notes issued will have the same terms as and form a single class with the New Notes issued in this offering.

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

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

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

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "U.S. Securities Act"), and may not be offered or sold within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The New Notes may be offered and sold only outside the United States in compliance with Regulation S under the U.S. Securities Act ("Regulation S"). For a description of certain restrictions on resale or transfer, see "Transfer Restrictions."

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知發改外資[2015]2044號) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the New Notes with the NDRC and obtained a certificate from the NDRC on November 26, 2020 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the New Notes to be reported to the NDRC within ten PRC working days after the issue date of the New Notes.

It is expected that delivery of the New Notes will be made on or about October 8, 2021 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream")

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Haitong International **CCB International**

Joint Bookrunners and Joint Lead Managers

ICBC International **YONXI Securities Limited**

Sole Green Structuring Advisor

Haitong International

The date of this offering memorandum is October 4, 2021

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

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

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

Prohibition of Sales to EEA Retail Investors — The New Notes (as defined in the attached document) are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the 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; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASERS ACTING IN THE CAPACITY AS STABILIZATION MANAGER OR ANY PERSON ACTING FOR THEM (THE "STABILIZING MANAGERS"), MAY PURCHASE AND SELL THE NEW NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NEW NOTES. AS A RESULT, THE PRICE OF THE NEW NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF STABILIZATION MANAGERS, AND NOT FOR US OR ON OUR BEHALF.

We, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this offering memorandum and the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees that is material in the context of the issue and offering of the New Notes; (ii) the statements contained in this offering memorandum relating to us and our subsidiaries and our affiliates in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees, the omission of which would, in the context of the issue and offering of the New Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

This offering memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the New Notes. You should read this offering memorandum before making a decision whether to purchase the New Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

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

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

No representation or warranty, express or implied, is made or given by Haitong International Securities Company Limited, CCB International Capital Limited, ICBC International Securities Limited and YONXI Securities Limited (together, the "Initial Purchasers" or "Joint Lead Managers"), China Construction Bank (Asia) Corporation Limited (the "Trustee" and the "Paying Agent", the "Transfer Agent" and the "Registrar" collectively, without the Trustee, the "Agents") or any of their respective affiliates or advisers as to the accuracy, completeness or sufficiency of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise, representation or warranty, whether as to the past or the future. Neither the Initial Purchasers nor the Trustee nor each of the Agents has independently verified any of the information contained in this offering memorandum or can give any assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, neither the Initial Purchasers nor the Trustee nor each of the Agents or any of their respective affiliates or advisers accepts any responsibility for the contents of this offering memorandum or for any statement made or purported to be made by the Initial Purchasers or the Trustee or the Agents or on its behalf in connection with the Company, the Subsidiary Guarantors or the issue and offering of the New Notes. The Initial Purchasers, the Agents and the Trustee accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement.

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

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

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

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

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

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

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollar amounts were made at the rate of RMB6.5250 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2020, and all translations from H.K. dollar amounts into U.S. dollar amounts were made at the rate of HK$7.7534 to US$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2020. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate, or at all. For further information relating to the exchange rates, see “Exchange Rate Information.”

References to “2019 Notes” are to our 12.875% Senior Notes due 2021.

Reference to “gross profit” are to the profit a company makes after deducting the costs of making and selling its products or rendering its services, calculating by subtracting cost of sales from revenue.

Reference to “gross profit margin” are to a profitability ratio that measures how much of revenues is left over after paying the cost of making and selling its products or rendering services, calculating by dividing gross profit by revenue.

References to “March 2021 Notes” are to our 11.0% Senior Notes due 2023.

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

Our financial statements are prepared in accordance with the basis of preparation set out in note 2.1 to the consolidated financial statements which differ in certain respects from generally accepted accounting principles in the United States ("U.S. GAAP") and certain other jurisdictions. Unless the context otherwise requires, references to "2018", "2019" and "2020" in this offering memorandum are to our financial years ended December 31, 2018, 2019 and 2020, respectively.

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

We have been advised by our Cayman Islands legal adviser, Maples and Calder (Hong Kong) LLP, that any final and conclusive monetary judgment for a definite sum obtained in the United States courts against us would be treated by the courts of the Cayman Islands as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary provided that: (a) the court giving such judgment had jurisdiction in the matter and that we either submitted to such jurisdiction or were resident or had a fixed place of business within such jurisdiction and was duly served with process; (b) the judgment given was not in respect of penalties, taxes, fines or other amounts payable to any government entity; (c) the judgment was not procured by fraud; (d) recognition or enforcement of the judgment in the Cayman Islands would not be contrary to public policy; and (e) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

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

GLOSSARY OF TECHNICAL TERMS

In this offering memorandum, unless the context otherwise requires, the following expressions shall have the following meanings.

"2019 Notes"	the US$550,000,000 principal amount 12.875% Senior Notes due 2021 issued by us on October 4, 2019 and January 21, 2020
"Articles" or "Articles of Association"	the articles of association of the Company adopted on May 18, 2018, as amended from time to time
"ASP"	average selling price
"Blue Antrix"	Blue Antrix Holding Limited, a company incorporated under the laws of the BVI with limited liability on May 11, 2018 and wholly-owned by Mr. Huang Chiheng
"Board" or "Board of Directors"	our board of Directors
"Broad Pleasant"	Broad Pleasant Limited, a company incorporated under the laws of Hong Kong with limited liability on June 19, 2018 and wholly-owned by Leap Elite
"Business Day" or "business day"............................	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"..	British Virgin Islands
"CAGR"...	compound annual growth rate, representing the year over year growth rate for a multi-period of time, calculating by computing the n^{th} root of the ending value over beginning value then minus one, where n equals to the total number of periods
"capacity building area".................	capacity building area of a project or a project phase is the total GFA of such project or project phase less the GFA of certain parts of such project or project phases, such as civil air defense properties, basements and the public facilities ancillary to residential properties
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), a regulatory authority formed via the merger of the CBRC and CIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on March 24, 2018, and, if the context requires, includes its predecessors, namely the CBRC and CIRC

"Central China Region"	a region in central China which consists of six provinces including Shanxi, Henan, Anhui, Hubei, Jiangxi and Hunan, covering an aggregate area of 1,028,000 sq.km., and carrying nearly 26.51% population of the country
"certificate of completion".............	construction works completion inspection acceptance certificate/record issued by local urban construction bureau or competent authorities in the PRC with respect to completion of property projects (建築工程竣工驗收備案表)
"city company(ies)"	a regional management platform that oversees one or more property development projects in the city where our Company operates
"Companies Ordinance".................	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "we" or "us"...	Helenbergh China Holdings Limited (海倫堡中國控股有限公司), an exempted company incorporated under the laws of Cayman Islands with limited liability on May 18, 2018
"Controlling Shareholders"	unless the context otherwise requires, refer to Mr. Huang Chiheng, Blue Antrix Holdings Limited and Platinum Harvest Investment Limited
"Creative & Technology Park"	our business park project that typically include office buildings, serviced apartments and various ancillary facilities such as retail stores, restaurants, hotels, gyms and car parks
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Company
"EIT"	enterprise income tax
"GDP"..	gross domestic product
"GFA"..	gross floor area. For purposes of this offering memorandum, unless otherwise specified GFA of a project or project phase developed by our Subsidiaries refers to the entire GFA of such project or project phase without adjusting by our percentage of equity interest in the relevant project company, while GFA of a project or project phase developed by our joint ventures or associated companies refers to the GFA attributable to us based on the equity interest or economic interest (as set out in relevant contractual arrangement) we hold in such project to project phase as applicable

"GFA delivered"	delivered GFA for the purpose of this offering memorandum, refers to with respect to the portion of GFA for which revenue was recognized at a point in time, total GFA so delivered and sold in the relevant period
"Greater Bay Area".........................	an area consisting of Hong Kong, Macau and nine cities including Guangzhou, Shenzhen, Zhuhai, Foshan, Zhongshan, Dongguan, Zhaoqing, Jiangmen and Huizhou in Guangdong province. The Greater Bay Area covers an area of 56,000 sq. km., with a population of 66 million, and nominal GDP exceeding 10 trillion yuan in 2017
"Group" or "Our Group"	our Company and our Subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present Subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Guangdong Helenbergh"	Guangdong Helenbergh Real Estate Group Co., Ltd. (廣東海倫堡地產集團有限公司) is the onshore wholly-owned holding subsidiary of the Company. It was established under the laws of the PRC on April 14, 2005 with a registered capital of RMB8.0 million and was formerly known as Guangzhou Helenbergh Real Estate Development Co., Ltd. (廣州市海倫堡房地產開發有限公司)
"Hangzhou Bay Area".....................	an area consisting of Hangzhou, Ningbo, Shaoxing, Jiaxing, Huzhou and Zhoushan, covering an area of approximately 45,400 sq.km
"Helenbergh Holding".....................	Helenbergh Holding Group Co., Ltd. (海倫堡控股集團有限公司) (formerly known as Guangdong Zhongyi Investment Group Co., Ltd. (廣東中頤投資集團有限公司), a company established under the laws of the PRC on August 19, 2004 and is owned as to 97.40% by Mr. Huang Chiheng and 2.60% by Mr. Huang Bowen
"Helenbergh Holding Group"..........	Helenbergh Holding and its subsidiaries
"Independent Third Party(ies)"	person(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of the Company.
"IPO Plan".....................................	our ongoing initial public offering plan. We are in the preparation of the initial public offering of the common stock of our Company and the listing of the common stock of our Company on the Stock Exchange. The IPO plan is subject to the review and approval by the Securities and Future Commission and the Stock Exchange, which is beyond our control. We cannot assure you that the IPO Plan will complete in the near future or at all

"Jing-Jin-Ji Region"........................ a region located in the north-eastern of the PRC, with a total area of 218,000 sq.km. and consists of 13 cities. Beijing, Tianjin, Baoding, and Langfang is expected to act as the core functional area that drives the development of other cities in this region including Tangshan, Shijiazhuang, Handan, Qinhuangdao, Zhangjiakou, Chengde, Cangzhou, Xingtai, and Hengshui

"Key Advantage" .... Key Advantage Global Limited, a company incorporated under the laws of Hong Kong on June 5, 2018 and wholly-owned by Noble Pursuit

"LAT" .... land appreciation tax (土地增值稅), as defined in the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則)

"Leap Elite" .... Leap Elite Holdings Limited, a company incorporated under the laws of the BVI on June 12, 2018 and wholly-owned by our Company

"March 2021 Notes" .... the US$350,000,000 principal amount 11.0% Senior Notes due 2023 issued by us on March 24, 2021 and June 29, 2021

"MLR" .... Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)

"MOF" .... Ministry of Finance of the PRC (中華人民共和國財政部)

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

"Mr. Huang" .... Mr. Huang Chiheng, founder of our Group and a Controlling Shareholder

"NDRC" .... National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"nil" .... means nothing or number zero (0)

"Noble Peony" .... Noble Peony Holdings Limited, a company incorporated under the laws of the BVI on June 12, 2018 and wholly-owned by Support Capital

"Noble Pursuit" .... Noble Pursuit Holdings Limited, a company incorporated under the laws of the BVI on May 17, 2018 and wholly-owned by our Company

"Non-PRC Resident Enterprise"	as defined under the current PRC income tax laws, means companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC
"PBOC"	People's Bank of China (中國人民銀行)
"Pearl River Delta Region"............	economic region covers Guangzhou, Zhuhai, Foshan, Zhongshan, Dongguan, Huizhou, Jiangmen and Zhaoqing, for the purpose of this offering memorandum
"People's Congress".......................	the PRC's legislative apparatus, including the National People's Congress and all the local people's congresses (including provincial, municipal and other regional or local people's congresses) as the context may require, or any of them
"PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006
"PRC GAAP"	generally accepted accounting practices in the PRC
"PRC Subsidiary(ies)"	the subsidiary(ies) of our Company organized under the laws of the PRC
"Principal Subsidiaries"	the 30 subsidiaries which we consider to be significant to our business operation
"Qualification Certificate for Real Property Development Enterprise"	the requisite certificate for a company to carry out property development business in the PRC
"RSU Scheme"	a scheme we intend to approve and adopt to incentivize our Directors, senior management and employees for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel by providing them with the opportunity to own equity interest in our Group. A RSU gives a participant in the RSU Scheme a conditional right when the RSU vests to obtain either shares in our Group immediately after the completion of the IPO Plan or an equivalent value in cash with reference to the market value of the shares on or about the date of exercise of the RSUs, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion
"Regulation S"...............................	Regulation S under the U.S. Securities Act
"SAFE"...	State Administration of Foreign Exchange of the PRC (國家外匯管理局)

"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder(s)"	holder(s) of the shares
"Special Regulations"	Special Regulations of the State Council on the Overseas Offering and Listing of shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
"sq.m."	square meter
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	the subsidiary(ies) of our Company
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Support Capital"	Support Capital Limited, a company incorporated in BVI on June 5, 2011
"total land bank"	represents the total land bank of projects developed by our subsidiaries and the land bank attributable to us of projects developed by our joint ventures and associated companies
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"VAT"	value-added tax
"Western China Region"	a region located in the western China covering an area of 6,810,000 sq.km., and consisting of twelve provinces or municipals including Shaanxi, Yunnan, Guizhou, Guangxi, Gansu, Qinghai, Ningxia, Tibet, Xinjiang, Inner Mongolia, Sichuan and Chongqing
"Yangtze River Delta Region"	consists of 26 cities located at Yangtze River Delta including Shanghai, nine cities in Jiangsu province, eight cities in Zhejiang province and eight cities in Anhui province, with the total area of approximately 211,700 sq.km.

"Yangtze River Economic Zone"	an economic zone that includes Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, Hubei, Hunan, Chongqing, Sichuan, Yunnan and Guizhou, covering an area of 2.05 million sq.km.

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this offering memorandum, is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

Certain amounts and percentage figures included in this offering memorandum have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

SUMMARY

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

OVERVIEW

We are an expanding PRC real estate developer with a national footprint. We primarily develop residential properties, and, to a lesser extent, commercial properties and Creative & Technology Parks. We commenced our business in 1998 in Guangdong province and has established a strong foothold in major cities in Guangdong province, such as Guangzhou, Zhuhai, Zhongshan, Foshan and Huizhou in the early years of our development. Leveraging our extensive experience in Guangdong province, we have tapped into the markets in some of the economically developed cities in the PRC and created a strategic national presence. As of December 31, 2020, we had 184 property projects or project phases at various stages of development with a total land bank of approximately 31.6 million sq.m. including (i) 48 completed projects with saleable GFA unsold and leasable GFA of approximately 4.6 million sq.m.; (ii) 115 projects under development with total planned GFA of approximately 17.5 million sq.m.; and (iii) 21 projects held for future development with total estimated GFA of approximately 9.5 million sq.m. As of December 31, 2020, we had established our presence in 45 cities covering 15 provinces and municipalities mainly located in the Pearl River Delta Region, the Yangtze River Delta Region, the Jing-Jin-Ji Region, the Western China Region and the Central China Region.

Our land bank is strategically located in first-tier and second-tier cities and in cities that we believe have sustainable growth potential in the PRC. We believe our competitive advantage in acquiring quality and cost-competitive land bank to sustain our expansion is attributable to the following factors:

- ***Regional deep-plough investment strategy***: We select a core city or a few core cities in each region when we enter into a regional market. After gaining a foothold in the core cities, we expanded our presence in each region by continuously penetrating into other cities which we believe have high growth potential.

- ***Prudent land acquisition policy***: Before entering into a new city, generally we engage a third party consultant to create a data model to track key data of the city. Before acquiring a parcel of land, our management will consider key factors that influence the growth of the local property market and conduct a detailed feasibility study. To control the risks related to land acquisition, we also engage professional parties from time to time to conduct financial and legal due diligence on the target lands and project companies.

- ***Diversified land acquisition approaches***: We acquire land in a variety of ways, which primarily include (i) acquiring equity interests in companies holding land use rights from third parties; (ii) acquiring land parcels from third parties; (iii) participating in government organized auctions and the public listing-for-sale process; and (iv) participating in urban re-development projects (舊城改造) (eventually through government-organized auctions and the public listing-for-sale process).

- ***Experienced land acquisition teams***: We have a dedicated land acquisition team to identify suitable acquisition opportunities, conduct legal risks analysis, negotiate with counter-parties and execute acquisition transactions.

In addition, we believe our success is also attributable to our standardized development procedures. We have developed a meticulous operation system and a project management system, each having various key nodes and main items to help us efficiently manage and supervise our development process. As a result, we are able to effectively control the costs, quality and progress of our projects. Capitalizing on our standardized development procedures, we have developed three standardized residential property series tailoring for different customers, including Lasting Joy Series (璽悅系), Rosen Joy Series (玖悅系) and Peaceful Joy Series (和悅系). We have also developed three product lines for our commercial properties, including Helen World (海樂世界), Helen City (海樂城) and Helen Park (海樂薈). Each of these series and product lines is tailored to the needs of different customer groups and can be quickly replicated to a new market. We believe such diversified product portfolio has strengthened our brand name and cultivated customer loyalty and will enhance our brand recognition.

Our dedication to offering high quality products, together with our strategic expansions, have contributed to our growth and earned us various accolades in the industry. We have received multiple awards, such as "China's Top 100 Real Estate Developers" (中國地產百強企業) from Development Research Center of the State Council (國務院發展研究中心企業所), Property Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院), from 2014 to 2020 and "China's Top 100 Commercial Real Estate Companies" (中國商業地產百強企業) awarded by China Index Academy (中國指數研究院) from 2019 to 2020. See "Business — Awards and Recognitions." We believe our established brand name, together with our growing presence across China, position us well to capture the growth potential in the PRC real estate market.

We plan to adhere to our regional deep-plough investment strategy and continue to enhance our presence in our existing markets to increase our market share and brand recognition nationwide by offering high quality properties. In particular, we intend to pay close attention to regions or districts that enjoy policy supports, such as the Greater Bay Area, the Hangzhou Bay Area and the Yangtze River Economic Zone.

COMPETITIVE STRENGTHS

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

- An expanding PRC real estate developer with a national footprint;
- Ability to acquire cost-competitive land bank at strategic locations;
- Standardized project development procedures enable us to speed up asset turnover to support growth;
- "Health Plus" philosophy promotes the quality of products and further enhances our brand recognition; and
- A professional management team with extensive industry experience and a team of qualified and dedicated employees to support long term sustainable growth.

STRATEGIES

We strive to become one of the leading real estate developers in China. To achieve our goal, we intend to implement the following strategies:

- Continue to strengthen our national presence by penetrating our existing markets and selectively developing new markets;
- Continue to pursue strategic opportunities for commercial property projects and Creative & Technology Parks;

- Continue to enhance the quality of our products incorporating the "Health Plus" philosophy to provide optimized experience for our customers to differentiate us from our competitors;

- Continue to standardize our property development procedures and expedite asset turnover to achieve healthy growth and operating efficiency; and

- Continue to attract, retain and motivate skilled and talented employees.

RECENT DEVELOPMENTS

Our business operations had generally remained stable since December 31, 2020. During the period from December 31, 2020 and up to the date of this offering memorandum, we had secured 23 projects, for all of which we have entered into transactions to acquire equity interests in companies that possess or have the rights to possess land use rights for these projects. Such 23 projects are located in 18 cities, including Zhongshan, Zhangzhou, Nanjing, Changshu, Yueyang, Zhuhai, Chongqing, Ningbo, Huzhou, Guiyang, Wuxi, Liyang, Suzhou, Putian, Fuyang, Jinhua, Wenzhou and Zhaoqing.

Issuance of March 2021 Notes

On March 24, 2021 and June 29, 2021, we issued the March 2021 Notes in an aggregate principal amount of US$350,000,000. For details, see "Description of Other Material Indebtedness."

COVID-19 Pandemic

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

The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. The PRC real estate market was under pressure in the first half of 2020 as the COVID-19 pandemic curbed demand and pre-sales in the PRC. 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, the pandemic is far from over, especially with the emergence of new variants such as the Delta variant. Different countries continue to suffer the impact of renewed lockdowns and other restrictive measures imposed by their governments in light of further waves of infections. Given the uncertainties as to the development of the outbreak at the moment, especially the recent re-emergence of COVID-19 cases in certain cities in the PRC in January 2021, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. See "Risk Factors — Risks Relating to Our Business — The national and regional economies may be adversely affected by natural disasters, severe weather conditions, epidemics, pandemics, acts of war and political unrest, which are beyond our control and which may cause damage, loss or disruption to our business."

General Information

We were incorporated in the Cayman Islands on May 18, 2018, as an exempted company with limited liability. Our principal place of business in Hong Kong is at Suite 2108, 21/F Tower 6, the Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. Our headquarters and principal place of business in China in the PRC is at Block 2, Creative City, No. 329 Yushan West Road, Panyu District, Guangzhou, Guangdong Province, China. Our registered office is located at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our website is *http://www.hlbdc.com.* Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this offering memorandum. See "Description of the New Notes." Terms used in this summary and not defined shall have the same meanings given to them in "Description of the New Notes."

Issuer .... Helenbergh China Holdings Limited

New Green Notes Offered............ US$102,000,000 aggregate principal amount of 11.0% Green Senior Notes due 2023 (the "New Notes").

Offering Price............................... 100.0%

Issue Date of the New Notes .... October 8, 2021

Maturity Date............................... October 8, 2023

Interest.. The New Notes bear interest from and including October 8, 2021 at the rate of 11.0% per annum, payable semi-annually in arrears.

Interest Payment Dates................. April 8 and October 8 of each year, commencing April 8, 2022.

Ranking of the New Notes........... The New 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 New 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 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 "Description of the New Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees";
- effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

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

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee (if any) given by a JV Subsidiary Guarantor may be released in certain circumstances. See "Description of the New Notes — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees."

As of the Original Issue Date, the initial Subsidiary Guarantors will consist of all of the Company's Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC and the Existing Offshore Non-Guarantor Subsidiaries. See "Description of the New Notes." All of the initial Subsidiary Guarantors are holding companies that do not have significant operations.

The Issuer will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC or any Exempted Subsidiaries or any Listed Subsidiaries), as soon as practicable and in any event within 30 days after becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the New Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. The Issuer will cause (x) each of its Restricted Subsidiaries that is an Exempted Subsidiary, as soon as practicable after ceasing to be an Exempted Subsidiary, and (y) each of its Restricted Subsidiaries that is a Listed Subsidiary, as soon as practicable after ceasing to be a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the New Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, (A) the Issuer may elect to have (x) any future Restricted Subsidiary organized outside the PRC, or (y) as soon as practicable after an Exempted Subsidiary ceases to be an Exempted Subsidiary, such Exempted Subsidiary, or (z) as soon as practicable after a Listed Subsidiary ceases to be a Listed Subsidiary, such Listed Subsidiary, not provide a Subsidiary Guarantee or JV Subsidiary Guarantee and (B) the Issuer may elect to release the Subsidiary Guarantee of a Subsidiary Guarantor or the JV Subsidiary Guarantee of a JV Subsidiary Guarantor (each of the Restricted Subsidiaries under clauses (A) and (B), a "New Non-Guarantor Subsidiary") provided that, after giving effect to the Consolidated Assets of such Non-Guarantor Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Exempted Subsidiaries and the Listed Subsidiaries) do not account for more than 20% of the Total Assets of the Issuer.

In the case of a Restricted Subsidiary (other than Exempted Subsidiaries and Listed Subsidiaries) (i) that is, or is proposed by the Issuer or any of its Restricted Subsidiaries to be, established or acquired after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and (iii) in respect of which the Issuer or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary to, or (y) is proposing to purchase the Capital Stock of, an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Issuer and designate such Subsidiary as a Restricted Subsidiary, the Issuer 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 the provision of a JV Subsidiary Guarantee instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary (the "JV Subsidiary Guarantor") and (b) the Restricted Subsidiaries (other than Exempted Subsidiaries and the Listed Subsidiaries) of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if certain conditions are satisfied.

No JV Subsidiary Guarantee exists as of the Original Issue Date.

Ranking of Subsidiary Guarantees .... The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

See "Risk Factors — Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees."

Ranking of JV Subsidiary Guarantees .... If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and

- will be limited to the JV Entitlement Amount, 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 unsubordinated Indebtedness pursuant to applicable law).

See "Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees."

Use of Proceeds .... We intend to use the net proceeds primarily for refinancing our existing offshore indebtedness, in accordance with our Green Finance Framework.

Optional Redemption .... At any time prior to October 8, 2023, the Company may at its option redeem the New Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the New Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to October 8, 2023, the Company may redeem up to 35% of the aggregate principal amount of the New Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price equal to 111.0% of the principal amount of the New Notes being redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the New Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Repurchase of New 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 New Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the. See "Description of the New Notes — Repurchase of Notes Upon a Change of Control Triggering Event."

Withholding Taxes, Additional Amounts .... All payments of principal of, and premium (if any) and interest in respect of the New Notes or the Subsidiary Guarantees or 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 Relevant Jurisdiction (as defined in "Description of the New Notes"), 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, holders of the New Notes will receive Additional Amounts (subject to certain exceptions) as will result in receipt by the Holder of each New Note of such amounts as would have been received by such Holder had no such withholding or deduction been required. See "Description of the New Notes — Additional Amounts."

Redemption for Taxation Reasons....................................... Subject to certain exceptions and as more fully described in "Description of the New Notes — Redemption for Taxation Reasons," the Company may redeem the New 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 the date fixed by the Company for redemption, if the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor (if any) would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See "Description of the New Notes — Redemption for Taxation Reasons."

Covenants .... The Indenture will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things:

- incur or guarantee certain additional indebtedness and issue disqualified or preferred stock;
- declare dividends on 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 the Company or Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

	These covenants are subject to a number of important qualifications and exceptions described in "Description of the New Notes — Certain Covenants."
Ratings	The New Notes are expected to be rated "B3" by Moody's Investors Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agencies.
Transfer Restrictions	The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act or under any state securities laws of the United States, are being offered and sold in offshore transactions in compliance with Regulation S under the Securities Act, and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The New Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.
Book-Entry Only	The New Notes will be issued in book-entry from through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "Description of the New Notes — Book-Entry; Delivery and Form."
Delivery of the New Notes	The Company expects to make delivery of the New Notes free of payment in same-day funds on or about October 8, 2021, Company expects will be the fourth business day following the date of this offering memorandum referred to as "T+4" You should note that initial trading of the New Notes may be affected by the "T+4" settlement. See "Plan of Distribution."
Trustee	China Construction Bank (Asia) Corporation Limited.
Paying Agent, Transfer Agent and Registrar	China Construction Bank (Asia) Corporation Limited.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of the New Notes by way of debt issues to Professional Investors only as described in this offering memorandum.
Governing Law	The New Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Indenture governing the New Notes are governed by and will be construed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the New Notes, see "Risk Factors."
ISIN/Common Code	ISIN: XS2376908344; Common Code: 237690834.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2018, 2019 and 2020 and the summary consolidated statements of financial position as of December 31, 2018, 2019 and 2020 set forth below have been derived from our audited consolidated financial statements for such years and as of such dates, as audited by Ernst & Young, our independent certified public accountants, and included elsewhere in this offering memorandum. Our financial statements have been prepared in accordance with the basis of preparation set out in note 2.1 to the consolidated financial statements for the year ended December 31, 2018, 2019 and 2020, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. Historical results are not necessarily indicative of results that may be achieved in any future period.

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended December 31,			
	2018	2019	2020	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Revenue	17,517,528	20,966,231	26,774,069	4,103,306
Cost of sales	(12,884,450)	(14,877,378)	(20,803,094)	3,188,214
Gross profit	**4,633,078**	**6,088,853**	**5,970,975**	**915,092**
Other income and gains	274,698	184,137	527,333	80,817
Selling and distribution expenses	(831,037)	(1,097,160)	(1,556,685)	(238,572)
Administrative expenses	(868,146)	(955,787)	(1,078,534)	(165,293)
Other expenses	(73,515)	(63,817)	(113,411)	(17,381)
Impairment losses on trade and other receivables	(1,582)	(15,724)	(29,672)	(4,547)
Fair value gains on investment properties	768,249	733,575	614,877	94,234
Share of profit/(loss) of a joint venture and associates	(12,447)	(32,349)	(1,832)	(281)
Finance costs	(270,556)	(425,074)	(474,801)	(72,766)
Profit before tax	**3,618,742**	**4,416,654**	**3,858,250**	**591,303**
Income tax expense	(1,362,512)	(1,894,803)	(1,639,887)	251,324
Profit for the year	**2,256,230**	**2,521,851**	**2,218,363**	**339,979**
Attributable to:				
Owners of the Company	2,234,005	2,579,595	2,178,920	333,934
Non-controlling interests	22,225	(57,744)	39,443	6,045
	2,256,230	**2,521,851**	**2,218,363**	**339,979**

Summary Consolidated Statement of Financial Position Data

	As of December 31,			
	2018	2019	2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Non-current assets				
Property, plant and equipment	258,380	256,930	244,154	37,418
Investment properties	14,318,200	16,126,500	19,373,600	2,969,134
Other right-of-use assets	—	12,989	24,553	3,763
Goodwill	87,445	87,445	87,445	13,402
Other intangible assets	17,321	17,986	45,249	6,935
Investment in joint ventures	717,139	840,365	637,732	97,737
Investment in associates	1,070,868	1,250,170	1,594,405	244,353
Deferred tax assets	1,040,885	1,455,421	2,104,645	322,551
Other non-current assets	671,532	914,442	1,994,050	305,602
Total non-current assets	18,181,770	20,962,248	26,105,833	4,000,895
Current assets				
Properties under development[1]	42,364,988	59,026,192	74,675,153	11,444,468
Completed properties held for sale	10,364,934	15,387,053	15,613,812	2,392,921
Trade receivables	320,759	100,916	15,858	2,430
Prepayments, deposits and other receivables	5,966,697	11,107,812	12,330,224	1,889,690
Amounts due from associates	15,849	189,601	—	—
Amounts due from a joint venture	—	41	659,073	101,007
Amounts due from related parties	31	—	—	—
Tax recoverables	520,178	774,721	983,173	150,678
Restricted cash	5,473,192	7,128,689	6,150,386	942,588
Pledged deposits	523,164	265,691	195,340	29,937
Cash and cash equivalents	4,778,218	10,522,176	14,878,153	2,280,177
Total current assets	70,328,010	104,502,892	125,501,172	19,233,896
Current liabilities				
Trade and bills payables	9,943,082	17,489,624	16,488,788	2,527,017
Other payables, deposits received and accruals	5,040,325	8,766,656	10,683,304	1,637,288
Contract liabilities	27,080,685	38,863,951	44,618,456	6,838,078
Interest-bearing bank and other borrowings	9,409,551	13,297,738	17,588,392	2,695,539
Convertible bonds	—	—	2,046,670	313,666
Amounts due to associates	26,612	370,715	966,175	148,073
Amounts due to joint ventures	—	—	165,324	25,337
Amounts due to related parties	318,332	62,592	28,985	4,442
Tax payables	1,683,937	1,984,108	2,595,456	397,771
Total current liabilities	53,502,524	80,835,384	95,181,550	14,587,211
Net current assets	**16,825,486**	**23,667,508**	**30,319,622**	**4,646,685**
Total assets less current liabilities	**35,007,256**	**44,629,756**	**56,425,455**	**8,647,579**
Non-current liabilities				
Interest-bearing bank and other borrowings	18,897,985	24,116,062	24,338,127	3,729,981
Convertible bonds	—	—	676,882	103,737
Deferred tax liabilities	2,995,583	3,693,941	3,985,434	610,794
Lease liabilities	—	4,711	4,847	743
Total non-current liabilities	21,893,568	27,814,714	29,005,290	4,445,255
Net assets	**13,113,688**	**16,815,042**	**27,420,165**	**4,202,324**
Equity				
Equity attributable to owners of the Company				
Reserves	12,748,244	15,329,038	17,699,500	2,712,567
Non-controlling interests	**365,444**	**1,486,004**	**9,720,665**	**1,489,757**
Total equity	**13,113,688**	**16,815,042**	**27,420,165**	**4,202,324**

Note:

(1) The properties under development in the audited financial statements as of and for the year ended December 31, 2020 equal as the sum of properties under development and prepaid land lease payments in the audited financial statements as of and for the year ended December 31, 2019. For purpose of presentation, we presented properties under development as of December 31, 2018 as the sum of properties under development and prepaid land lease payments in the audited financial statements as of and for the year ended December 31, 2019.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized as (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to doing business in the PRC; and (iv) risks relating to the New Notes.

RISKS RELATING TO OUR BUSINESS

Our business and prospects are heavily dependent on and may be adversely affected by the economic conditions in the PRC and the performance of the PRC property markets, particularly in the various cities we operate or intend to operate.

Our business and prospects depend on the performance of the PRC property market. As of December 31, 2020, we had 184 property projects or project phases at various stages of development with a total land bank of approximately 31.6 million sq.m. and established our presence in 45 cities, of which 77 property projects were located in the Pearl River Delta Region, 50 property projects were located in the Yangtze River Delta Region, 29 property projects were located in the Western China Region, 19 property projects were located in the Central China Region, 5 property projects were located in the Jing-Jin-Ji Region and 4 were located in other regions. These property markets are affected by local, regional, national and global factors, including economic and financial condition, speculative activities in local markets, demand for and supply of properties, investor confidence, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital. Any 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 results of operations. In particular, the PRC property market is affected by a slowdown in China's economic growth in recent years. The real GDP growth in China has been decelerating in recent years from 7.8% in 2013, 7.3% in 2014, 6.9% in 2015 to 6.7% in 2016, slightly recovered to 6.9% in 2017 and dropped to 6.6% in 2018. The real GDP growth has further slowed down in 2019 in light of the sluggish global economy, the China-US trade war as well as the pressure of industrial transformation and upgrading in China. The real GDP growth rate has dropped to 6.2% in the second quarter in 2019, as compared to 6.7% in the corresponding period in 2018. A slowdown in the growth of the PRC economy is expected to affect the property development industry. The fixed asset investment growth rate in China has also experienced a general downtrend, with a persisting declination from 19.1% in 2013 to 7.7% in 2015. Although it recovered slightly to 9.9% in 2016, it dropped to 5.7% in 2017 and 0.7% in 2018. There have been increasing concerns over the sustainability of the real estate market growth in China. Factors such as decrease in available funds and investor confidence may influence demand for properties, including the properties we developed. As a result, the property market may experience over-supply of properties and idle housing inventory. Any over-supply of properties or any potential decline in the demand or prices for properties in the cities in which we operate or intend to operate could have a material and adverse impact on our cash flows, financial condition and results of operations.

Furthermore, our business is subject to extensive governmental regulation and, in particular, we are sensitive to policy changes in the PRC property sector. The PRC Government has in recent years promulgated various control measures aimed at cooling the property sector and may adopt further measures to regulate this sector. See "— Risks Relating to Our Industry — Our operations are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies related to the PRC property industry and in regions in which we operate." We cannot assure you that such measures will not have a negative impact on our business or that the demand for new properties in cities and regions where we have or will have operations will continue to grow in the future or that there will not be over-development or market downturn in the PRC property sector.

The national and regional economies may be adversely affected by natural disasters, severe weather conditions, epidemics, pandemics, acts of war and political unrest, which are beyond our control and which may cause damage, loss or disruption to our business

Natural disasters, severe weather conditions, epidemics, acts of war and political unrest, which are beyond our control, may materially and adversely affect the economy of the PRC and the cities in which we operate. Some areas in the PRC are under the threat of earthquakes, ice storms, floods, sandstorms, droughts or other natural disasters. For instance, in May 2008, a high-magnitude earthquake occurred in Sichuan Province and certain other areas of China. These disasters may cause significant casualties and loss of properties and any of our operations in the affected areas could be adversely affected. If similar or other inclement weather or climatic conditions or natural disasters occur, our operations may be hampered, which could result in an adverse impact on our business, results of operations and financial condition. In addition, certain areas of China are susceptible to epidemics or pandemics such as Severe Acute Respiratory Syndrome ("SARS"), H5N1 flu, H1N1 flu or, more recently, the novel coronavirus named COVID-19 by the World Health Organization.

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. The outbreak of COVID-19 has spread far and wide inside China. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. As a result, sales offices and construction of our development projects may be temporarily shut down. Moreover, supply of our raw materials and productivity of our employees may be adversely affected. Our operations may experience disruptions, such as temporary closure of our offices and/or those of our contractors or suppliers and suspension of services. As a result, the completion of our projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in our development costs, late delivery of properties and/or otherwise adversely affect our profitability and cash flows. Further, customers who have previously entered into contracts to purchase properties may default on their purchase contracts if the economic situation further deteriorates as a result of the epidemic. In addition, the COVID-19 outbreak poses risks to the wellbeing of our employees and the safety of our workplace, which may materially and adversely affect our business operation. Our ability to adequately staff, manage and/or maintain daily operations may be adversely affected if the outbreak continues or further deteriorates. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will exist and the extent to which we may be affected. Furthermore, our properties or facilities may be required to be suspended or quarantined, if there were clusters for the COVID-19 cases in our properties or facilities or governmental ordinance to contain the outbreaks. Any of these circumstances will result in material adverse impact on our business, financial condition, results of operations, performance and prospects. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. As a consequence, we experienced a recovery in our contracted sales in April 2020. However, there can be no assurance that this recovery momentum will continue in the future.

Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. Another public health crisis in China triggered by a recurrence of SARS or an outbreak of any other epidemics, including, for example, the ongoing COVID-19, especially in the cities where we have operations, may result in material disruptions to our property development and sales and the operation of commercial properties. In addition, the outbreak of communicable diseases, such as the COVID-19 outbreak on a global scale, may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect China and other economies. Such outbreak has resulted in restrictions on travel and public transportation and prolonged closures of workplaces, which may have a material adverse effect on the global economy. Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations.

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

In order to achieve sustainable growth, we need to continue to seek development opportunities in selected regions in the PRC with the potential for growth and where we have no existing operations. Our initial focus was primarily on the development of residential property projects in Guangdong province. As of December 31, 2020, we had 184 property projects or project phases at various stages of development with a total land bank of approximately 31.6 million sq.m., of which, approximately 9.9 million sq.m., or 31.5%, were located in the Pearl River Delta Region. We intend to continue to expand our operations into major cities in other core business regions and pay attention to regions or districts which enjoy policy supports such as the Greater Bay Area, the Hangzhou Bay Area and the Yangtze River Economic Zone, and enter into new markets along the high-speed rail road lines or other cities we believe have substantial growth potential in the future. In addition, in response to the PRC development plan and policy in the future, we may consider expanding our operation into new business lines, which we believe will be complementary to our current businesses, such as senior housing (養老地產).

Expansion into new geographical locations and new businesses involves uncertainties and challenges as we may be less familiar with local regulatory practices and customs, customer preferences and behavior, the reliability of local contractors and suppliers, business practices and business environments and municipal-planning policies in relevant sub-markets. In addition, expanding our business into new geographical locations would entail competition with developers who have a better-established local presence or greater access to local labors, expertise and knowledge than we do. Furthermore, the construction, market and tax related regulations in our target cities may be different from each other and we may face additional expenses or difficulties in complying with new procedures and adapting to new environments. In addition, as we expand to an area we are not familiar with, our experience and operation model may not be readily transferable to the new business. The expansion into new areas and business lines, such as senior housing (養老地產), may expand our risk exposure and may not achieve the results we expected. Any failure to successfully leverage our experience or to sufficiently understand the property market in any other PRC province or city into which we expand our business may have a material adverse effect on our business, financial condition and results of operations.

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

Apart from external challenges, we may also face difficulties in managing our projects. Although we have formulated a standardized operation model, failure to observe our standards or inconsistencies in compliance by our contractors or our project companies may have an adverse impact on our business operations and brand reputation. Further, expanding into new geographic locations and new businesses requires a significant amount of capital and management resources. We may not be able to manage the growth in our workforce to match the expansion of our business, and accordingly, experience issues such as capital constraints, construction delays or lack of expertized personal. In addition, rapid expansion may require extensive capital investment and cash outflow, which may lead to increased pressure on our working capitals and vulnerability to liquidity issues. Any of these factors could have a material and adverse effect on our business, cash flow financial condition, results of operations and prospects.

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

The sustainable growth and success of our business depend significantly on our ability to continue acquiring additional land bank in desirable locations at commercially reasonable prices that are suitable for our projects. We acquired land for our projects primarily through (i) acquiring equity interests in project companies that hold land use rights; (ii) acquiring land parcels from third parties; (iii) participating in government-organized auctions and the listing-for-sale process; and (iv) participating in urban re-development projects (舊城改造) eventually through government-organized auctions and the public listing-for-sale process. See "Business — Our Project Operation and Management — Market Research and Land Acquisition."

Our success in obtaining land parcels depends on a variety of factors, such as the overall local economic conditions, the availability of land parcels provided by the government and in the secondary market, our effectiveness in estimating the profits of the acquired land parcels and the competition for such land parcels. The PRC Government and relevant local authorities control the supply, price and planned usage of new 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 major cities we plan to expand into in recent decades may have a limited supply of undeveloped land in desirable locations and at reasonable acquisition costs. In addition, the PRC government has been imposing conditions when they put up land for bidding, auction or listing for sale, such as setting price ceiling of the land developed or requiring the developer to retain, rather than sell, a portion of the property developed. All these measures could intensify the competition for land in China among property developers and may impose obstacles for us to acquire cost-competitive land.

We have acquired, and intend to continue to acquire, land parcels from third parties, either directly or through the acquisition of equity interests in companies holding land use rights as a means to expand our business and land bank. However, we may face strong competition during the acquisition process and we may not be successful in selecting or valuing target companies or their land parcels appropriately. Moreover, there may not be adequate supply of acquisition targets. As a result, we may be unable to complete such acquisitions at reasonable cost, or at all. Also, such acquisitions contain inherent risks related to liabilities and obligations related to the land use rights and project development of the underlying project companies. We may be involved in various legal disputes caused by the original shareholders of the project companies and may be jointly liable for the damages. Despite the warranty clause in some of the purchase agreements providing indemnity to us in certain circumstances, we cannot assure you that the circumstances in which we may be involved are covered under the indemnification clauses. Even if we are covered under such clauses, the seller may not fulfill their indemnification obligations in time, or at all. Should we encounter any circumstances related to the liabilities and obligations related to the land use rights and project development of the land we acquired from third parties, our business operations and financial condition may be materially and adversely affected. Further, the process of acquisition negotiation may be time-consuming and involve tension. We may not be able to obtain land parcels after the negotiations. Even if we enter into a letter of intent or a purchase agreement with the counter party, we cannot assure you that the counter party will not breach such letter of intent or purchase agreement or raise additional requests, such as an increase in sales price. If the counter party breaches the purchase agreement or raise unreasonable demands, we may have to initiate or be involved in costly legal proceedings and may not fully recover our loss from the legal proceedings. Moreover, we typically make installment payments under the purchase and sale contracts when we acquire land through third parties. The installment payments arrangements have helped improve our liquidity position and capital efficiency. If we are unable to maintain the installment payments arrangements for new land acquisitions at the current level, our cash flow and financial condition may be materially and adversely affected. In addition, we need to allocate additional capital and human resources to integrate the acquired business into our operations. We also cannot assure you that the integration of any acquired company will be successfully completed within a reasonable period of time, or at all, or that will generate the economic benefit that we expected. Our cost for acquiring land use rights may further increase in the future, and our business, financial condition, results of operations and prospects may be materially and adversely affected if we are unable to acquire land parcels for development in a timely manner or at prices that allow us to achieve reasonable returns or at all.

In addition, we acquire part of our land bank by participating in the urban re-development projects. Under current PRC laws and regulations, a property developer must implement the government approved old-town reformation plan and go through a series of approval process before acquiring the relevant land parcels. The process may be time-consuming, during which we may prepay development costs for resettlement, demolition, planning, design and construction which requires substantial capital expenditures and may affect our cash flow and liquidity. We may encounter difficulties and disputes in relation to resettlement of the existing residents, which may result in additional costs and liabilities. Even if we complete the urban re-development project, there is no assurance that we will successfully acquire land parcels. Also, there is no assurance that the PRC laws and regulations related to urban re-development projects will not change in the future. If the relevant PRC laws and regulations impose more stringent requirements on urban re-development projects or no longer allow property developers like us to participate in the land redevelopment projects, our ability to acquire land will be adversely affected. See "— We may be required to relocate existing residents and pay demolition and resettlement costs associated with our future property developments and such costs may increase."

In addition, we started to purchase land parcels through judicial auctions. Land parcels acquired through judicial auctions are usually sold as they are and may contain inherent risks related to the title of the land, legal disputes of the original owners and the requisite permits for the land. If the original owners fail to pay the requisite fees or taxes for the land, or lease or mortgage the land to third parties, we may not be able to use the relevant land parcels for our intended purpose immediately or may incur additional expenses to repay the taxes, fees or debts for the original owners. Moreover, we may be involved in, or may be forced to initiate legal proceedings, which could materially and adversely affect our business, financial condition and results of operations.

We may not have sufficient funding for our future land acquisitions and property developments whether through proceeds from the pre-sale of our properties, bank loans, corporate bonds, asset-backed securities programs, trust financing or other arrangements, on commercially reasonable terms, or at all.

Property development usually requires substantial capital investment throughout the process of project development. Our capital requirements arose principally from the acquisition of land for, and development of, our property development projects, which may lead to liquidity problems. Our property development projects have been generally funded through cash generated from operations including proceeds from the pre-sale and sale of our properties, bank loans, corporate bonds, and trust and asset management financing arrangements. We expect to continue to fund our projects through the sources mentioned above and will look for additional financing opportunities, such as the issuance of asset-backed securities programs or other debt offerings.

However, we cannot assure you that such funds will be sufficient or that any additional financing can be obtained on satisfactory or commercially reasonable terms, or at all. We cannot assure you that we will not experience negative net cash flow from our operating activities in the future. A negative net cash flow position for operating activities could impair our ability to make necessary capital expenditures, constrain our operational flexibility and adversely affect our ability to expand our business and enhance our liquidity. Our net cash flows used in operating activities amounted to RMB5,161.5 million in 2020, primarily reflecting RMB6,586.7 million increase in properties under development and completed properties held for sale, RMB3,745.5 million increase in prepayments, deposits and other receivables, RMB1,728.7 million decrease in trade and bills payables, RMB4,110.2 million interest paid and RMB1,393.5 million tax paid, partially offset by RMB3,858.3 million profit before tax, RMB3,477.4 million increase in other payables, deposits received and accruals and RMB4,155.4 million increase in contract liabilities.

In addition, we are in the preparation of the initial public offering of the common stock of our Company and the listing of the common stock of our Company on the Stock Exchange. We intend to use the proceeds from the IPO plan to fund part of our operation. The IPO plan is subject to the review and approval by the Securities and Future Commission and the Stock Exchange, which is beyond our control. We cannot assure you that the IPO Plan will complete in the near future or at all.

Moreover, on September 21, 2018, Guangdong Real Estate Association issued an Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses" (《關於請提供商品房預售許可有關意見的緊急通知》), asking for opinions on the cancelation of the pre-sale system of commodity residential properties. Such notice has been removed from Guangdong Real Estate Association's website. Although such notice is an internal notice of a local social organization and has no legal effect, we cannot assure you that the PRC Government 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 Government prohibits pre-sale of properties or impose additional or more stringent requirements, property developers like us may not have sufficient cash flow for property development projects and experience 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.

A number of factors, such as general economic conditions, our financial performance, our ability to obtain relevant government approvals, availability of credit from financial institutions and monetary policies in the PRC, may affect our ability to obtain adequate financing for our projects on favorable terms, or at all. The PRC Government has implemented a number of measures to manage the growth of money supply and credit availability, especially with respect to the property development sector. These measures include, among other things:

- adjusting the RMB deposit reserve ratio;
- adjusting the benchmark one-year bank lending rate from time to time;
- prohibiting the PRC commercial banks, trust financing companies and asset management companies from providing financing to property developers to finance land grant premium;
- prohibiting the PRC commercial banks from extending any existing loans, granting any new or revolving credit facilities in any form to property developers with non-compliance records regarding, among other things, holding and speculating idle lands, changing the land use to that outside the scope of the designated purpose, postponing construction commencement or completion, hoarding properties and rigging price for properties;
- prohibiting the PRC commercial banks from taking commodity properties of property developers that have been vacant for more than two years as security for loans;
- prohibiting the PRC commercial banks and trust financing companies from providing financing to development projects that fail to meet project capital ratio requirements or lack the required government permits and certificates;
- prohibiting PRC commercial banks from granting loans to a property developer to fund a project if the property developer's registered capital has not been paid in full or if the developer has failed to acquire the land use rights certificate with respect to the relevant parcel of land, or if the property developer's internal funds available for the project are less than 35% of the total estimated capital required for that project;
- restricting private equity and asset management plans to make investments into ordinary residential property projects located in certain popular cities such as Beijing, Shanghai, Guangzhou and Shenzhen;
- prohibiting the use of private equity products to finance property developers, including paying land grand fees, providing working capital loans and down payment facilities;
- prohibiting property developers from using borrowings obtained from any local banks to fund property developments outside that local region; and
- the Guiding Opinions on Regulating Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》) jointly issued by the PBOC, CBIRC, CSRC and SAFE on April 27, 2018 (which is applicable to banks, trust companies, asset management companies and other types of financial institutions) has tightened the regulation in relation to the asset management businesses of all kinds of financial institutions.

For details, see "Regulation."

In addition, trust financing companies are under the supervision and monitoring of the CBIRC and are required to comply with all notices and regulations promulgated by the CBIRC. We cannot assure you that the PRC Government will not implement additional or more stringent measures to limit the amount that trust financing companies can make available for the PRC property industry. In 2015, CBRC reached out to certain trust financing institutions to discuss the detailed restrictions on trust financing arrangements with property development projects, including but not limited to (i) restricting trust companies from providing financing to property developers for projects that have not obtained the relevant land use right certificates, construction land planning permits, construction work planning permit and construction work commencement permits, or to projects that fail to meet project capital ratio requirements; and (ii) restricting trust companies from funding projects developed by property developers which, or whose controlling shareholders, do not have Qualification Certificate for Real Property Development Enterprise (房地產開發企業資歷證書). In July 2019, CBIRC reached out to certain trust financing institutions to further specify the restrictions on trust financing arrangements with property development projects, including the trust financing for the purpose of acquiring property development projects. The foregoing and other governmental actions and policy initiatives may limit our flexibility and ability to use existing or future bank loans or other forms of financing, including corporate bonds, trust and asset management financing, asset-backed securities programs and financings from other financial institutions to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. As a result, our business, financial condition and results of operations may be materially and adversely affected.

In August 2020, there were reports that the Ministry of Housing and Urban-Rural Development of the PRC ("MOHURD") and PBOC have held a joint meeting to communicate with key real estate enterprises and other relevant governmental departments. According to media reports, in the meeting, it is announced that MOHURD and PBOC, jointly with other relevant governmental departments, have formulated rules for fund monitoring and financing administration of key real estate enterprises to establish a more market-oriented, rule-based and transparent administration over the financing by real estate enterprises. Such rules are yet to be released in public. The "Three Red Lines" policy was set up in relation to financings for real estate enterprises. The "Three Red Lines" refers to the financial performance of a real estate enterprise: (1) liabilities to assets ratio after excluding the advances received shall not exceed 70 per cent.; (2) net debt to equity ratio shall not be greater than 100 per cent.; and (3) cash to short term borrowing ratio shall not be less than 1. Availability of financing for property developers may be restricted if they do not meet such ratios.

Further, we have been able to negotiate favorable payment terms with many of our construction contractors, which allow us to delay a portion of the construction payments to these contractors, thereby financing part of the project development via trade payables. See "Business — Our Operation and Management — Tender and Procurement." If we are unable to continue to obtain such favorable payment terms from our construction contractors on similar terms or in similar scale, our liquidity, financial condition, results of operations and business may be materially and adversely affected.

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

We maintain a substantial level of borrowings to finance our operations and we expect to continue to have a substantial level of borrowings. As of December 31, 2018, 2019 and 2020, our total interest-bearing bank and other borrowings amounted to RMB28,307.5 million, RMB37,413.8 million and RMB44,650.1 million (US$6,842.9 million), respectively. We may from time to time in the future enter into additional loan agreements or issue new corporate bonds, senior notes or look for other debt financing opportunities in the domestic or international capital market to refinance our existing loans or to support our business expansion. In addition, we may from time to time in the future enter into investment agreement or framework agreement for our future projects, under which we may be required to make capital commitments. Our net gearing ratio, as calculated by dividing our total borrowings less cash and bank balances, restricted cash and pledged deposits by our total equity, was 133.7%, 116.0% and 85.4% as of December 31, 2018, 2019 and 2020, respectively.

High indebtedness may increase our vulnerability to adverse conditions in general economic, industry conditions or changes in laws and regulations, such as significant increases in interest rates, and limit our flexibility in the planning for, or reacting to, changes in our business or the industry in which we operate. See "— We may not have sufficient funding for our future land acquisitions and property developments whether through proceeds from the pre-sale of our properties, bank loans, corporate bonds, asset-backed securities programs, trust financing or other arrangements, on commercially reasonable terms, or at all" and "— The CBIRC and/or other agencies of the PRC Government may tighten the regulations relating to trust loans and borrowings from asset management companies being provided to the property industry in the PRC, which may affect our ability to obtain trust loans and borrowings from asset management companies."

In addition, we are subject to certain restrictive covenants under the terms of our borrowings, which may restrict or otherwise adversely affect our operations. These covenants may restrict, among other things, the use of proceeds and pledged assets related to the borrowings and our ability to incur additional debt or make guarantees, incur liens, pay dividends or distributions on our or our Subsidiaries' capital stock, repurchase our Company's or our Subsidiaries' capital stock, prepay or transfer certain indebtedness, repay shareholders' loans, reduce our registered capital, sell, transfer, lease or otherwise dispose of equity property or assets, make investments, establish joint venture with foreign entities, carry out restructuring and spin-off, and engage in mergers, consolidation or other change-in-control transactions and file for bankruptcy or dissolution. Our existing or future loans may also have restrictive covenants linked to financial ratios of relevant borrowers within our Group, such as maintaining a prescribed maximum debt-asset ratio or current ratio during the term of the loans. As of December 31, 2020, four of our financial arrangements included restrictive covenants that were linked to financial ratios of our project companies acting as borrowers, namely net gearing ratio, current ratio, or both. Certain of our project companies did not comply with certain terms of the restrictive covenants. For example, certain of the project companies' net gearing ratios exceeded the upper limit or provided guarantee to a third party without notifying the lender within the period set out in the relevant covenants. Although these project companies have obtained waivers from the relevant financial institutions for such incidents to confirm no breach of contracts, we can not guarantee that no project company will breach one or more restrictive covenants in the future. If the relevant financial institutions are unwilling to grant similar waivers, such project company's ability to obtain further financing may be adversely affected. In addition, we have entered into financial facility contains a cross default provision. Our subsidiaries that subject to the cross default provision may also be adversely affected in various aspects, including but not limited to financing and business operation if one or more restrictive covenants is bleached. Moreover, pursuant to certain trust financing agreements, trusts companies and asset management companies may restrict or veto some of our corporate actions, which will further limit our flexibility of operation and ability to raise additional funding.

Moreover, some of our trust and asset management financings are secured by a pledge or transfer of our equity interests in the relevant project Subsidiaries, and/or a lien of land use rights or development projects. If we incur default and cannot repay part or all of the secured indebtedness, we may lose part or all of our equity interests in these project Subsidiaries, our proportionate share of the asset of the relevant property projects, land use rights or our development projects.

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

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

We have incurred and expect to continue to incur a significant amount of interest expenses relating to our borrowings from commercial banks, trust financing providers and issuance of corporate bonds. Accordingly, changes in interest rates have affected and will continue to affect our financing costs, which in turn may affect our profitability and results of operations. As our borrowings are in RMB, the interest rates on our borrowings are primarily affected by the benchmark interest rates set by the PBOC, which have gradually decreased in recent years. The weighted average effective interest rates on our total borrowings has increased from 8.8% as of December 31, 2018 to 9.4% as of December 31, 2019, increased to 9.5% as of December 31, 2020. In addition to bank borrowings and trust financings, as of December 31, 2020, we had issued corporate bonds in a total principal amount of RMB2,048.1 million. Some of our interest expenses incurred were capitalized. Our capitalized interest for the years ended December 31, 2018, 2019 and 2020 were RMB2,042.6 million, RMB2,923.6 million and RMB3,695.5 million (US$566.4 million), respectively. Our uncapitalized interest expenses are recorded as finance costs, and our finance costs for the years ended December 31, 2018, 2019 and 2020 were RMB270.6 million, RMB425.1 million and RMB474.8 million (US$72.8 million), respectively. Any future increases in the PBOC benchmark interest rate as a result of government policies may lead to higher lending rates, which may increase our financing costs and thereby adversely affect our business, financial condition and results of operations.

We generate revenue principally from the sale of properties, and our results of operations may fluctuate, as it will depend on our property development project schedules and the timing of sale for such projects.

Historically, we have derived our revenue principally from the sale of properties we developed. For the years ended December 31, 2018, 2019 and 2020, we generated 99.2%, 99.0% and 99.3%, respectively, of our revenue from the sale of properties. According to our accounting policies, the timing of our revenue recognition depends mainly on the project completion and delivery schedule. The time it takes from commencement of pre-sale to the construction completion before we recognize revenue typically from several months to one year; and the variation depends on factors including, among others, the schedule of our property development, the market demand for our properties, the timing of property sales and the PRC laws and regulations restricting the market demand and supply. Consequently, our financial results for any given period only reflect decisions made by our customers some time ago and may not be indicative of our actual operating results during such period. In addition, cyclical property market of the PRC affects the optimal timing for the acquisition of land, the planning of development and the sale of properties. This cyclicality, combined with the time required and statutory time limits for the completion of projects and the sale of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from period to period. As a result, it would be difficult to predict our future performance.

Any increase in impairment losses will result in overall decrease in our net profit.

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

We may not be able to complete our projects according to their planned schedules and budgets which may adversely affect our business and financial condition.

The schedules of our project developments and whether a 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, among other things:

- 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;
- disputes with other parties including without limitation sellers from whom we acquired the relevant land and liabilities incurred by the relevant target companies prior to our acquisitions;
- labor disputes;
- construction accidents;
- errors in judgment on the selection and acquisition criteria for potential sites; and
- natural catastrophes and adverse weather conditions.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may 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 claims from customers in the event the pre-sold properties are not delivered on time or completed and any potential limitation and restriction imposed by the PRC Government in relation to the pre-sale of properties". We cannot assure you that we will not experience any significant delays in completion or delivery of our projects in the future or that we will not be subject to any liabilities for any such delays.

Our results of operations and cash flow depend on factors including the schedule of our property development and the timing of property sales and may therefore vary significantly from year to year.

Our business model is to sell certain properties for return of capital to fund our business, operations and expansion plans, while strategically retaining other properties for stable recurring rental income and long-term capital appreciation. Our results of operations and cash flow may fluctuate due to factors such as the schedule of our property development projects and the timing of property sales.

We generally recognize revenue from the sale of our properties upon delivery to purchasers. We may incur substantial expenses before recognizing revenue for a project, which may result in a net loss for the project and the project company at the early stage of project development. Moreover, there is a time difference between pre-sales of projects under development and the delivery of completed 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 between our pre-sales and completion and the delivery of the properties to purchasers. Periods in which we pre-sell a large amount of aggregate GFA may not be periods in which we generate a correspondingly high level of revenue, if the properties pre-sold are not completed and delivered within the same period.

Moreover, at the early stage of project development, we may incur substantial cash outflow until we can receive cash inflow from the pre-sale of the properties developed. Such time difference between cash inflow from pre-sale proceeds and outflow for project development requires substantial capital investment at the early stage of a project. Before receiving the proceeds from pre-sale, we may rely on our internally generated cash and external financing to fund our project development, which will increase our finance costs and limit our ability to undertake additional projects. 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 the substantial capital requirements for land acquisition and construction costs.

Fluctuations in our operating results may also be affected by other factors, including fluctuations in expenses, such as land grant premium, development costs, administrative expenses, selling and marketing expenses and changes in market demand for our properties. As a result, our period-to-period comparisons of results of operations and cash flow positions may not be indicative of our future results of operations and may not be taken as meaningful measures of our financial performance for any specific period. In addition, the cyclical property market of the PRC affects the optimal timing for the acquisition of land, the planning of development and the sales of properties. This cyclicality, combined with the lead time required for the completion of projects and the sales of properties, means that our results of operations relating to property development activities may be subject to significant fluctuations from period to period. Furthermore, our property development projects may be delayed or adversely affected by a combination of factors beyond our control, which may in turn adversely affect our revenue recognition and consequently our cash flow and results of operations.

Our business may be adversely affected if we fail to obtain, or experience material delays in obtaining, necessary government approvals to carry 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 also apply to relevant government authorities to obtain and renew various licenses, permits, certificates and approvals, including but not limited to, qualification certificates for property developers, land use rights certificates, construction work commencement permits, construction work planning permits, construction land planning permits and pre-sales permits.

Before the government authorities issue or renew any certificate or permit, we must meet the relevant requirements. Those who engage in real estate development without obtaining qualification certificates will be ordered to cease development activities. The illegal profits will be confiscated and a fine of five times of the illegal profits or less may be imposed. There can be no assurance 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. We received administrative penalties from relevant government authorities for failure to obtain governmental approvals before carrying out our property development operations. In the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary certificates and/or 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 be required to relocate existing residents and pay demolition and resettlement costs associated with our future property developments and such costs may increase.

We may be required to undertake and pay for demolition of existing buildings and resettlement of existing residents with respect to some of our property developments in accordance with the relevant PRC laws and regulations. We have also entered into certain contracts with the PRC Government involving demolition and resettlement works with a view to facilitating potential acquisitions of land use rights or enhancing our future expansion into the relevant markets. The compensation we pay for resettlement is calculated in accordance with certain formulas published by the relevant local authorities. These formulas generally take into account the location, GFA and the type of building to be demolished, local income levels and many other factors. There can be no assurance that local authorities will not change or adjust their formulas without prior notice. Existing owners or residents may disagree with the compensation arrangements or refuse to relocate. The administrative process to settle the amount of compensation, together with any appeals, or a refusal to relocate may significantly delay the timetable for the affected development. Although we take into consideration the difficulties in resettlement compensation negotiations before we enter into such contracts, the protracted resettlement process may cause delays in the redevelopment projects, and adversely affect our plans to obtain the relevant land use rights or enter into the new markets. In addition, there is no assurance that we will be able to reach agreements for compensation and resettlement for such redevelopment projects on terms satisfactory to us or at all. Moreover, an unfavorable final determination or settlement regarding the amount of compensation payable by us may increase the cost of the development and materially and adversely affect our cash flow, business, results of operations and financial condition.

We rely on third parties in certain key aspects of our business and if any of such third parties fails to deliver quality services in a timely manner, or if our relationships with any of them deteriorate, our reputation or business operation may be adversely affected.

We engage third parties to carry out various services relating to our property development projects, including, among other things, land acquisition, project design, pile setting, foundation building, main construction, equipment installation, elevator installation, landscaping, interior decoration and sale of property. We generally select these third-party service providers or contractors through tender processes and also through an internal assessment of factors including their demonstrated competence, market reputation and our prior relationship with them, if any. Completion of our projects is subject to the satisfactory performance by these third parties of their contractual obligations, including their adherence to relevant laws and regulations as well as our quality standards and the pre-agreed schedule for completion. We cannot assure you that the services rendered by any of these third parties will be satisfactory or meet our requirements for quality and safety, or that their services will be completed on time. If the performance of any third-party service provider or contractor proves unsatisfactory, or if any of them is in breach of its contractual obligations due to their financial difficulties or other reasons, or if any of them violate relevant laws and regulations, we may not be able to provide quality products within planned schedule in compliance with relevant laws and regulations, which may result in project delays, safety issues, customers' compliant, governmental sanctions, or even costly legal proceedings, which, in turn, may adversely and materially affect our operations, financial positions, and reputation. In such circumstances, we may need to replace such service provider or contractor or take other actions to remedy the situation, which could materially and adversely affect our costs, the construction progress of our projects and our reputation. We may also be subject to various customer complaints if our customers are unsatisfied with the quality of our projects after delivery due to the failure of such third-party service providers, in particular, the contractors, to meet our quality standards. Moreover, we cannot assure you that our employees will be able to consistently comply with our quality control measures, to accurately apply our quality standards or to detect all defects in the services rendered by any third-party service provider or contractor. In addition, as we are expanding our business into new geographical locations, there may be a shortage of third-party service providers or contractors that meet our standards and, as a result, we may not be able to engage a sufficient number of high quality third-party service providers or contractors in a timely manner at competitive prices. Even if we are able to engage third-party service providers or contractors, we cannot assure you that those contractors can provide quality product or services in compliance with relevant laws and regulations which may adversely affect the construction schedules and development costs of our property development projects. Furthermore, if our relationships with any of the third-party service providers or contractors deteriorates, a serious dispute with such third-party service provider or contractor may arise, which may in turn result in costly legal proceedings. The occurrence of any of the above events may have a material adverse effect on our business, financial condition, results of operations and reputation.

Safety accidents at our construction sites may delay our project development schedules, subject us to administrative penalties and adversely affect our business, financial performance and reputation.

Operations at construction sites are intrinsically dangerous and involve the use of industrial machinery and the hoisting of heavy construction materials, all of which typically occur within confined spaces. In addition, constructions may also be affected by contractor or subcontractor's operations and adverse weather conditions. If any material safety accident occurred at our construction sites, no matter due to our or our contractors/subcontractors' operations, or adverse weather conditions, it may result in worker injury or death and delay of our project development schedules. If any failure to comply with the applicable PRC laws and regulations are involved, we may be subject to administrative penalties as well, which in turn will adversely affect our operation, financial performance and reputation. On June 29, 2018, an accident occurred on the construction site of Wuhan Qingshan Jialingcun Project resulting in the death of a construction worker of our subcontractor. After becoming aware of this accident, we reported it to the relevant government authority, namely the Construction Management Station for Qingshan District, Wuhan City (武漢市青山區建築管理站) (the "**Construction Management Station**"), and cooperated with such government authority to settle the accident. According to the investigation report issued by Construction Management Station, such accident occurred because the worker worked on an excavator without using his safety rope, violating the subcontractor's safety guidelines. The investigation report further concluded that the accident was also attributable to negligence of our contractor and subcontractor in implementing their safety measures and the Third Party supervising company's failure to effectively perform its supervising duty at the construction site. See "Business — Our Project Operation and Management — Project Construction Management — Safety Control." On June 29, 2018, we received a notice from the Construction Management Station to suspend construction and make rectification. We suspended construction of Phase III of Wuhan Qingshan Jialingcun Project, made investigation, and enhanced workplace hazards screening and control. Upon review and approval by the relevant government authority, we resumed construction on July 10, 2018.

Such accident has drawn criticism from local authorities, the media as well as the general public. We cannot assure you that similar accidents or accidents of more severe nature will not occur again in the future. Should accidents of similar or more severe nature occur in the future, we may be subject to legal liability, delay of our project development schedules, prolonged negative publicity or official investigation, any of which would have a material adverse effect on our business, financial condition and results of operations.

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

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

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

We are also subject to various PRC laws and regulations on pre-sales and pre-sale proceeds. Under the current PRC laws, property developers must fulfill certain conditions before they can commence pre-sales of the relevant properties. In addition, the deposit and use of pre-sale proceeds are also restricted. If we fail to deposit the pre-sale proceeds into the designated escrow accounts in accordance with the relevant PRC laws and any relevant local requirements, we may be subject to certain administrative measures, including suspending the allocation of pre-sale proceeds, suspending the qualification for online contracting and being recorded in the credit files of real estate development enterprises. According to the Notice of the MOHURD on Further Strengthening the Supervision of the Real Estate Market to Improve the Pre-sale System of Commodity Housing (《住房和城鄉建設部關於進一步加強房地產市場 監管完善商品住房預售制度有關問題的通知》), the pre-sale proceeds of commodity housing shall be fully deposited in an escrow account, and the relevant authority shall be responsible for the supervision and control to ensure that the pre-sale proceeds are used for the construction of the relevant projects, the pre-sale proceeds are appropriated according to the construction progress, and sufficient funds are retained to ensure the completion and delivery of the property projects. The pre-sale proceeds can generally be classified into two categories, key escrow funds and general escrow funds. For the use of key escrow funds, a project company can apply for withdrawal of pre-sale proceeds exceeding the minimum amount of key escrow funds required to be maintained in the designated escrow accounts for use on purposes as allowed under the local regulatory requirements. General escrow funds, which refer to the surplus proceeds that exceed key escrow funds, can be transferred to the general corporate accounts of the project company, in some case after completing the necessary application procedures in accordance with local regulatory requirements, or in other cases freely if no such application requirements. If we fail to comply with the relevant regulations and requirements, we may face fines which may have a material adverse effect on our financial condition and results of operations.

In the event that the PRC Government imposes bans or further restrictions on the conduct of pre-sales, we may be forced to seek alternative sources of funding to finance the development of our property projects. Alternative sources of funding may not be available to us on favorable terms or at all, which may have a material adverse effect on our financial condition and results of operations.

Our purchase contracts are subject to termination and variation under certain circumstances and are not a guarantee of our current or future contracted sales.

We have included or referenced information relating to our contracted sales in this offering memorandum. Contracted sales refer to the purchase price of 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 Ernst & Young, Certified Public Accountants, Hong Kong. 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. Contracted sales information included or referenced in this offering memorandum should in no event be treated 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, contracted sales information contained or referenced in this offering memorandum should not be unduly relied upon as a measure or indication of our current or future operating performance.

Our results of operations fluctuate from period to period and may not be representative of our future performance and certain components are subject to uncertainties and fluctuation when preparing our financial statements.

We experienced significant revenue growth in the past. Our revenue increased from RMB17,517.5 million for the year ended December 31, 2018 to RMB26,774.1 million (US$4,103.3 million) for the year ended December 31, 2020, at a CAGR of 23.6%. We cannot assure you that we will continue to grow at a high rate, or at all, or that we will not experience a decrease in revenue. We have faced and will continue to face challenges, including rising development and administrative costs, as well as increasing competition for the acquisition of land, the recruitment and retention of quality employees and future growth opportunities, among others. As a result, our past results of operations may not be representative of our future performance.

Furthermore, in the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. Our deferred tax assets amounted to RMB1,040.9 million, RMB1,455.4 million and RMB2,104.6 million (US$322.6 million) as of December 31, 2018, 2019 and 2020, respectively. Based on our accounting policies, deferred tax assets are recognized to the extent it is probable that future taxable profits will be available against which the unused tax credits can be utilized. The ultimate realization of these deferred tax assets depends on our business maintaining profitability and generating sufficient taxable profits to utilize the underlying unused tax losses. If there is a significant adverse change in our performance and resulting cashflow projections of such operation, some or all of the relevant deferred tax assets may need to be reduced and charged to the income statement, which could have an adverse effect on our financial condition and results of operations. Moreover, the realization of a deferred tax asset significantly depends on our management's judgment as to whether sufficient profits or taxable temporary differences will be available in the future.

In addition, under limited circumstances, we may purchase low-risk available-for-sale investments for cash management purposes, which mainly included unlisted and listed equity investment. The values of certain available-for-sale financial assets are marked to market, and net changes in their fair value are recorded as our operating income or loss, and therefore directly affects our results of operations. If our management evaluates that the decline in value of available-for-sale financial assets is not temporary, such decline in the value can result in the recognition of impairment losses. This evaluation is a matter of judgment by the management, which includes the assessment of various factors. We cannot guarantee that there will not be significant change in fair value on our available-for-sale investments and consequent results in the recognition of impairment losses in the future.

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

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

Our provision for LAT may be insufficient which could adversely affect our financial results.

Our properties developed for sale are subject to LAT. Under the PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT on the appreciation of land value at progressive rates ranging from 30% to 60%. We only prepay a portion of such taxes each year as required by the local tax authorities. For the years ended December 31, 2018, 2019 and 2020, we recorded LAT expenses in the amount of RMB682.4 million, RMB951.9 million and RMB877.7 million (US$134.5 million), respectively.

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 with the relevant tax authorities. Provisions for LAT are made on our own estimates based on, among other things, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. 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. If the relevant tax authorities determine that our LAT liabilities exceed our LAT prepayments and provisions and seek to collect that excess amount, our cash flow, financial condition and results of operations may be materially and adversely affected.

Our property development business is subject to customer claims under statutorily mandated quality warranties.

All property development companies in the PRC, including us, must provide certain quality warranties for the properties they construct or sell. See "Business — Our Project Operation and Management — Project Delivery and After-Sale Management." We have received customer claims in relation to the quality of our projects in the past and we expect to continue to receive customer claims of this nature in the future. Generally, we coordinate with the relevant third-party contractors to respond to such customer claims as most of such complaints were mainly due to the customers' dissatisfaction with the quality of properties they have purchased. Subject to the agreements we enter into with our third-party contractors, we typically receive quality warranties from our third-party contractors to cover claims that may be brought against us under our warranties.

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 either alone, or in aggregate, in the future. Although we settled our previous claims through internal process, we cannot assure you that we will successfully settle such claims in the future without incur significant costs, or at all. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner, or at all, or if the money retained by us to cover our payment obligations under the quality warranties is not sufficient, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and could have a material and adverse impact on our business, financial condition and results of operations.

We may be liable to our customers for damages if we do not deliver ownership certificates in a timely manner.

Property developers or sellers in the PRC are required to assist purchasers in obtaining the relevant individual property ownership certificates (if applicable, the real estate rights certificate) within a time frame set out in the relevant sale and purchase agreement, or in the absence of such time frame, within 90 days of delivery of the property if the construction of the property purchased has not been completed, or within 90 days of execution of the agreement if the construction of the property purchased has been completed. In accordance with local regulations for pre-sold properties, we are required to submit the documents required for registration, including land use rights certificates and planning and construction permits, to the local bureau of housing administration to apply and register the ownership certificate of the project property (the general property ownership certificates, owned by the developers) within relevant necessary periods after receipt of the completion and acceptance certificate for the relevant properties. Purchasers may then submit or authorize us to submit, within 30 days of delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of the deed tax, the general property ownership certificates and the authorization letter and relevant documents, if applicable, for the bureau's review and the issuance of the individual property ownership certificates with respect to the properties purchased. Delays by administrative authorities in reviewing the relevant applications and granting approvals, as well as other factors, may affect the timely delivery of the general as well as individual property ownership certificates. Should a late delivery of any individual building ownership certificate be deemed to have resulted from delays caused by us, the purchaser would be able to terminate the property sale and purchase agreement and reclaim the payment and/or claim damages, any of which could materially and adversely affect our business, financial condition and results of operations. Our reputation may also be harmed as a result.

We may be subject to fines or sanctions by the PRC Government if we fail to pay land grant premium or fail to develop properties according to the terms of the land grant contracts.

The PRC government has imposed certain conditions in land grant contracts when available land is up for auction or sale organized by the government, such as a price ceiling on subsequent sale of the land developed and the requirement that the property developer retains a certain portion of the property developed.

Under the PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to the payment of fees, the designated use of land and the time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Any violation of the terms of the land grant contract may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding.

Specifically, under the current PRC laws and regulations, if we fail to pay any outstanding land grant premium by the stipulated deadlines, we may be subject to late payment penalties or the repossession of the land by the government. If we experience delays in making land premium payment and incur significant late payment fees in the future, our business, financial condition and results of operations may be materially and adversely affected.

If we fail to commence development within one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve an investigation notice on us and impose an idle land fee on the land of up to 20% of the land grant premium. If we fail to commence development within two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture to the PRC Government unless the delay in development is caused by government actions or force majeure. Moreover, even if we commence development of the land in accordance with the land use rights grant contracts, if the developed land area is less than one-third of the total land area, or if the total capital expenditure on land development is less than one-fourth of the total amount expected to be invested in the project as promulgated in the project proposal submitted to the government at the project registration stage, including the purchase price of the land, and the development of the land is suspended for over one year without government approval, the land may still be treated as idle land.

There are specific enforcement rules on idle land and other aspects of land use rights grant contracts in many cities in China, and the local authorities are expected to enforce such rules in accordance with instructions from the central government of China. The Ministry of Land and Resources issued (i) a new notice to further enhance control of the land supply by requiring developers to develop land according to the terms of the land grand contracts and restricting or prohibiting any non-compliant developers from participating in future land auctions in September 2007; (ii) *the Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land* (《關於嚴格建設用地管理促進批而未用土地利用的通知》) in August 2009, which reiterated the applicable rules with regard to idle land management; and (iii) the revised *Measures on Disposal of Idle Land* (《閒置土地處置辦法》) on June 1, 2012, which went into effect on July 1, 2012. In addition, in January 2008, the State Council issued the *Notice on Promoting Land Saving and Efficient Use* (《關於促進節約集約用地的通知》) to escalate the enforcement of existing rules on idle land management. Where a holder of the right to use a plot of state-owned land for construction conducts malicious hoarding or speculation of the land, current measures in place require the competent land authorities not to accept any application for new land use rights or process any title transfer transaction, mortgage transaction, lease transaction or land registration application in respect of any idle land before such holder completes the required rectification procedures. We cannot assure you that circumstances leading to the repossession of land or delays in the completion of a property development will not arise in the future. If our land is repossessed, we will not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the repossessed land or recover development costs and other costs incurred up to the date of the repossession. In addition, we cannot assure you that regulations relating to idle land or other aspects of land use rights grant contracts will not become more restrictive or punitive in the future. If we fail to comply with the terms of any land use rights grant contract as a result of delays in project development, or as a result of other factors, we may lose the opportunity to develop the project, as well as our past investments in the land, which could materially and adversely affect our business, financial condition and results of operations.

The CBIRC and/or other agencies of the PRC Government may tighten the regulations relating to trust loans and borrowings from asset management companies being provided to the property industry in the PRC, which may affect our ability to obtain trust loans and borrowings from asset management companies.

As of December 31, 2020, the total balance of our trust and asset management financing arrangements amounts to RMB17,715.4 million (US$2,715.0 million). There are uncertainties regarding trust financing. The operation of trust financing companies in the PRC is primarily regulated by the CBIRC pursuant to the Rules Governing Trust Financing Companies (《信託公司管理辦法》), which went into effect on March 1, 2007. Trust financing companies are therefore under the supervision and monitoring of the CBIRC and are required to comply with the relevant notices and regulations promulgated by the CBIRC. There can be no assurance that the PRC Government will not implement additional or more stringent requirements with regard to trust financing companies. This could result in a reduction in our financing options and/or an increase in the cost of financing our properties, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

Pursuant to relevant PRC regulations, parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. We leased certain properties from Independent Third Party landlords mainly used as offices by subsidiaries located in different regions and cities. As of December 31, 2020, our Principal Subsidiaries failed to register 65 leases we entered into as tenants for properties with a total GFA of 4,192 sq.m., representing approximately 5.4% of total GFA of properties we leased. The failure to register the lease agreements does not affect the validity of the lease agreements under the relevant PRC laws and regulations, or our rights or entitlements to use the leased properties or to lease out the investment properties to tenants. However, we may be required by relevant government authorities to file the lease agreements to complete the registration formalities and may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which may materially and adversely impact our business, financial condition and results of operations. The registration of these lease agreements to which we are a party requires additional steps to be taken by the respective other parties to the lease agreement which are beyond our control. We cannot assure you that the other parties to such lease agreements will be cooperative and that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future. In addition, we also enter into leases as landlord from time to time. If we fail to register our current leases or future-leases entered into as landlord, we may be subject to the same risks as stated above.

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

The permitted total GFA for a particular development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. However, the actual GFA constructed may be different from the total GFA authorized in the land grant contract or relevant construction permits due to factors such as subsequent planning and design adjustments. According to Article 64 of the *Law of the People's Republic of China on Urban and Rural Planning* (《中華人民共和國城鄉規劃法》), where a unit engages in construction prior to obtaining the permit for a planned construction project or without complying with the provisions in the said permit, the department in charge of urban and rural planning under the local people's government at or above the county level may suspend the construction of such project; if measures for rectification can be adopted to eliminate the impact on the implementation of the plan, such department may ask the project company to make rectification within a time limit and pay a fine of no less than five percent but not more than ten percent of the cost of the construction project; otherwise, such project shall be ordered to demolished within a time limit; if the project cannot be demolished, the project itself or the unit's unlawful income shall be confiscated, and the project company may, in addition, pay a fine of not more than ten percent of the cost of the construction project. According to the regulations of many local governments, if constructed total GFA unreasonably exceeds the permitted total, or if the completed development unreasonably contains areas that authorities believe do not conform to the approved plans as set out in relevant construction works planning permit, we may not be able to obtain the certificate of completion for our development, and, as a consequence, we would not be able to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. Moreover, excess GFA requires additional governmental approval, and the payment of additional land premium. The methodology for calculating the additional land premium is generally the same as the original land grant contract. If issues related to excess GFA cause delays in the delivery of our products, we may also be subject to liability to purchasers under our sales and purchase agreements. We cannot assure you that constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA, or that the authorities will determine that all built-up areas conform to the plans approved as set out in the construction permit. Moreover, we cannot assure you we have sufficient funding to pay any required additional land premium or take remedial action that may be required in a timely manner, or at all. Any of these factors may materially and adversely affect our reputation, business, financial condition and results of operations.

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

The appraised value of our properties was prepared by JLL based on multiple assumptions containing elements of subjectivity and uncertainty, including, among other things, that:

- we sell the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests;

- no allowance has been made for any charges, mortgages or amounts owing on any of the property interests valued or for any expenses or taxation which may be incurred in effecting a sale;

- we have paid all land premium payments and other costs such as resettlement and ancillary utilities services in full and there is no requirement for payment of any further land premium or other onerous payments to the government; and

- our properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In addition, the appraised value of our investment properties is based on key assumptions including their market position, levels of reversionary capitalization rate, rent and/or price. Under IFRS, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of profit or loss and other comprehensive income in the period in which they arise. However, fair value gains do not change our overall cash position or our liquidity as long as we continue to hold such investment properties.

Even though JLL adopted valuation methodologies used in valuing similar types of properties when preparing the property valuation report, the assumptions adopted may prove to be incorrect. As a result, the appraised values of our properties may differ materially from the price we could receive in an actual sales of the properties in the market and should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of the property development projects, as well as national and local economic conditions, may affect the value of our properties.

The illiquidity of investment properties, the lack of alternative uses for investment properties and the risks incidental to the operation of commercial properties and the Creative & Technology Parks could limit our ability to respond to adverse changes in the performance of our properties.

We strategically retain certain high quality commercial properties as investment properties to generate rental income or for land appreciation purpose. Our investment property portfolio may increase in the future. As of December 31, 2018, 2019 and 2020, we had investment properties amounting to RMB14,318.2 million, RMB16,126.5 million and RMB19,373.6 million (US$2,969.1 million), respectively, accounted for 16.2%, 12.9% and 12.8% of our total assets. Investment properties are generally illiquid and our ability to sell our investment properties in response to changing economic, financial and investment conditions is limited. We cannot assure you that we will be able to sell any of our investment properties at prices or on terms satisfactory to us, if at all. We cannot predict the length of time needed to find purchasers to purchase such investment properties. In addition, should we decide to sell an investment property which is subject to a lease agreement, we may have to obtain consent from or pay termination fees to the tenants. We may also 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 financing for such expenditures would be available when needed, or at all.

Furthermore, aging of investment properties and other factors beyond our control, such as changes in economic and financial condition, changes in interest rates, or changes in the competitive landscape in the PRC property market may adversely affect the amount of rental income we generate from, as well as the fair value of, our investment properties, either completed or under development. However, our ability to convert any of our investment properties to alternative uses is limited as such conversion requires extensive governmental approvals in the PRC and involves substantial capital expenditures for the purpose of renovation, reconfiguration and refurbishment. We cannot assure you that such approvals and financings 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.

Moreover, our commercial properties and Creative & Technology Parks might subject us to a variety of risks. For example, we may be subject to risks incidental to the ownership and operation of commercial properties and Creative & Technology Parks, including volatility in market rental rates and occupancy levels, competition for tenants and inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency, financial difficulties or other reasons. In addition, we may not be able to renew leases with our tenants on terms acceptable to us, or increase rental rates to a level of the then prevailing market rate, or at all, upon the expiry of the existing terms. Likewise, we may not be able to enter into new leases at rental rates as expected. All these factors could negatively affect the demand for our investment properties, and as a result, decrease our rental income, which may have an adverse effect on our business, financial condition and results of operations.

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

Gain on disposal/bargain purchase of subsidiaries is non-recurring in nature. Accordingly, we may not record such gain in the future.

We recorded gain on disposal of subsidiaries for the year ended December 31, 2020 amounting to approximately RMB61.9 million (US$9.5 million). During the same period, we recorded nil of gain on bargain purchase of subsidiaries. Such gain was non-recurring in nature. Therefore, we may not record such gain in the future, which in turn may materially affect our profitability.

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

We are required to reassess the fair value of any investment properties that we hold. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in nature, location or condition of the specific asset. Gains or losses arising from changes in the fair value of any such investment properties will affect our results of operations in the period in which they arise and the impact may be significant. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations and the changes of significant unobservable inputs in the valuation techniques. The fair value gains on our investment properties for the years ended December 31, 2018, 2019 and 2020 were RMB768.2 million, RMB733.6 million and RMB614.9 million (US$94.2 million), respectively. We cannot assure you that we can recognize comparable fair value gains in investment properties in the future and we may also recognize fair value losses, which would impact our results of operations for future periods. Fair value gains in investment properties would not change our cash position as long as these properties are held by us, and thus would not increase our liquidity in spite of the increased profit. On the other hand, fair value losses in investment properties would have a negative effect on our results of operations, even though such losses would not change our cash position as long as these properties are held by us.

Our deferred tax assets may not be recovered, which could adversely affect our results of operations.

As of December 31, 2020, our deferred tax assets amounted to RMB2,104.6 million (US$322.5 million), representing 1.4% of our total assets as of the same date. We periodically assess whether sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax loss can be utilized. However, there is no assurance that our expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of regulatory environment, in which cases, we may not be able to recover our deferred tax assets which as a result could have an adverse effect on our results of operations.

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

Our suppliers are mainly construction contractors and construction material suppliers. We were dependent on a limited number of major suppliers to provide us with construction services and construction materials. Some of our general contractors and sub-contractors are local level operating entities owned or controlled by group companies in China. Although we transacted with such local level operating entities on an individual basis, we aggregated the purchases from such entities and counted each of the relevant group companies as a major supplier.

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

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

We derive the substantial portion of our revenue from 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 financial condition and results of operations. In accordance with industry practice, commercial banks require us to guarantee mortgage loans offered to purchasers of the properties that we develop. Typically, we guarantee mortgage loans for purchasers up until (i) we complete the relevant properties and obtain the relevant property ownership certificates; and (ii) the mortgages are registered in favor of the mortgagee bank.

The guarantees cover the full value of mortgages that purchasers of our properties have obtained to finance their purchases and any additional payments or penalties imposed by mortgagee banks for any defaults in mortgage payments by the purchasers. If a customer defaults on payment of her/his mortgage, the mortgagee bank may require that we immediately repay the entire outstanding balance of the mortgage and any additional payments or penalties pursuant to the guarantee. Upon satisfaction of our obligations under the guarantee, the mortgagee bank would then be obliged to assist us collecting payments from purchasers. 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, 2018, 2019 and 2020, our outstanding guarantees over the mortgage loans of our customers amounted to RMB25,827.4 million, RMB27,521.5 million and RMB33,919.6 million (US$5,198.4 million), respectively. We cannot assure you that defaults by purchasers will not occur or that the rate of such defaults will not increase in the future. If a significant amount of our guarantees are called upon at the same time or in close succession, if there is a material depreciation in the market value of the relevant properties, or if we cannot resell such properties due to unfavorable market conditions or for other reasons, our financial condition and results of operations may be materially and adversely affected.

Certain portions of our property development projects and investment properties are designated as civil air defense properties which may be used by the government at no cost in times of war.

According to the PRC laws and regulations, new buildings constructed in cities should contain basement areas that can be used for civil air defense purposes in times of war. Under the PRC Civil Air Defense Law (《中華人民共和國人民防空法》) promulgated by the NPC on October 29, 1996, as amended on August 27, 2009 and the Management Measures for Peacetime Development and Usage of Civil Air Defense Properties (《人民防空工程平時開發利用管理辦法》) promulgated by the House Civil Air Defense Office on November 2001, after obtaining the approval from the civil air defense supervising authority, a developer can manage and use such areas designated as civil air defense properties at other time and generate profits from such use. We entered into contracts to transfer the right to use civil air defense properties in our property development projects to our customers as car parks (the "**Designated Car Parks**") and we intend to continue such transfer. However, in times of war, such areas may be used by the government at no cost. In the event of war and if the civil air defense area of our projects is used by the public, we may not able to use such area as car parks, and such area will no longer be a source of our revenue. In addition, while our business operations have complied with the laws and regulations on civil air defense property in all material aspects, we cannot assure you that such laws and regulations will not be amended in the future which may make it more burdensome for us to comply with and increase our compliance cost.

The success of joint ventures and associates depends on a number of factors which may be beyond our control, and as a result, we may not be able to realise the anticipated economic and other benefits from such joint ventures and associates.

We have established joint ventures and associates with third parties and may continue to do so in the future. The performance of such joint ventures and associates has affected, and will continue to affect, our results of operations and financial position. We may provide advances to our joint ventures and associates in proportion to our shareholding percentages in order to fund such project companies' property development efforts and working capital requirements. We may be unable to resort to external financing but had to rely on our internal resources from the sales and pre-sales of properties developed by us for the payment of such advances. We will be repaid such advances after the project company generates cash flow, and receive the pre-agreed share of return if the project company records profit. Therefore, the timing of capital requirements, the financial performance of our joint ventures and associates and their ability to repay may materially and adversely affect our results of operations and our cash flow position. We generally expect to incur share of loss in such joint ventures and associates until their respective development of property projects completes and starts to contribute revenue. In 2020, our share of loss of a joint venture and associates amounted to RMB1.8 million (US$0.3 million). If we keep recording share of loss from such joint ventures and associates, our financial performance will be adversely affected. Even if profits of our joint ventures and associates are recorded, we may not receive any dividend from these joint ventures and associates until their respective property projects are fully completed and delivered and the project companies are liquidated. The voluntary liquidation of a project company is subject to a number of preconditions and the time may be uncertain.

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

We have entered into joint ventures (including majority-owned subsidiaries and non-majority owned entities) with third parties and may continue to enter into joint ventures in the future. The performance of such joint ventures have affected, and will continue to affect, our results of operations and financial position. We and our joint ventures partners provided such amounts to our joint ventures project companies in proportion to our shareholding percentages in order to fund such project companies' land acquisition efforts and working capital requirements. Once these project companies commence pre-sale and generate cash flow, they will repay such amounts to us on demand. Therefore, the timing of such joint venture's capital requirements, the financial performance of our joint ventures and its ability to repay may materially and adversely affect our results of operations. We generally expect to incur share of loss in such joint ventures until their respective development of property projects completes and starts to contribute revenue.

The success of a joint venture depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from our joint ventures and associated companies. In addition, in accordance with the PRC law, our joint ventures agreements and the articles of association of our joint ventures and associated companies, certain matters relating to joint ventures require the consent of all parties to the joint ventures and associated companies. Therefore, such joint ventures agreements involve a number of risks, including:

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

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

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

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

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

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

In addition, since we do not have full control over the business and operations of our joint ventures and associated companies, we cannot assure that they have been, or will be in strict compliance with all applicable PRC laws and regulations. We cannot assure you that we will not encounter problems with respect to our joint ventures and associated companies or our joint ventures and associated companies will not violate the PRC laws and regulations, which may have a material adverse effect on our business, results of operations and financial condition. Moreover, we cannot assure you that there will not be dispute between us and our joint ventures partners, or that our joint ventures partners will always perform their obligations as set out as agreed. If our joint ventures fails to perform their obligations, or if our relationship with our joint ventures partner, our business partner deteriorates, we may be involved in disputes that may lead to costly litigations, and our business, financial positions and results of operations will be materially and adversely affected.

Our success depends on the continued services of our senior management team and other qualified employees.

Our continued success and growth depends on our ability to identify, hire, train and retain suitably skilled and qualified employees, including management personnel, with relevant professional skills. The services of our Directors and members of senior management are essential to our success and future growth. The loss of a significant number of our Directors and senior management could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. We may not be able to successfully attract, assimilate or retain all of the personnel we need. We may also need to offer superior compensation and other benefits to attract and retain key personnel and therefore cannot assure you that we will have the resources to fully achieve our staffing needs. In addition, if any Director 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. Due to the intense competition for management and other personnel in the PRC property sector, any failure to recruit and retain the necessary management personnel and other qualified employees could have a material adverse impact on our business and prospects.

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

We rely, to a significant extent, on our "Helenbergh (海倫堡)" brand name and image to attract potential customers to our properties. Any negative incident or negative publicity concerning us or our properties may materially and adversely affect our reputation, financial position and results of operations. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that degrade consumers' trust. Consumer demand for our properties and our brand value could diminish significantly if we fail to preserve the quality of our properties or fail to deliver a consistently positive consumer experience, or if we are perceived to act in an unethical or socially irresponsible manner. Even if we act in an ethical manner, customers may be unsatisfied by our products or services due to reasons beyond our control. For example, a market downturn and prices drop may trigger public anger among customers who purchased our products at a higher price. Those customers may demand for compensation, carry out protests and spread around negative messages that would harm our brand images. We may be subject to and associated with negative publicity, including those on the Internet, with respect to our corporate affairs and conduct related to our personnel, the real estate market we operate or intend to operate. We may also be subject to negative reports or criticisms by various media, including in relation to incidents of fraud and bribery. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Nonetheless, any negative coverage, whether or not related to us or our related parties and regardless of truth or merit, may have an impact on our reputation and consequently, may undermine the confidence of our customers and investors, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects. Any negative publicity and the resulting decrease in brand value, or any failure to establish our brand in cities in which we currently operate, may have a material adverse effect on our business, financial position and results of operations. In addition, any unauthorized use or infringement of our brand name may impair our brand value, damage our reputation and materially and adversely affect our business and results of operations.

Our brand strategy also depends on our ability to use, develop and protect our intellectual properties, such as our trademarks. As a result, we could be subject to intellectual property rights disputes. The defense and prosecution of intellectual property lawsuits and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert our resources and the time and attention of our management personnel. An adverse ruling in any such litigation or proceedings could subject us to significant liabilities to third parties, require us to seek licenses from third parties and to pay ongoing royalties, or subject us to injunctions prohibiting the use of such name and/or logo.

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

We are subject to a variety of laws and regulations concerning the protection of health and the environment and the preservation of antiquities and monuments which impose a variety of compliance obligations on our business operations. Compliance with such laws and regulations may result in delays in our construction work, may cause us to incur substantial compliance and other costs and can severely restrict project development activities in environmentally sensitive regions or areas. See "Business — Environmental Matters" for details.

As required by the PRC laws and regulations for property projects in environmentally sensitive regions or areas, we are required to submit the environmental impact analysis table to the relevant government authorities for approval before commencement of construction. For other property projects, we are required to file the environmental impact registration form. If we fail to meet such requirements, the local authorities may issue orders to terminate our construction activities and may impose a penalty in the range of one to five percent of the total investment amount of the project. After completion of construction, we are required to conduct acceptance inspection of the matching environmental protection facilities and prepare an acceptance report for projects in environmentally sensitive regions.

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

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

In line with industry practice, we do not maintain any insurance policies for our residential property development projects. We generally maintain property insurance for our commercial property projects held for investment. In addition, we require the general contractors of our development projects to maintain insurance policy in accordance with the contracting agreements. We do not maintain insurance covering construction-related property damage or personal injuries of third parties. In addition, we do not maintain insurance against any liability arising from allegedly tortious acts committed on our work sites. We cannot assure you that we will not be sued or held liable for damage arising from, or in connection with, any such tortious acts. Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as those suffered due to earthquakes, typhoons, floods, wars, civil disorders and other events of force majeure. If we suffer any loss, damage or liability in the course of our business operations, we may not have sufficient funds to cover such loss, damage or liability or to replace any property development that has been destroyed. In addition, any payment we make to cover any loss, damage or liability could have a material adverse effect on our business, financial condition and results of operations.

We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our customers, contractors, suppliers, employees, tenants business or other partners or other third parties, and may face significant liabilities as a result.

We had in the past, and may from time to time be involved in disputes with various parties involved in the development, sale, leasing and management of our properties, acquisitions of land and equity interests in companies as well as other aspects of our business operations including, among others, agents, business partners, customers, contractors, suppliers, construction workers, purchasers and tenants. For description of the material legal proceedings as of the date of this offering memorandum, see "Business — Legal Proceedings and Material Claims". These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs to our operations, and diversion of our management's attention. We did not receive favorable judgment for certain proceedings and/or disputes, as a result of which our business, financial condition and results of operation may be adversely affected. In addition, we may disagree with regulatory bodies in certain respects in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our properly developments. Moreover, we may be involved in disputes or legal proceedings for claims relating to the business or companies we acquired or their original shareholders, which may subject us to liabilities. For example, one of our Subsidiaries, Shanghai Songjiang Pharmaceutical International Co., Ltd. received multiple claims for loans or construction price payables owed by its original shareholder to various third parties before we acquired such subsidiary. Even if we have the right of indemnification from other parties in relation to certain litigations, we may not receive the benefit of the indemnification from such parties according to the agreement signed. See "Business — Legal Proceedings and Material Claims." In addition, we may have disputes with our customers, which may result in financial losses, negative media coverage, damages to our reputation and materially and adversely affect our business. However, we cannot assure you that we will not be involved in any major legal proceedings in the future. Any involvement on these disputes may materially and adversely affect our business, financial condition and results of operations.

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

As a property developer in the PRC, we are subject to a variety of laws and regulations concerning the marketing and promotion of our property development projects, our business and our brand image. For example, if any of our advertisements are considered to be untruthful, we will be subject to penalties and will be required to cease publishing the advertisement and eliminate adverse effects by publishing notice in the same media or media with equivalent significance to correct the previous false advertisements and clarify the truth. In addition, any false advertising may cast doubt on our other disclosures, advertisements, filings and other publications, deteriorate our brand name and reputation, and consequently materially and adversely affect our business, financial condition and results of operations. We may be subject to other requirements under the advertising law. Certain of our Subsidiaries were fined for violation of advertising law. If our employees, or the third party service providers we engaged are not prudent enough and violate the advertising laws, we will be subject to fines and our business, financial condition and results of operations may be materially and adversely affected.

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

Historically, we experienced certain non-compliance incidents. We commenced or proceeded with construction work with respect to certain of our property projects before completing requisite administrative procedures and/or obtaining requisite permits. We commenced construction work with respect to certain of our property projects before being reviewed by the administrative department of planning. We also experienced non-compliance in connection with violation of advertising law and pricing issues. We were subject to penalties or ordered to rectify such non-compliances, as the case may be. As of the December 31, 2020, we had paid all the penalties. There is no assurance that our internal control measures will be effective and there will not be any non-compliance incidents in the future. In addition, PRC laws, rules or regulations governing our industry have been evolving rapidly, and we cannot assure you that we will not be subject to fines or penalties arising from non-compliance incidents if we fail to adapt to the new regulatory regime in a timely manner, or at all, which may have a material adverse effect on our business, financial condition and results of operations.

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

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

If we fail to implement effectively our risk management and internal control policies and procedures, our business and prospects may be materially and adversely affected.

We continually enhance our risk management and internal control policies and systems as part of a continuous effort to improve our risk management capabilities and enhance our internal controls. However, there can be no assurance that our risk management and internal control policies and procedures will adequately control or protect us against all risks. Some of these risks are unforeseeable or unidentifiable and may be more severe than what we may anticipate.

Our risk management capabilities and ability to effectively monitor legal compliance and other risks are restricted by the information, tools, models and technologies available to us. Moreover, it takes time for our employees to adjust to these policies and procedures and we cannot assure you that our employees will be able to consistently comply with or accurately apply them. If our risk management and internal control policies, procedures and systems fail to be implemented effectively, or if the intended results of such policies, procedures and systems are not achieved in a timely manner (including our ability to maintain an effective internal control system), our business, financial condition, results of operations and reputation may be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

Our operations are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies related to the PRC 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 growth and development of the PRC property market through industry policies and other economic measures such as setting interest rates, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers and imposing restrictions on foreign investment and currency exchange. Since 2004, the PRC and local governments 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 lower than certain prescribed percentage; and
- restricting the PRC commercial banks from granting loans to property developers for the purpose of paying land grant premiums.

In particular, the PRC and local governments also introduced the following policies, among others, to specifically restrain property purchases for speculation purposes and refrain property prices from rising too quickly in certain cities:

- limiting the maximum amount of monthly mortgage and the maximum amount of total monthly debt service payments of an individual borrower;
- imposing the value-added tax on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties;
- raising the minimum percentage of down payment of the purchase price of the residential property of a family;
- restricting purchasers from acquiring second (or more) residential property and imposing property purchase restrictions on non-local residents that cannot provide any proof of local tax or social security payments for more than a specified time period in certain cities;
- prohibiting individuals from purchasing commercial, offices, and apartments in some of the cities in which we operate, such as Guangzhou;
- restricting the availability of individual housing loans in the property market to individuals and their family members with more than one residential property, and raising interest rates of such loans;

- controlling the supply of residential property sales by adopting lots drawing policy in certain cities in which we operate, such as Nanjing. Under the guidance of the "*Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities*" (國務院關於堅決遏制部分城市房價過快上漲的通知) in April 2010, most of the first and second tier cities adopted the relevant local regulations in restricting the maximum number of properties each resident is allowed to purchase; and

- restricting the re-sale of properties by purchasers within a period after their purchase in certain cities.

For details, see "Industry Overview — Recent Development of PRC Real Estate Policies."

These and other measures, including additional requirements for pre-sales and restricting the use of funds raised by pre-sales, made the properties we developed more costly, unattractive or even unavailable to certain of our customers. In addition, since January 2010, policies implemented by the PRC Government with regard to bank loans and trust financing arrangements for property development projects have had, and may continue to have, a dampening effect on the property markets in which we operate. These measures resulted in downward pressure on the PRC property market starting in the second half of 2011 and reduced transaction volumes in the first quarter of 2012.

Following the market fluctuations in the face of temporary easing of some restrictions by local governments in the second and third quarters of 2012, the property price and transaction volume increased in the last quarter of 2012 and the first quarter of 2013. On February 20, 2013, the General Office of the State Council announced the Notice on Further Regulation of the Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》). According to such notice, local governments shall increase the supply of housing properties and lands, and set price control targets in cities with rapidly increasing property prices. In addition, the notice also requires the local government to strictly implement existing purchase restrictions and differentiated credit policies with regard to the down payment ratios and interest rates for mortgages for second (or more) residential property. If the property prices increases too quickly, the local government may further increase interest rates and down payment ratio for mortgages for second (or more) properties. For cities with existing purchase restrictions, the city municipals shall impose further restrictions. For cities with no purchase restrictions, the provincial governments must require these cities to promptly adopt purchase restrictions. The tax, building and construction authorities are required to coordinate to ensure that the 20% individual income tax on the difference between the sales proceeds and the original purchase price for the sale of second-hand properties is strictly implemented. These policies aim to serve to restrain the trend of excessive increase in housing prices. At the end of 2013, a new round of policies aimed at promoting affordable housing and discouraging speculative investments in residential properties was announced in a number of large cities in China, including Beijing, Shanghai, Guangzhou, Shenzhen, Zhengzhou, Nanchang, Fuzhou, Xiamen, Nanjing and Hangzhou.

The PRC Government has eased certain restrictive measures starting in the third quarter of 2014 to foster the growth of the residential property market in China, encourage transactions and reduce idle housing inventory. However, such action has resulted in the property markets in first- and certain second-tier cities showing signs of overheating. As a response, in certain first- and second-tier cities including without limitation Shanghai, Shenzhen and Suzhou, local governments have again enhanced restrictive measures such as raising the minimum percentage of down payment of the purchase price of the second (or more) residential property of a family, requiring longer social insurance records in such cities for citizens whose household registration were not in such cities, and restriction on the percentage of price increases by real estate developers during a year. In 2015, the PRC Government raised the percentage of down payment and changed the calculation base of business tax concerning transfer of individual housing, pursuant to which, where an individual sells a property purchased within two years, business tax shall be levied on the full amount of the sales income; where an individual sells a non-ordinary property that was purchased more than two years ago, business tax shall be levied on the difference between the sales income and the original purchase price of the house; the sale of an ordinary residential property purchased by an individual more than two years ago is not subject to such business tax. In 2016, such tax policies was further refined.

On February 13, 2017, the Asset Management Association of China issued Circular 4 of Regulation for Registration Management of Private Asset Management Plan by Securities and Future Institutions (the "Circular 4"). Circular 4 provides that any private equity and asset management plan that is adopted to make either direct or indirect investment into any ordinary residential property project located in certain PRC cities where the property price increases too fast shall not be filed for a record temporarily. Such cities currently include 16 major cities in the PRC, such as Shanghai, Hefei, Nanjing, Suzhou, Tianjin, Fuzhou, Wuhan and Zhengzhou, and the list of such cities may be updated from time to time in the future according to the relevant regulations of the Ministry of Housing and Urban-Rural Development of the PRC. In addition, a private equity and asset management plan shall neither be used to finance any real estate developer by means of bank entrusted loans, trust plans, or usufruct of transferee assets, for the purpose of paying the price of land grant or supplementing the working capital, nor be used to directly or indirectly facilitate any violation or illegality of various institutions' granting of loans for down payments.

In March 2017, local governments in certain major cities in the PRC, such as Beijing, Hangzhou and Hebei, introduced further policies to restrain property purchases for specific purposes and refrain property prices from rising too quickly. Such policies include suspending the provision of individual housing loans with the term of more than 25 years, raising the minimum percentage of down payment of the purchase price and strictly restricting purchasers from acquiring second (or more) residential property. On April 1, 2017, the Ministry of Land and Resources and Ministry of Housing and Urban-Rural Development issued the Circular of the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources on Tightening the Management and Control over Intermediate Residential Properties and Land Supply (《住房城鄉建設部、國土資源部關於加強近期住房及用地供應管理和調控有關工作的通知》). To maintain a housing supply-demand balance, cities facing serious over-demand and overheated market shall increase the supply of housing land, especially for ordinary commercial houses; and cities with excessive housing supply shall reduce or suspend the land supply for housing. All the local governments shall build an inspection system to monitor the source of funds for land acquisition to ensure that the real estate developers use their own legal funds to purchase lands. These measures reduced the transaction volumes in certain major cities in the PRC in the second quarter of 2017.

In accordance with Notice of Launching Special Actions in Some Cities to Fight Activities Undermining People's Interests and Disrupting the Property Market (《關於在部分城市先行開展打擊侵害群眾利益違法違規行為治理房地產市場亂象專項行動的通知》) jointly issued on June 25, 2018 by the Ministry of Housing and Urban-Rural Development, the Publicity Department of the CPC Central Committee, the Ministry of Public Security, the Ministry of Justice, the State Administration of Taxation, the State Administration for Market Regulation and China Banking and Insurance Regulatory Commission, special actions will be taken in some cities, including Guangzhou, Foshan and Wuhan, from July to December 2018. The key issues to be regulated include: (i) speculative purchase of housing, including monopolizing housing resource, manipulating property prices or rental; (ii) illegal or violating behaviors conducted by real estate developers, including selling commodity housing at price different than that filed with the government or increasing price in disguise by imposing additional conditions to limit the legal rights of home buyers (such as bundling parking space or decorating), and violating the provisions on transparent pricing such as not stating sales status or price of housing resource. The Ministry of Housing and Urban-Rural Development has already circulated two lists of law-breaking real estate developers and intermediary agencies.

In July 2017, NDRC, CSRC, Ministry of Finance, Ministry of Housing and Urban-Rural Development, Ministry of Public Security, MLR, SAT, SAIC and PBOC jointly issued the Notice on Accelerating the Development of Renting Market in Large and Medium-sized Cities with Influx Population (《關於在人口淨流入的大中城市加快發展住房租賃市場的通知》), promoting the development of renting market through multiple channels, such as increasing the land bank to be granted for renting houses, encouraging the ancillary renting houses in new commodity properties.

Since late 2020, there were reports that the PRC government may start to restrict financing available to property developers by reference to leverage ratios such as liabilities to assets ratio, net gearing ratio and cash to short-term borrowings ratio. On December 28, 2020, PBOC and CBRC jointly promulgated the Notice on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (《關於建立銀行業金融機構房地產貸款集中度管理制度的通知》), which requires a PRC financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution. A relevant financial institution will have a transition period of two years or four years to comply with the requirements depending on whether such financial institution exceeded 2% of the legal proportion based on the statistical data relating to such financial institution as of December 31, 2020. Under the notice, PBOC and CBRC will have the authority to take measures such as, among other things, imposing additional capital requirements on and reallocating the weight adjustments relating to the risk of real estate assets for financial institutions that fail to rectify the proportion requirements within a certain period. 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 of the General Office of CBIRC, the General Office of MOHURD and the General Office of PBOC on Preventing the Illegal Flow of Loans for Business Purposes into the Real Estate Sector (中國銀保監會辦公廳、住房和城鄉建設部辦公廳、中國人民銀行辦公廳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 "Regulation" for further details.

On May 21, 2021, Ministry of Finance, Ministry of Natural Resources, State Tax Administration and PBOC jointly issued the Notice on the Transfer of the Four Government Non-tax Revenues, Land Grant Premium on State-owned Land, Special Revenue from Mineral Resources, Sea Area Use Royalty and Non-resident Islands Use Royalty, to Taxation Departments (關於將國有土地使用權出讓收入、礦產資源專項收入、海域使用金、無居民海島使用金四項政府非税收入劃轉税務部門徵收有關問題的通知), which required state tax departments, instead of local governments, to collect land grant premium on state-owned land. The change will be implemented in several provinces in the PRC in July 1st, 2021 and will be applied nationwide in January 2022. How the change will be interpreted and implemented by government authorities remains to be seen. It is hard to predict the impact of the change on land supply and property industry as a whole at this stage.

There are no assurances that the PRC Government will relax existing restrictive measures, or not to impose or enhance restrictive measures, other restrictive policies, regulations or measures in the future. The existing and other future restrictive measures may limit our access to capital, reduce market demand for our products and increase our finance costs, and any easing measures introduced may also not be sufficient. We currently do not expect the impacts on our overall operation of the abovementioned new restrictive policies, regulations and measures to be significant because we are able to modify our operating strategies among different regions accordingly as we currently operate in 32 cities in China and such restrictive policies are mainly effective in particular cities. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes negatively impact our business, our financial condition, results of operations and prospects may be materially and adversely affected.

The PRC property market industry is highly competitive.

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

The global financial markets, including the financial markets in China, have experienced significant slowdown and volatility during the past few years, which has affected the PRC property market, and any continued deterioration may materially and adversely affect our business and results of operations.

The economic slowdown and turmoil in the global financial markets starting in the second half of 2008 have resulted in a general tightening of credit, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. The global economic slowdown has also affected the PRC property market, including among other things,

- by reducing the demand for commercial and residential properties resulting in the reduction of property prices;
- by adversely impacting the purchasing power of potential property purchasers, which may further impact the general demand for properties and cause a further erosion of their selling prices; and
- by negatively impacting the ability of property developers and potential property purchasers to obtain financing.

More recently, global market and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In June 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). The United Kingdom (the "**UK**") ceased to be a member of the European Union (the "EU") on January 31, 2020. During the period from that date to December 31, 2020, certain transitional arrangements were in effect, such that the UK continued to be treated, in most respects, as if it were still a member of the EU, and generally remained subject to EU law. On December 24, 2020, the EU and the UK reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the EU and the UK, including the EU-UK Trade and Cooperation Agreement (the "**TCA**"). On December 30, 2020, the Council of the European Union adopted a decision authorizing the signature of the TCA and its provisional application in the EU for a limited period (the "Provisional Period"), pending ratification of the TCA by the European Parliament. The Provisional Period commenced on January 1, 2021, and is expected to end no later than April 30, 2021. Legislation to implement the TCA in the UK came into effect beginning on December 31, 2020. However, the TCA is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries. The actual or potential consequences of Brexit, and the associated uncertainty, could adversely affect economic and market conditions in the UK, in the EU and its member states and elsewhere, and could contribute to instability in global financial markets. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. 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. The PRC economy grew at a slower pace in 2015, 2016 and 2017 than in previous years, with a yearly real GDP growth of 6.9%, 6.7% and 6.9%, respectively. Recently, there have been growing concerns about the volatility of the Chinese economy and the adjustments of Chinese fiscal policies. For example, after a rapid surge from the second half of 2014 to early June 2015, the Chinese domestic equity markets experienced sharp declines and severe volatility beginning from June 13, 2015. The Chinese government has taken monetary and regulatory measures to stabilize the market, including measures affecting market liquidity, new equity offering pipelines and trading activities of certain market participants. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, home owners and potential property purchasers, which may lead to a decline in the general demand for our properties and erosion of their selling prices. Any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. If the global economic and financial market slowdown and volatility continue or become more severe than currently anticipated, or if the PRC economy and financial market continues to slow down, our business, financial condition, results of operations and prospects could be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

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

We conduct our business operations in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including but not limited to:

- economic structure;
- level of governmental involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to those of developed countries. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. The PRC Government has implemented economic reform measures emphasizing responsiveness to market forces in the development of the PRC economy. However, the PRC Government continues to play a significant role in regulating industries by imposing industrial policies. Furthermore, despite the implementation of such reforms, changes in the PRC's political and social condition, laws, regulations, policies and diplomatic relationships with other countries could have an adverse effect on our 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. Other political, economic and social factors may also lead to further adjustments of the reform measures. 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.

Furthermore, China's economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions between the U.S. and China. 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. The Chinese government responded with tariffs on cumulatively US$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade tensions created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "Phase I Agreement"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite such agreement, 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 would be necessary to reduce trade tensions between the U.S. and China. The roadmap to the comprehensive resolution of such trade tensions remains unclear, and the lasting impact it may have on China's economy and the China real estate industry remains uncertain. Should the trade tensions between the U.S. and the China begin to materially impact the China economy, the purchasing power of our customers in the China would be negatively affected. Any severe or prolonged slowdown or instability in the global or China's economy may materially and adversely affect our business, financial condition and results of operations.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you.

Our business is conducted in mainland China and is governed by the PRC laws and regulations. All of our operating Subsidiaries are located in China and are subject to the PRC laws and regulations. The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Additionally, the 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 Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of the PRC laws and regulations may not be definitive. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis, if at all) that some rules may have a retroactive effect. The PRC may not accord equivalent rights (or protection for such rights) to those rights investors might expect in countries with more sophisticated real estate laws and regulations.

Furthermore, the PRC is geographically large and divided into various provinces and municipalities and as such, when the PRC laws, rules, regulations and policies apply in different provinces, there may be different and varying applications and interpretations in different parts of the PRC. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations. There is at present also no integrated system in the PRC from which information can be obtained in respect of legal actions, arbitrations or administrative actions. Even if an individual court-by-court search were performed, each court may refuse to make the documentation that it holds available for inspection. As a result, the legal protections available to you under the PRC legal system may be limited.

The PRC regulations of loans and direct investment by offshore holding companies to the PRC entities may delay or prevent us from using the proceeds of the New Notes to make loans or additional capital contributions to our PRC Subsidiaries.

In utilizing the proceeds from the New Notes or any further offering, as an offshore holding company of our PRC Subsidiaries, we may make loans to our PRC Subsidiaries, or we may make additional capital contributions to our PRC Subsidiaries. Any loans provided by us to our PRC Subsidiaries are subject to the PRC regulations. For example, loans by us to our PRC Subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered or filed on record. We may also decide to finance our PRC Subsidiaries through capital contributions. These capital contributions must be filed with or approved by the MOFCOM or its local counterpart and registered with the SAIC or its local branch. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing and registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our Subsidiaries or any of their respective Subsidiaries. If we fail to receive such registrations or approvals or fail to complete such filing or registration procedures, our ability to use the proceeds of the New Notes and to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

We rely principally on dividends paid by our Subsidiaries, joint ventures and associated company to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC Subsidiaries, joint ventures and associated companies to pay dividends to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating Subsidiaries, joint ventures and associated companies in the PRC. The ability of our Subsidiaries and joint ventures to pay dividends or other distributions may be subject to their earnings, financial position, cash requirements and availability, applicable laws and regulations and restrictions on making payments to us contained in financing or other agreements. If any of our Subsidiaries, joint venture and associated companies incurs indebtedness in its own name, the instruments governing the indebtedness may restrict dividends or other distributions on its equity interest to us. These restrictions could reduce the amount of dividends or other distributions that we receive from these entities, which could in turn restrict our ability to fund our business operations and to pay dividends to our Shareholders. In addition, their declaration of dividends will be at the absolute discretion of the boards of our Subsidiaries.

Furthermore, payments of dividends by our Subsidiaries, joint ventures and associated companies are subject to restrictions under the PRC laws. The PRC laws and regulations require that dividends be paid only out of distributable profits, which are net profit of our PRC Subsidiaries as determined in accordance with the PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that our PRC Subsidiaries, joint ventures and associated companies are required to make. Moreover, because the calculation of distributable profits under the PRC GAAP is different from the calculation under IFRS in certain respects, our operating Subsidiaries may not have distributable profits as determined under the PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our PRC Subsidiaries, joint ventures and associated companies. Failure by our operating Subsidiaries in the PRC to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Furthermore, restrictive covenants in bank credit facilities or other agreements that we or our Subsidiaries may enter into in the future may also restrict the ability of our Subsidiaries, joint ventures and associated companies to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

In addition, under the EIT Law, if a foreign entity is deemed to be a "non-resident enterprise" as defined under the EIT Law, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since January 1, 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements.

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC shareholders.

The EIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, SAT promulgated a circular to clarify the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by the PRC enterprises. These criteria include: (1) the enterprise's day-to-day operational management is primarily exercised in China; (2) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in China; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in China; and (4) 50.0% or more of voting board members or senior executives of the enterprise habitually reside in China. However, as this circular only applies to enterprises established outside of China that are controlled by the PRC enterprises or groups of the PRC enterprises, it remains unclear how the tax authorities will determine the location of "de facto management bodies" for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our Subsidiaries. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not currently consider our Company to be a PRC resident enterprise. However, if the PRC tax authorities disagree with our assessment and determine that we are a "resident enterprise", we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC shareholders as well as capital gains recognized by them with respect to the sale of our shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC shareholders.

We face uncertainty relating to the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("SAT Circular No. 7") issued by the PRC State Administration of Taxation.

On February 3, 2015, the PRC State Administration of Taxation issued the SAT Circular No. 7, which abolished certain provisions in the Circular on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises' Share Transfers (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) ("SAT Circular No. 698"), previously issued by the State Administration of Taxation on December 10, 2009. SAT Circular No. 7 provides comprehensive guidelines relating to indirect transfers by a non-PRC resident enterprise of assets (including equity interests) of a PRC resident enterprise ("PRC Taxable Assets"). For example, SAT Circular No. 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of the PRC Taxable Assets, when a non-PRC resident enterprise transfers the PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets. The PRC tax authorities may disregard the existence of such overseas holding company and consider the transaction to be a direct transfer of the PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding the PRC EIT and lack any other reasonable commercial purpose. Although SAT Circular No. 7 contains certain exemptions (including (i) where a non-resident enterprise derives income from the indirect transfer of the PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of the PRC Taxable Assets, if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from the PRC EIT under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under SAT Circular No. 7 will be applicable to the transfer of our shares or to any future acquisition by us outside of the PRC involving the PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying SAT Circular No. 7. SAT Circular No. 7 may be determined by the tax authorities to be applicable to our Reorganization, if such transaction were determined by the tax authorities to lack reasonable commercial purpose. As a result, we may be subject to tax under SAT Circular No. 7 and may be required to expend valuable resources to comply with SAT Circular No. 7 or to establish that we should not be taxed under SAT Circular No. 7, which may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Fluctuations in the value of the Renminbi and the PRC Government's control over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends.

Substantially all of our revenue and expenditures are denominated in Renminbi, while the net proceeds from the New Notes and any dividends we pay on our shares will be in Hong Kong Dollars. Fluctuations in the exchange rates between the Renminbi and the Hong Kong Dollar or U.S. Dollar will affect the relative purchasing power in Renminbi terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. In August 2015, PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. In 2015 and 2016, the value of the Renminbi depreciated approximately 4.4% and 7.2% against the U.S. dollar, respectively. Recently, due to the trade tension between China and the United States, the exchange rate between the Renminbi and the U.S. dollars experienced fluctuations, including depreciation of the Renminbi. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against Hong Kong Dollar or U.S. Dollar in the future.

In addition, conversion and remittance of foreign currencies are subject to the PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, must be directly reviewed and handled by banks in accordance with the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Circular 13**") and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business, may be materially and adversely affected.

Our investment properties are located on land that is under long-term land use rights granted by the PRC Government. There is uncertainty about the amount of the land grant premium that our Group will have to pay and additional conditions that may be imposed if we decide to seek an extension of the land use rights for our investment properties.

Our investment properties are held by us under land use rights granted by the PRC Government. Under the PRC laws, the maximum term of the land use rights is 40 years for commercial and mixed-use purposes and 50 years for office complexes. Upon expiration, the land use rights will revert to the PRC Government unless the holder of the land use rights applies for and is granted an extension of the term of the land use rights.

These land use rights do not have automatic rights of renewal and holders of land use rights are required to apply for extensions of the land use rights one year prior to the expiration of their terms. If an application for extension is granted (and such grant would usually be given by the PRC Government unless the land in issue is to be taken back for the purpose of public interests), the holder of the land use rights will be required to, among other things, pay a land grant premium. If no application is made, or if such application is not granted, the properties under the land use rights will be reverted to the PRC Government without any compensation. As none of the land use rights granted by the PRC Government which are similar to those granted for our investment properties has, as of December 31, 2020, run its full term, there is no precedent to provide an indication of the amount of the land grant premium which our Group will have to pay and any additional conditions which may be imposed if our Group decides to seek an extension of the land use rights for our investment properties upon the expiry thereof.

In certain circumstances, the PRC Government may, where it considers it to be in the public interest, terminate land use rights before the expiration of the term. In addition, the PRC Government has the right to terminate long-term land use rights and expropriate the land in the event the grantee fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts. If the PRC Government charges a high land grant premium, imposes additional conditions, or does not grant an extension of the term of the land use rights of any of our investment properties, our operations and business could be disrupted, and our business, financial condition and results of operations could be materially and adversely affected.

Failure by our Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by the PRC residents may prevent us from being able to distribute profits and could expose us and our PRC resident Shareholders to liability under the PRC laws.

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular No. 37”), which was promulgated by SAFE and became effective on July 4, 2014, requires a PRC individual resident (“PRC Resident”) to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“Offshore SPV”) that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Pursuant to the Circular 13, the aforesaid registration shall be reviewed and handled by the banks and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks. Following the initial registration, the PRC Resident is also required to make registration for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV’s registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV’s Chinese subsidiary to distribute dividends to its overseas parent.

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

We are a holding company and payments with respect to the New Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.

We are a holding company with no material operations. We conduct substantially all of our operations through our PRC subsidiaries. The New Notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries. The initial Subsidiary Guarantors do not, and any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future may not, have material operations. Accordingly, our ability to pay principal and interest on the New Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries. However, currently, some of the instruments governing the debt for our PRC subsidiaries contain restrictions that require our PRC subsidiaries to obtain the lending banks' approval prior to distributing any dividends. See "Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries."

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the New Notes. As a result, our payment obligations under the New Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the New Notes. As of December 31, 2020, our Non-Guarantor Subsidiaries had total debts of approximately RMB44,650.1 million (US$6,842.9 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB48,288.4 million (US$7,400.5 million) and contingent liabilities of approximately RMB33,919.6 million (US$5,198.4 million). The New Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the New Notes.

Under the terms of the New Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to a third party of equity interest in such subsidiary by its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the New Notes.

The Notes, the Notes Guarantees and the JV Subsidiary Guarantees (if any) will be structurally subordinated to the existing and future indebtedness and other liabilities of the existing and future subsidiaries of the Company, any Subsidiary Guarantor and any JV Subsidiary Guarantor and effectively subordinated to their secured debt to the extent of the value of the collateral securing such indebtedness.

The Notes, the Notes Guarantees and the JV Subsidiary Guarantees (if any) will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the existing and future subsidiaries of the Company, any Subsidiary Guarantor and any JV Subsidiary Guarantor, whether or not secured. Almost all of our operating income and profit (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, if any, would be immaterial. The Company, any Subsidiary Guarantor and any JV Subsidiary Guarantor may not have direct access to the assets of their respective subsidiaries unless these assets are transferred by dividend or otherwise to the Company, any such Subsidiary Guarantor or any such JV Subsidiary Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is subject to various restrictions under applicable laws and contracts to which they are party. Each of such subsidiaries is a separate legal entity that has no obligation to pay any amounts due under the Notes, the Notes Guarantees or any JV Subsidiary Guarantee or make any funds available therefor, whether by dividend, loans or other payments. The right of the Company, any Subsidiary Guarantor and any JV Subsidiary Guarantor to receive assets of any of their respective subsidiaries upon such subsidiary's liquidation or reorganization will be effectively subordinated to the claim of such subsidiary's creditors (except to the extent that the Company, any Subsidiary Guarantor and any JV Subsidiary Guarantor, as the case may be, are creditors of that subsidiary). Consequently, the Notes, the Notes Guarantees and the JV Subsidiary Guarantees (if any) will be effectively subordinated to all liabilities, including trade payables and lease obligations, of such subsidiary and any subsidiary that the Company may in the future acquire or establish that does not become a Subsidiary Guarantor or JV Subsidiary Guarantor.

We have substantial indebtedness, including indebtedness that will be mature within one year, and we 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 on a timely manner.

We now have, and will continue to have after the offering of the New Notes, a substantial amount of indebtedness. As of December 31, 2020, our total indebtedness consisting of bank and other borrowings amounted to RMB41,926.5 million (US$6,425.5 million). Subsequent to December 31, 2020, we also incurred other indebtedness for our general business. As of December 31, 2020, we had bank and other borrowings amounting to RMB19,635.1 million (US$3,009.2 million) due within one year. As a result, we are subject to refinancing risks against such maturing indebtedness. We cannot assure you that we would be able to refinance our indebtedness, including those due in 2020, in a timely manner on acceptable terms or at all. The risk is exacerbated by the current volatility in the global capital and credit markets.

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

- limit our ability to satisfy our obligations under the New Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;

- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

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

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. In addition, certain of our PRC loans are guaranteed by our controlling shareholders. If we are unable to service our indebtedness, or if our guarantors are unable to perform their guarantee obligations and we are unable to secure alternative guarantees, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See the section entitled "Description of Material Indebtedness and Other Obligations" and "— Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries." Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the New Notes and other debt.

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 New 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. Pursuant to the loan agreements with certain PRC banks, several of our important PRC subsidiaries are subject to certain dividend distribution restrictions that would require us to obtain the lending bank's consent. In addition, under a corporate guarantee by our subsidiary Guangdong Helenbergh, any dividend distribution that exceeds 30% of its net profit or 20% of its distributable reserves in any fiscal year will need to be notified to the lending bank in advance, and if the lending bank considers that such proposed distribution will have a material adverse impact on Guangdong Helenbergh's guarantee obligations, Guangdong Helenbergh must obtain the lending bank's consent before distributing such dividends. This, and other dividend restrictions of other subsidiaries, will adversely affect the calculation of our Consolidated EBITDA and in turn our ability to undertake additional financing, investment or other transactions under the terms of the New Notes. 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 New 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 New 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 IFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. As a result of such restrictions, there could be limitations on payments from our PRC subsidiaries to meet payments required by the New Notes or 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 New Notes at maturity or as required for any early redemption.

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

The eligibility for the reduced tax rates described above on payments from our PRC subsidiaries to our Hong Kong subsidiary is subject to limitations, including that the Hong Kong recipient company must be treated as the beneficial owner of the income and the PRC tax authorities approve the reduced withholding rate. There is no assurance that such approval will be granted by the PRC tax authorities.

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 New 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.

The New Notes are subject to optional redemption by us

As set forth in "Description of the New Notes — Optional Redemption," the New Notes may be redeemed at our option in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the New Notes. During any period when we may elect to redeem the New Notes, the market value of those New 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 New Notes when its cost of borrowing is lower than the interest rate on the New 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 New 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 holders of the New Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

We may be treated as a PRC resident enterprise for PRC tax purposes. See "— Risks Relating to Our Business — We may be deemed a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income." If we are deemed a PRC resident enterprise, the interest payable on the New 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 New Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. Furthermore, if we are considered a PRC resident enterprise and the relevant PRC tax authorities consider interest we pay with respect to the New Notes, or any gains realized from the transfer of New Notes, to be income derived from sources within the PRC, such interest or gains earned by nonresident individuals may be subject to PRC income tax (which in the case of interest, may be withheld by us) at a rate of 20%. It is uncertain whether we will be considered a PRC "resident enterprise." In addition, pursuant to Circular 36 promulgated by the MOF and SAT on March 23, 2016, if the Issuer is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the New Notes are providing loans within the PRC, the holders of the Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the New Notes. In addition, the holders of the New Notes shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%.

Where a holder of the New Notes who is an entity or individual located outside of the PRC resells the New Notes to an entity or individual located outside of the PRC and derives any gain, since neither the seller nor the buyer is located in the PRC, theoretically the Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of New Notes is located within the PRC.

If we are required to withhold PRC tax on interest payable to our foreign noteholders that are "non-resident enterprises," we will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by a holder of a New Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the New Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the New Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our New Notes, the value of your investment in our New Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our New Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

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

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

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

We must offer to purchase the New Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus any accrued and unpaid interest. See "Description of the New Notes — Repurchase of Notes Upon a Change of Control Triggering Event." The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding New Notes. Our failure to make the offer to purchase or to purchase the outstanding Notes would constitute an Event of Default under the New Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of a Change of Control Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the New Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event for purposes of the Indenture also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the New Notes and the ability of a holder of the New Notes to require us to purchase its New Notes pursuant to the offer as a result of a highly leveraged transaction or a sale of less than all of our assets may be uncertain.

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

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

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

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the New Notes depends solely upon the ability of our 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. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) 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 New 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. 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 New 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 New 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 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;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

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

The terms of the New 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, 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 New Notes, we may pay dividends on our common stock or redeem our common stock in an aggregate amount up to 25.0% of our profit for the year without satisfying the Fixed Charge Coverage Ratio. See ''Description of the New Notes — Certain Covenants — Limitation on Restricted Payments." With such an exception, 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 New Notes.

The terms of the New Notes permit us to buy out minority interests in non-wholly owned Restricted Subsidiaries, and such purchases will not constitute Restricted Payments.

The Indenture permits us to redeem, repurchase or otherwise acquire minority interests in our Restricted Subsidiaries held by Independent Third Parties, and such purchases will not constitute Restricted Payments. See "Description of the New Notes — Certain Covenants — Limitation on Restricted Payments." Even though such transactions would potentially increase our ownership interests in the relevant Restricted Subsidiary, we may have to pay substantial amounts of consideration in these transactions, whether in cash or other assets, which may adversely impact our business, results of operations and financial condition.

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other PRC property developers. 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. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications, including, among others, that we may, subject to certain conditions, make investments in any Unrestricted Subsidiaries and minority owned joint ventures primarily engaged in permitted business up to an aggregate amount equal to 15% of our Total Assets (as defined in the Indenture) (of which, an aggregate amount of up to 5% of our total assets would not be required to satisfy the permitted business requirement), without satisfying the Fixed Charge Coverage Ratio requirement. See "Description of the New Notes."

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

Although application will be made to the SEHK for listing of the New Notes by way of debt issues to Professional Investors only as described in this offering memorandum, we cannot assure you that we will obtain or be able to maintain a listing on the SEHK, or that, if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the New Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the New Notes may be allocated to a limited number of investors, in which case liquidity of the New Notes may be limited. Given holders of a significant percentage of the aggregate principal amount of the New Notes will have certain rights under the Indenture and the New Notes, if a few investors purchase a significant percentage of the New Notes, even if less than a majority, they will be able to exercise such rights on behalf of all holders of the New Notes and significantly influence the outcome of the voting on matters related to the New Notes. Furthermore, the New Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your New Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled "Transfer Restrictions." No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the New Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the New Notes could be adversely affected.

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

The New Notes are expected to be rated "B3" by Moody's Investors Services. The ratings address our ability to perform our obligations under the terms of the New Notes and the credit risks in determining the likelihood that payments will be made when due under the New Notes. We have been assigned a long-term corporate credit rating of B+ with a stable outlook by Fitch Ratings and B2 with a negative outlook by Moody's Investors Service. 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 in the future if in its judgment circumstances so warrant. We have no obligation to inform holders of the New Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the New Notes may adversely affect the market price of the New Notes.

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

The price and trading volume of the New Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, 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 New Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the New Notes. We cannot assure you that these developments will not occur in the future.

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

There may be less publicly available information about us than companies listed in Hong Kong and public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with the basis of preparation set out in note 2.1 to the consolidated financial statements, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between the basis of preparation set out in note 2.1 to the consolidated financial statements and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between the basis of preparation set out in note 2.1 to the consolidated financial statements and other GAAPs and how those differences might affect the financial information contained in this offering memorandum.

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

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

In addition, In connection with the issue of the New 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 New 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 New 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 New Notes, their marketability, trading price or liquidity or any other factors that may affect the price or value of the New 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 we intend to use the proceeds from the issuance of the New Notes in accordance with the Green Finance Framework, it would not be an Event of Default under the Description of the New Notes if it were to fail to comply with such intention. Any failure to use the net proceeds in the manner specified in this offering memorandum, 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 New Notes, may affect the value and/or trading price of the New Notes, and/or may have consequences for certain investors with portfolio mandates to invest in green projects. In the event that the New 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.

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

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

Unlike the holders of the New Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from Noteholders. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the New Notes.

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

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries and their direct PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the New Notes or at any time thereafter. No future subsidiaries that are organized under the laws of PRC, the Exempted Subsidiaries, the Listed Subsidiaries, and certain offshore subsidiaries, the Consolidated Assets of which do not account for more than 20% of our Total Assets, will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future. As a result, the New Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and such offshore subsidiaries.

The initial Subsidiary Guarantors that will guarantee the New Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the New Notes if we are unable to do so. See the section entitled "— Risks Relating to the New Notes — We are a holding company and payments with respect to the New Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries."

Under the terms of the New Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee as long as the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than the Exempted Subsidiaries and the Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of our Total Assets.

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the New Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of a minority interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions including a cap on the non-guaranteed portion of the assets of JV Subsidiary Guarantors). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company.

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

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

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

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

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

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

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

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

In certain circumstances, the Trustee may (at its sole and absolute discretion) request the holders of the New Notes to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of holders of the New Notes. The Trustee shall not be obliged to take any such actions and/or steps and/or institute proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions and/or steps and/or institute proceedings notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Indenture (as subsequently supplemented and/or amended) governing the New Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of New Notes to take such actions and/or steps and/or institute proceedings directly.

USE OF PROCEEDS

We estimate that the gross proceeds from this offering, before deducting the underwriting commissions and other estimated expenses payable by us in connection with this offering, will be US$102.0 million, which we plan to use primarily for refinancing our existing offshore indebtedness, in accordance with our Green Finance Framework.

NEW NOTES BEING ISSUED AS GREEN NOTES

1. INTRODUCTION

1.1 About Helenbergh

Helenbergh China Holdings Limited (aka Helenbergh), a China-based property developer with presence across the country, ranks among the Best 50 of China Real Estate Developers.

Established in 1998, Helenbergh has put its focus on regional businesses with presence in the whole country, operating three main businesses of residential property, commercial property and creative technology parks as well as other services in 45 cities from 14 provinces/municipalities across the Pearl River Delta Region, Yangtze River Delta Region, Jing-Jin-Ji Region, as well as the Western China Region and Central China Economic Region. Helenbergh attaches great importance on pushing forward the emerging businesses in city's upgrading by developing commercial real estate. As of December 31, 2020, Helenbergh had 184 property projects at varying stages, providing quality housing and services for 600 thousand clients.

With a clear insight and active exploration of human habitation, Helenbergh pushed forward efforts in 2018 to iterate its products on the basis of "Health+ Residential System" to create a new "Health+ 2.0 Residential System" and redefine a better life featured by health and wisdom.

With the development of businesses, Helenbergh has engaged in 4 charity projects including Helenbergh Support, Helenbergh Education, Helenbergh Kindness and Helenbergh Action, with an aim to sponsoring education, helping the poor, the elder and the disabled, and providing disaster relief.

1.2 Green Commitment at Helenbergh

Helenbergh adheres to high environmental standards and regards environment protection as its core values. Helenbergh is aware of control and mitigation of its impact on the environment and the communities to create long-lasting green commitment. The Group Board is responsible for leading and guiding the Group's environmental policies and works together with management to identify, evaluate and address environmental issues on an ongoing basis.

Strictly abiding by the Company Law of the People's Republic of China and the regulatory requirements of the Hong Kong Stock Exchange, Helenbergh has established a robust governance structure and strict risk management and control processes, and continuously promote management transparency and responsibility traceability to improve company value to guarantee the interests of shareholders and other stakeholders.

Helenbergh's Environmental Commitments:

- Design green building since research and development stage of projects
- Use environmental-saving materials
- Upgrade and utilize green processes
- Implemented energy and water-saving at any stage of the construction
- Reduce direct and indirect impacts on the environment

Helenbergh is involved in the green supply chain in real estate, research on green housing, and constant innovation in green real estate. The Board of Helenbergh oversees environmental affairs and plans the long-term environment-friendly development goals.

2. GREEN FINANCE FRAMEWORK

The Green Finance Framework ("Framework") sets out how Helenbergh intends to issue Green bonds, loans or any other debt-like instruments to finance projects that have a positive environmental impact and synergize its business strategy and mission, and in doing so contribute to positive environmental impacts. The proceeds of Green financing will be applied exclusively to eligible green projects that will deliver environmental benefits to support Helenbergh's business strategy and green mission.

The framework aligns with International Capital Markets Association ("ICMA") Green Bond Principles (2021).

Loans issued under the Framework will be aligned to Loan Market Association ("LMA") Green Loan Principles (2020).

The Framework adopts the following key parts:

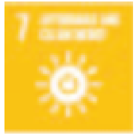
- Use of Proceeds;
- Process for Project Evaluation and Selection;
- Management of Proceeds;
- Reporting; and
- External Review.

2.1 Use of Proceeds

The net proceeds raised under this Framework will be exclusively used to finance or refinance in whole or in part, new or existing eligible green projects that meet one or more of the following categories of eligibility criteria set out below. Refinancing of Eligible Projects will have a look-back period of no longer than 36 months from the time of issuance.

2.1.1 Eligible Green Projects

Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
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 'Gold'; or ➢ Chinese Green Building Evaluation Label: minimum '2-Star'; or ➢ Building Research Establishment Environmental Assessment Method (BREEAM): minimum 'Excellent'; or ➢ Building Environmental Assessment Method (BEAM Plus): minimum 'Gold'; or ➢ BCA Green Mark – minimum certification level of Gold; or ➢ Any other appropriate green building label, that is an equivalent standard as the above; Or (ii) are in the top 15% of buildings within the region based on absolute emissions performance or primary energy demand	 

Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
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 ➢ Installation/replacement of equipment in buildings such as LED lighting, smart metering, heating ventilation and air conditioning systems	
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	 
Sustainable Water and Wastewater Management	• Sustainable water and wastewater management by installation of rainwater collection systems, water conservation systems, water recycling and treatment systems • Such projects will result in achieving a minimum 15% reduction in water usage intensity for new and existing buildings compared to its baseline	
Renewable Energy	• Installation of renewable energy systems and associated infrastructure, including but not limited to: ➢ Solar photovoltaic ➢ Solar hot water ➢ Wind	
Clean Transportation	• Installation of electric vehicle charging stations and construction of dedicated parking spaces for electric vehicles	

2.1.2 Exclusion Criteria

In any case, eligible assets/projects exclude the type of activities listed in the International Finance Corporation ("IFC") Exclusion List (2007):

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES
- Production or trade in weapons and munitions
- Production or trade in alcoholic beverages (excluding beer and wine)
- Production or trade in tobacco
- Gambling, casinos and equivalent enterprises
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length
- Production or trade in fossil fuel

2.2 Process for Project Evaluation and Selection

Helenbergh imposes strict social and environmental risk management policy during its normal course of business. Helenbergh actively responds to national standard, continues to explore the promotion and application of "Green Building Evaluation Standards", and continues to upgrade in ecological planning and design. The eligible categories relate to the company's sustainability objectives. All projects will undergo an environmental protection investigation to ensure there are effective pollution control and environmental protection measures. The investigation covers aspects such as effects on surrounding atmosphere, surface and groundwater, etc.

The Eligible Green Projects are identified and selected via a process that involves participants from various functional areas. An Environmental Working Group ("EWG") has been set up, composed of the senior members including various departments:

- Finance;
- Office of the Board of Directors;
- Design and architecture;
- Building engineering; and
- Internal audit and risk management.

EWG will meet at least every six month to discuss and select eligible green projects according to the Eligible Green Projects defined in this 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 this Framework but also the environmental guidelines which are applicable for Helenbergh, as well as all national and international environmental standards and local laws and regulations.

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.

2.3 Management of Proceeds

Helenbergh intends to allocate, over time, an amount equal the net proceeds to finance or refinance Eligible Green Projects, selected in accordance with the eligibility criteria, and using the evaluation and selection process outlined above.

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

The register will contain the following information:

(1) Type of Funding Transaction:

- Key information including, 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)

(2) Allocation of Use of Proceeds:

- Name, description and green certification of Eligible Green Projects to which the proceeds of the Green financing have been allocated in accordance with this 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 Helenbergh's liquidity guidelines for short term time deposits or investments. Helenbergh commits 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. Helenbergh strives 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, Helenbergh commits to substitute that project with an alternative Eligible Green Project.

2.4 Reporting

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

The information disclosed will include, but not limited to contain the following details:

2.4.1 Allocation Reporting

- Details of each Green financing that is outstanding;
- Aggregate amount of proceeds from each Green financing that has been allocated to Eligible Projects and geographical distribution;
- Balance of unallocated proceeds from each Green financing and its temporary treatment; and
- A list of Eligible Projects to which proceeds from each Green financing have been allocated, summary information on such projects, including information necessary to determine alignment with the Eligibility Criteria such as building certifications and energy performance data.

2.4.2 Impact Reporting

Eligible Project Categories	Impact Indicators
Green Buildings	• Level of certification • Annual Greenhouse Gas (GHG) emissions reduced/avoided (t CO_2 eq p.a.) • Annual energy savings (MWh p.a.) • Annual reduction in water consumption (in m^3)
Energy Efficiency	• Annual energy savings in MWh/GWh
Pollution Prevention and Control	• Annual Greenhouse Gas (GHG) emissions reduced/avoided in tones of CO_2 equivalent • Waste that is prevented, minimized, reused or recycled before and after the project in % of total waste and/or in absolute amount in tones p.a. • Waste that is separated and/or collected, and treated (including composted) or disposed of in an environmentally sound manner before and after the project
Sustainable Water and Wastewater Management	• Annual absolute (gross) water use before and after the project in m^3 p.a., reduction in water use in % • Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m^3 p.a. and as %
Renewable Energy	• Annual GHG emissions reduced/avoided in tones of CO_2 equivalent • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Capacity of renewable energy plant(s) constructed or rehabilitated in MW
Clean Transportation	• Number of electric vehicle charging stations installed

2.5 External Review

Helenbergh engages HKQAA as an external assessor 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 document(s) will be available on Helenbergh's 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 Sole Lead Manager or their respective directors and advisers, and none of the Issuer, the Sole Lead Manager 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 24 August 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 RATE INFORMATION

China

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

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

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

Period	Noon buying rate			
	Period end	Average(1)	High	Low
	(RMB per US$1.00)			
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7564	6.9060	6.5063
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1681	6.5208
2021				
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 10, 2021)	6.4440	6.4562	6.4662	6.4440

Source: Federal Reserve H.10 Statistical Release

Note:

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

Hong Kong

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

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

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

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
	(HK per US$1.00)			
2016	7.7534	7.7620	7.8270	7.7505
2017	7.8128	7.7926	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	6.9618	6.9014	7.1786	6.6822
2020	7.7534	7.7562	7.7951	7.7498
2021				
March	7.7746	7.7651	7.7746	7.7562
April	7.7664	7.7691	7.7849	7.7596
May	7.7610	7.7654	7.7697	7.7608
June	7.7658	7.7617	7.7666	7.7566
July	7.7723	7.7705	7.7837	7.7651
August	7.7779	7.7834	7.7925	7.7735
September (through September 10, 2021)	7.7786	7.7750	7.7786	7.7708

Source: Federal Reserve H.10 Statistical Release

Note:

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of December 31, 2020 on an actual basis and on an adjusted basis after giving effect to the issuance of the (i) the March 2021 Notes and (ii) the New Notes in this offering, in each case, before deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering. The following table should be read in conjunction with the selected consolidated financial information and related notes included in this offering memorandum.

	As of December 31, 2020[1]			
	Actual		As adjusted	
	(RMB)	(US$) (Unaudited)	(RMB)	(US$) (Unaudited)
	(in thousands)			
Cash and cash equivalents (excluding restricted cash and pledged deposits)[2]	14,878,153	2,280,177	17,966,127	2,736,875
Current borrowings:[3]				
Bank loans — secured	865,800	132,690	865,800	132,690
Bank loans — unsecured	3,000	460	3,000	460
Other loans — secured	1,783,956	273,403	1,783,956	273,403
Other loans — unsecured	74,291	11,386	74,291	11,386
Current portion of long-term bank loans				
Bank loans — secured	5,226,131	800,940	5,226,131	800,940
Bank loans — unsecured	—	—	—	—
Current portion of long-term Other loans				
Other loans — secured	6,064,984	929,499	6,064,984	929,499
Other loans — unsecured	—	—	—	—
Corporate bonds	3,570,230	547,162	3,570,230	547,162
Convertible bonds	2,046,670	313,666	2,046,670	313,666
Total current borrowings	19,635,062	3,009,206	19,635,062	3,009,206
Non-current borrowings:[4]				
Bank loans — secured	13,820,401	2,118,069	13,820,401	2,118,069
Bank loans — unsecured	—	—	—	—
Other loans — secured	8,037,726	1,231,835	8,037,726	1,231,835
Other loans — unsecured	1,080,000	165,517	1,080,000	165,517
Corporate bonds	1,400,000	214,559	1,400,000	214,559
Convertible bonds	676,882	103,737	676,882	103,737
March 2021 Notes[5]	—	—	2,422,424	354,698
New Notes to be issued	—	—	665,550	102,000
Total non-current borrowings	**25,015,009**	**3,833,717**	**28,102,983**	**4,290,415**
Total equity attributable to our equity holders of the Company	**27,420,165**	**4,202,324**	**27,420,165**	**4,202,324**
Total capitalization[6]	52,435,174	8,036,041	55,523,148	8,492,739

Notes:

(1) The translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.5250 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2020.

(2) As of December 31, 2020, cash and cash equivalents excluded restricted cash of RMB6,150.4 million (US$942.6 million). Restricted cash consists principally of pre-sale funds deposited in the project companies' accounts under supervision, primarily used for the construction projects.

(3) Subsequent to December 31, 2020, we have further incurred substantial interest-bearing bank and other borrowings for our operation and expansion in the ordinary course of business. The changes in our borrowings and any repayments after December 31, 2020 have not been reflected in this capitalization table.

(4) Subsequent to December 31, 2020, we have from time to time entered into additional loan agreements to finance our property developments or for general corporate purposes in the ordinary course of business. These changes in our borrowings and any repayments after December 31, 2020 have not been reflected in this capitalization table.

(5) Includes the original March 2021 Notes and the additional March 2021 Notes issued on March 24, 2021 and June 29, 2021, respectively.

(6) Total capitalization equals total non-current borrowings plus total equity attributable to our equity holders.

Since December 31, 2020, we have incurred additional indebtedness including the issuance of the March 2021 Notes. In addition, we have incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business. Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since December 31, 2020.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated statement of profit or loss and other comprehensive income data for the years ended December 31, 2018, 2019 and 2020 and the summary consolidated statements of financial position as of December 31, 2018, 2019 and 2020 set forth below have been derived from our audited consolidated financial statements for such years and as of such dates, as audited by Ernst & Young, our independent certified public accountants, and included elsewhere in this offering memorandum. Our financial statements have been prepared in accordance with the basis of preparation set out in note 2.1 to the consolidated financial statements for the year ended December 31, 2018, 2019 and 2020, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. Historical results are not necessarily indicative of results that may be achieved in any future period.

Selected Statement of Profit or Loss and Other Comprehensive Income

	Year ended December 31,			
	2018	**2019**	**2020**	**2020**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(US$'000) (unaudited)**
Revenue	17,517,528	20,966,231	26,774,069	4,103,306
Cost of sales	(12,884,450)	(14,877,378)	(20,803,094)	3,188,214
Gross profit	**4,633,078**	**6,088,853**	**5,970,975**	**915,092**
Other income and gains	274,698	184,137	527,333	80,817
Selling and distribution expenses	(831,037)	(1,097,160)	(1,556,685)	(238,572)
Administrative expenses	(868,146)	(955,787)	(1,078,534)	(165,293)
Other expenses	(73,515)	(63,817)	(113,411)	(17,381)
Impairment losses on trade and other receivables	(1,582)	(15,724)	(29,672)	(4,547)
Fair value gains on investment properties	768,249	733,575	614,877	94,234
Share of profit/(loss) of a joint venture and associates	(12,447)	(32,349)	(1,832)	(281)
Finance costs	(270,556)	(425,074)	(474,801)	(72,766)
Profit before tax	**3,618,742**	**4,416,654**	**3,858,250**	**591,303**
Income tax expense	(1,362,512)	(1,894,803)	(1,639,887)	251,324
Profit for the year	**2,256,230**	**2,521,851**	**2,218,363**	**339,979**
Attributable to:				
Owners of the Company	2,234,005	2,579,595	2,178,920	333,934
Non-controlling interests	22,225	(57,744)	39,443	6,045
	2,256,230	**2,521,851**	**2,218,363**	**339,979**

Selected Consolidated Statement of Financial Position Data

	As of December 31,			
	2018	2019	2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Non-current assets				
Property, plant and equipment	258,380	256,930	244,154	37,418
Investment properties	14,318,200	16,126,500	19,373,600	2,969,134
Other right-of-use assets	—	12,989	24,553	3,763
Goodwill	87,445	87,445	87,445	13,402
Other intangible assets	17,321	17,986	45,249	6,935
Investment in joint ventures	717,139	840,365	637,732	97,737
Investment in associates	1,070,868	1,250,170	1,594,405	244,353
Deferred tax assets	1,040,885	1,455,421	2,104,645	322,551
Other non-current assets	671,532	914,442	1,994,050	305,602
Total non-current assets	18,181,770	20,962,248	26,105,833	4,000,895
Current assets				
Properties under development(1)	42,364,988	59,026,192	74,675,153	11,444,468
Completed properties held for sale	10,364,934	15,387,053	15,613,812	2,392,921
Trade receivables	320,759	100,916	15,858	2,430
Prepayments, deposits and other receivables	5,966,697	11,107,812	12,330,224	1,889,690
Amounts due from associates	15,849	189,601	—	—
Amounts due from a joint venture	—	41	659,073	101,007
Amounts due from related parties	31	—	—	—
Tax recoverables	520,178	774,721	983,173	150,678
Restricted cash	5,473,192	7,128,689	6,150,386	942,588
Pledged deposits	523,164	265,691	195,340	29,937
Cash and cash equivalents	4,778,218	10,522,176	14,878,153	2,280,177
Total current assets	70,328,010	104,502,892	125,501,172	19,233,896
Current liabilities				
Trade and bills payables	9,943,082	17,489,624	16,488,788	2,527,017
Other payables, deposits received and accruals	5,040,325	8,766,656	10,683,304	1,637,288
Contract liabilities	27,080,685	38,863,951	44,618,456	6,838,078
Interest-bearing bank and other borrowings	9,409,551	13,297,738	17,588,392	2,695,539
Convertible bonds	—	—	2,046,670	313,666
Amounts due to associates	26,612	370,715	966,175	148,073
Amounts due to joint ventures	—	—	165,324	25,337
Amounts due to related parties	318,332	62,592	28,985	4,442
Tax payables	1,683,937	1,984,108	2,595,456	397,771
Total current liabilities	53,502,524	80,835,384	95,181,550	14,587,211
Net current assets	**16,825,486**	**23,667,508**	**30,319,622**	**4,646,685**
Total assets less current liabilities	**35,007,256**	**44,629,756**	**56,425,455**	**8,647,579**
Non-current liabilities				
Interest-bearing bank and other borrowings	18,897,985	24,116,062	24,338,127	3,729,981
Convertible bonds	—	—	676,882	103,737
Deferred tax liabilities	2,995,583	3,693,941	3,985,434	610,794
Lease liabilities	—	4,711	4,847	743
Total non-current liabilities	21,893,568	27,814,714	29,005,290	4,445,255
Net assets	**13,113,688**	**16,815,042**	**27,420,165**	**4,202,324**
Equity				
Equity attributable to owners of the Company				
Reserves	12,748,244	15,329,038	17,699,500	2,712,567
Non-controlling interests	**365,444**	**1,486,004**	**9,720,665**	**1,489,757**
Total equity	**13,113,688**	**16,815,042**	**27,420,165**	**4,202,324**

Note:

(1) The properties under development in the audited financial statements as of and for the year ended December 31, 2020 equal as the sum of properties under development and prepaid land lease payments in the audited financial statements as of and for the year ended December 31, 2019. For purpose of presentation, we presented properties under development as of December 31, 2018 as the sum of properties under development and prepaid land lease payments in the audited financial statements as of and for the year ended December 31, 2019.

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

The following discussion should be read in conjunction with the section entitled "Selected Consolidated Financial and Other Data" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated. Our consolidated financial statements were prepared in accordance with the basis of preparation set out in note 2.1 to the consolidated financial statements, which differ in certain material respects from generally accepted accounting principles in other jurisdictions. In this section of the offering memorandum, references to "2018", "2019" and "2020" refer to our financial years ended December 31, 2018, 2019 and 2020, respectively.

OVERVIEW

We are an expanding PRC real estate developer with a national footprint. We established our business in 1998 in Guangdong province and have established a strong foothold in major cities in Guangdong province including Guangzhou, Zhuhai, Zhongshan, Foshan and Huizhou in the early years of our development. We have leveraged our extensive experience in Guangdong province and tapped into the markets in some of the economically developed cities in the PRC and created a strategic national presence covering cities in the Pearl River Delta Region, the Yangtze River Delta Region, the Jing-Jin-Ji Region, the Western China Region and the Central China Region. As of December 31, 2020, we had a property portfolio of 184 property projects or project phases at various stages of development with a total land bank of approximately 31.6 million sq.m.

We focus on the development and sale of residential real estate properties. In 2018, 2019 and 2020, revenue generated from the sale of properties contributed to substantially all of our revenue, amounting to RMB17,370.4 million, RMB20,756.0 million and RMB26,588.3 million (US$4,074.8 million), respectively, representing 99.2%, 99.0% and 99.3% of our total revenue for the respective period.

In line with our business strategy, we have expanded our commercial property projects to increase the breadth and stability of our sources of income. We develop commercial properties for sale or to be held on a long-term basis for rental income and capital appreciation purposes. The commercial properties mainly include office spaces, shopping malls and retail spaces accompanying residential properties. In addition to revenue from sale of properties, we generate rental income from our commercial properties projects. In 2018, 2019 and 2020, our revenue generated from rental income amounted to RMB147.1 million, RMB210.2 million and RMB185.7 million (US$28.5 million), respectively.

Our business operations experienced significant growth. In 2018, 2019 and 2020, our total revenue amounted to RMB17,517.5 million, RMB20,966.2 million and RMB26,774.1 million (US$4,103.3 million), respectively, representing a CAGR of 23.6%. During the same years, our profit for the year was RMB2,256.2 million, RMB2,521.9 million and RMB2,218.4 million (US$340.0 million), respectively.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Economic Conditions and Regulatory Environment in the PRC

The real estate industry in the PRC is significantly dependent on the PRC's overall economic conditions, urbanization process and regulatory environment.

Our business and results of operations will be affected by the overall economic growth and the urbanization rate in the PRC, which is affected by a number of macroeconomic factors, including changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC Government. Such macroeconomic dynamics and policies have in the past affected and will likely continue to affect the supply and demand for properties and property pricing trends in the cities and regions where we operate and intend to operate. Moreover, the macroeconomic conditions in the PRC affect the costs of our projects and the profitability of our business. For example, labor costs in China have increased significantly in recent years as the PRC economy continues to grow. Increases in labor costs will increase our cost of sales. If we fail to respond to changes in the market conditions in a timely manner, our business, results of operations and financial conditions may be materially and adversely affected.

In addition, our business is subject to extensive governmental regulation. In particular, we are sensitive to policy changes in the PRC property sector. The PRC Government has implemented a series of measures to control the property market and discourage speculative investments. These measures, directly or indirectly, regulate land grants, pre-sale of properties, purchase and resale of properties, construction loans, trust and asset management financing arrangements, taxation, planning design and construction and other aspects of property development. In addition, restrictive regulations may also affect the availability and cost of financing for potential property purchasers or otherwise affect demand for real property, such as (i) higher minimum down payment requirements; (ii) higher mortgage rates provided by commercial banks; (iii) restrictions on the number of properties local residents may purchase; (iv) restrictions on resale of property; and (v) increasing taxes on title transfer and property ownership. See "Risk Factors — Risks Relating to Our Industry — Our operations are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies related to the PRC property industry and in regions in which we operate." These measures may change the balance of supply and demand in the PRC real estate industry, cause fluctuations in the property pricing trend in the market and in turn could have an impact on our property construction timetable and our average selling prices, affecting our property sales revenue and our results of operations.

Furthermore, as we enter into new markets, our results of operations will be increasingly affected by local economic conditions, regulatory environments and demographics, and we may not have the same level of familiarity with contractors, business practices and customs and customer tastes, behavior and preferences in the new markets we enter. If we cannot successfully leverage our experience or understand the property market in new markets which we enter, our business, results of operations and financial position will be adversely affected.

Availability and Cost of Land in Strategically Selected Locations

The growth and success of our business depend on our ability to continue to acquire land in desirable locations at competitive costs. We acquired a substantial portion of land parcels for our projects by acquiring equity interests in companies possessing land use rights. We may also acquire land by participating in government organized auctions and the public listing for sale processes. In addition, we occasionally acquire land by participating in the urban re-development projects. The competition among property developers in the first- and second-tier cities or other cities with high growth potential where many of our properties are located has been intense, and is likely to intensify as the PRC economy continues to grow and demand for commodity properties remains relatively strong. The land supply policies and implementation measures promulgated by the PRC Government are likely to further reduce the available land resources and intensify competition, which would result in an increase in land acquisition costs. There is no assurance that we will be able to continue to acquire equity interests in companies that possess land use rights at favorable prices given the increasing competition for obtaining land resources. In order to participate in the government organized auctions 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. Moreover, as specified in relevant regulations, we are required to settle the land premium according to the timetable set out in the land grant contract, which may accelerate the timing of our payment for land acquisition costs and have a significant impact on our cash flows and liquidity. It is generally expected that land premiums will continue to rise in the PRC as the economy continues to grow. Any increase in our land costs resulting from the market competition and shortage of supply or our inability to procure land at reasonable prices could have a material and adverse effect on our business operations and financial condition.

Timing of Property Development, Pre-sale and Delivery

Our capacity to develop property projects during any particular period is limited by a number of factors, including, but not limited to, substantial capital requirements for land acquisition, construction costs and the availability of land resources. The development of a property project may take several months to years before the commencement of pre-sale, depending on the size and difficulty of the project, and generally no revenue with respect to such project is recognized until it is completed and delivered to the customers. As market demand fluctuates, the revenue we recognize in a particular period may depend on market conditions at the time a particular project is sold. Moreover, delays in construction, regulatory approvals and other processes can adversely affect the timetable of our projects. As a result of these limitations, timing differences and uncertainties, together with the substantial capital requirements of property development, we can undertake only a limited number of projects at any one time. Since the delivery of our properties varies according to our construction timetable, our results of operations are likely to continue to fluctuate in the future.

Moreover, selling properties prior to completion, known as the pre-sale of properties, constitutes the most important source of our operating cash inflow. Current PRC laws allow us to pre-sell properties upon the satisfaction of certain requirements and to use pre-sale proceeds to develop the property projects that are pre-sold. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sale imposed by the PRC Government, market demand for our properties subject to pre-sale and the number of properties we have available for pre-sale. We cannot assure you that the PRC Government will not impose more stringent requirements on pre-sales, or will continue to allow pre-sales in the future. Reduced cash inflows from pre-sales of our properties will increase our reliance on external financing, increase our finance costs and impact our ability to finance our property developments, as well as our profitability.

Revenue and Product Mix

We derive substantially all of our revenue from the sale of properties that we developed. We also retain a portion of our properties as investment properties to generate rental income. We have developed a diversified portfolio of residential properties, commercial properties and Creative & Technology Parks tailored to a wide variety of customers, including both cost-sensitive customers and wealthy customers. The ASP per sq.m. and gross profit margins of our products vary by the type of properties we develop and sell. Our gross profit margin is affected by the proportion of revenue attributable to our higher gross margin products compared to revenue attributable to lower gross margin products.

With respect to the revenue we generate from sale of properties, we price our properties by taking into account various factors, including, among other things, prevailing local market prices, supply and demand conditions and the type and positioning of properties being developed. The selling price of properties, as well as the related construction and land use rights costs in different cities can vary significantly. Moreover, even in the same city or region, the price of properties in each of our product series may vary significantly. 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 average selling prices of these properties sold.

We also generate revenue by renting out investment properties. Rental income from investment properties tends to be affected by the local rental rates, which are dependent on local supply and demand conditions as well as the types of investment properties.

Construction Costs and Labor Costs

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

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

Access to and Cost of Financing

We finance our operations primarily through (i) cash from operations, including proceeds from the pre-sale of our properties and rental income, and (ii) external financings, such as borrowings from commercial banks, trust and asset management financing arrangements and the issuance of corporate bonds. Bank loans from commercial banks and trust financing constitute important sources of funding for our property development projects. These financing channels are subject to stringent laws and regulations in the PRC, which affect our access to capital and cost of financing. In particular, we are highly susceptible to any regulation or measure adopted by the PBOC that restrict bank lending, especially those that restrict the ability of real estate developers to obtain bank financing. In recent years, the PRC Government has tightened the restrictions on lending, especially to real estate developers. Furthermore, commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, and we expect that any increase in the benchmark lending rates will increase our borrowing costs. In addition, as of December 31, 2020, we had 42 outstanding trust and asset management financing arrangements provided by trust financing providers, asset management companies and other financial institutions, which usually have a greater flexibility in terms of fund availability and repayment requirements. While trust financing providers, asset management companies and other financial institutions generally do not link their interest rates to the PBOC benchmark lending rates, they typically charge higher interest rates than those charged by commercial banks. In addition, trust financing is under the supervision and monitoring of the CBRC and is required to comply with notices and regulations promulgated by the CBRC. The CBRC may impose stringent requirements on providers of trust financing. Such measures could limit the amount that trust financing providers, asset management companies and other financial institutions can make available for the PRC property development industry as a whole and to us. As such, any increase in interest rates offered to us and the general credit availability may significantly impact our real estate development business.

As of December 31, 2018, 2019 and 2020, our total interest-bearing bank and other borrowings amounted to RMB28,307.5 million, RMB37,413.8 million and RMB44,650.1 million (US$6,842.9 million), respectively. The weighted average effective interest rates on our total borrowings for the years ended December 31, 2018, 2019 and 2020 were 8.8%, 9.4% and 9.5%, respectively. We may from time to time in the future obtain further funding by accessing both the international and domestic capital markets, including but not limited to the issuance of new corporate bonds, asset-backed securities and debt offerings, to diversify our financing sources, secure sufficient working capital and to support our business expansion. In addition, a significant portion of our finance costs are capitalized at the time it is incurred to the extent such costs are directly attributable to the project construction. An increase in our finance costs will negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will adversely affect our results of operations.

LAT

Our property development projects are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign invested real estate developers in the PRC and is levied at progressive rates ranging from 30% to 60% of the appreciation of land value. We recorded LAT expenses of RMB682.4 million, RMB951.9 million and RMB877.7 million (US$134.5 million) in 2018, 2019 and 2020, respectively. We make provisions for LAT based on our recognized revenue and our estimates of the LAT rate under relevant PRC 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. Any difference between our provisions and the LAT obligations ultimately imposed on us may affect our profit after tax and our deferred tax provision for each period.

Fair Value of Our Investment Properties

As of December 31, 2020, we had 17 completed investment properties and 8 investment properties under development. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. We state our investment properties at fair value on our consolidated statements of financial position as non-current assets as of each balance sheet date, and record changes in fair value of investment properties in our consolidated statements of profit or loss and other comprehensive income. See "— Description of Certain Major Components of Our Consolidated Statement of Comprehensive Income — Fair Value Gains on Investment Properties." Property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may be higher or lower if the valuer uses a different set of bases and assumptions or if the valuation is conducted by another qualified independent professional valuer using the same or a different set of bases and assumptions.

The fair value of completed investment properties is determined by the income capitalization method by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalization rate. A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalization rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of investment properties under construction is determined by using comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the property assuming it was completed and, where appropriate, after considering the following items: (a) estimated construction cost and professional fees to be expensed to complete the properties that would be incurred by a market participant; and (b) estimated profit margin that a market participant would require to hold and develop the property to completion. The higher the estimated construction cost, the lower the fair value is for the investment properties under construction.

Gains or losses arising from changes in the fair value of our investment properties may have a substantial effect on our profits. As of December 31, 2018, 2019 and 2020, the fair value of our investment properties amounted to RMB14,318.2 million, RMB16,126.5 million and RMB19,373.6 million (US$2,969.1 million), respectively. In 2018 and 2019, we recorded net gains from fair value adjustment amounted to RMB768.2 million and RMB733.6 million, respectively. In 2020, we recorded net loss from fair value adjustment amounted to RMB614.9 million (US$94.2 million). The overall changes in the fair value of our investment properties was primarily due to (i) changes in the number of investment properties, and (ii) fluctuation in the fair value of our existing investment properties. The fair value of each of our investment properties has fluctuated, and is likely to continue to fluctuate, in accordance with the prevailing property market conditions. Any decrease in the fair value of our investment properties will adversely affect our results of operations. In addition, increases in the fair value of investment properties are unrealized and do not generate any cash inflow to us until such investment properties are disposed of. We may therefore record a higher profit through increases in the fair value of investment properties without a corresponding improvement to our liquidity position. We cannot assure you that levels of increases in the fair value of investment properties similar to those recognized in the past will be sustained in the future.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

The estimates and 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.

Effective from January 1, 2018, IFRS 15 *Revenue from Contracts with Customers* and related amendments to IFRS 15 *Clarifications to* IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") replaced the previous revenue standards IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations. IFRS 9 *Financial Instruments* ("**IFRS 9**") replaced IAS 39 *Financial Instruments: Recognition and Measurement*. The Group had adopted IFRS 15 and consistently applied it throughout 2018, 2019 and 2020. The Group adopted IFRS 9 from January 1, 2018 as the standard does not allow the use of hindsight if we apply it retrospectively. Our Directors have assessed the effects of the adoption of IFRS 15 and IFRS 9 on our Group's consolidated financial statements. Our Directors consider that the adoption of IFRS 15 did not have significant impact on our financial position and performance during 2018, 2019 and 2020. Our Directors consider that the impact on our financial position and performance would be insignificant had IAS 39 been applied for the financial period from January 1, 2018 to December 31, 2020.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: (i) the Group's business model for managing the assets; and (ii) whether the instrument's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the "SPPI" criterion).

As of January 1, 2018, the category of loans and receivables under IAS 39, including trade receivables, due from related parties, financial assets included in prepayments, deposits and other receivables, restricted cash, pledged deposits and cash and cash equivalents, were transferred to debt instruments at amortised cost under IFRS 9. Available-for-sale investments under IAS 39 were transferred to financial assets at FVPL.

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL and contract assets.

There was no significant impact by replacing the aggregate opening impairment allowances for loans and receivables under IAS 39 with ECLs allowances for financial assets at amortised cost under IFRS 9 as of January 1, 2018.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. As the impacts arising from the adoption of IFRS 16 are not material for the Group's financial positions as of June 30, 2018 and December 31, 2018 and the financial results for the year/periods then ended, the Group did not adopt IFRS 16 until January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

The Group has lease contracts for offices and employee dormitories. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Taking into account the estimated impact disclosed above, we consider the impact of the adoption of IFRS 9, IFRS 15 and IFRS 16 on our financial position and performance during 2018, 2019 and 2020 insignificant.

Revenue Recognition

Sale of Properties

Revenues are recognized when or as the control of the asset is transferred to the purchaser. 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 benefits which are received and consumed simultaneously by the purchaser; or
- creates and enhances an asset that the purchaser controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognized when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Rental Income

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

Properties under Development

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

Completed Properties Held for Sale

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

Investment Properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each year of 2018, 2019 and 2020.

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

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If an owner-occupied property becomes an investment property, we account for such property in accordance with the IAS 16 *Property, Plant and Equipment* policy. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognized in profit or loss.

Prepaid land lease payments

Prepaid land lease payments, representing prepayments for leasehold land for development for future sale in the ordinary course of business, are stated at lower of cost and net realizable value, of which those within normal operating cycle are classified as current assets, while those out of the normal operating cycle are classified as non-current assets.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, other payables, amounts due to shareholders, amounts due to related parties and Interest-bearing bank and other borrowings.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year in 2018, 2019 and 2020, taking into consideration interpretations and practices prevailing in the countries in which we operate. Deferred tax is provided, using the liability method, on all temporary differences at the end of each year in 2018, 2019 and 2020 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of 2018, 2019 and 2020 and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each year during the three years and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of 2018, 2019 and 2020.

Deferred tax assets and deferred tax liabilities are offset if and only if we have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Estimate of Fair Value of Investment Properties

Investment properties under construction carried at fair value, were revalued at the end of each of 2018, 2019 and 2020 based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, we consider information from current prices in an active market for similar properties and use assumptions that are mainly based on market conditions existing at the end of each of 2018, 2019 and 2020.

The principal assumptions for our estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalization rates and expected profit margin.

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

Revenue

Our revenue in 2018, 2019 and 2020 consists of revenue derived from (i) sale of properties, and (ii) rental income. The table below sets forth a breakdown of our revenue and the respective percentage of our total revenue for the years indicated:

	Year ended December 31,						
	2018		2019		2020		
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(US$'000) (unaudited)	(%)
Sale of properties	17,370,413	99.2	20,755,993	99.0	26,588,345	4,074,842	99.3
Rental income.........	147,115	0.8	210,238	1.0	185,724	28,463	0.7
Total	**17,517,528**	**100.0**	**20,966,231**	**100.0**	**26,774,069**	**4,103,305**	**100.0**

Sale of Properties

Revenue from sale of properties has constituted, and is expected to continue to constitute, substantially all of our total revenue. Our operating results for any given period are dependent upon the GFA and the selling prices of the properties we delivered during such period and the market demand for those properties. Conditions of the property markets change from period to period and are affected by the economic, political and regulatory developments in the PRC in general as well as in the cities and regions in which we operate. In 2018, 2019 and 2020, our GFA delivered fluctuated from period to period depending on the size of the projects and the stage of their development. Our GFA delivered increased from 1,905,033 sq.m. in 2018 to 2,073,319 sq.m. in 2019, and further to 2,623,637 sq.m. in 2020. Our ASP increased from approximately RMB9,118 per sq.m. in 2018 to RMB10,011 thousand per sq.m. in 2019, and further to RMB10,134 thousand per sq.m. in 2020.

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 a time difference, typically from several months to one year, between the time we commence the pre-sales of the 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 "contract liabilities" before relevant sales revenue is recognized. Since the revenue from sale 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 sale of properties but also may cause contract liabilities to fluctuate from period to period.

The increases in our revenue from sale of properties from 2018 to 2020 were primarily attributable to an increase in our recognized ASP and in our GFA delivered. The increase in our recognized ASP in the years was primarily because there was an overall increase of ASP in regions where our projects are located.

Rental Income

Rental income mainly includes recurring revenue from leasing of our investment properties and is recognized on a time proportion basis over the relevant lease terms. As of December 31, 2020, an aggregate of 14 commercial properties and one Creative & Technology Park that we developed were in operation and open to the public, in which we retained office buildings, shopping malls or other retail spaces as investment properties to generate income.

Our rental income increased from RMB147.1 million in 2018 and further to RMB185.7 million (US$28.5 million) in 2020. The increase in our rental income is primarily attributable to (i) an increase in the leasable GFA and (ii) an increase in the average rental rate.

Cost of Sales

Our cost of sales primarily represents the costs we incur directly for property development activities as well as our commercial property operations. The principal components of cost of sales for our property development include cost of properties sold, which primarily represents construction costs, land acquisition costs and capitalized interest 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 costs of construction materials and labor costs. Our construction costs are affected by a number of factors, including the type and geological 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 labor costs, 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 acquisition costs*. Land acquisition costs include costs relating to acquisition of the rights to occupy, use and develop land and primarily represent 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 property market conditions, the timing of the land acquisition, the project's plot ratios, the method of acquisition and changes in the PRC regulations. We may also be required to prepay 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 construction of a particular project. Finance costs that are not directly attributable to the development of a project are expensed and recorded as finance costs in our consolidated statements of profit or loss in the period in which they are incurred.

Our cost of sales fluctuates from period to period primarily because the land acquisition costs and construction costs vary according to the location of land parcels and the type of properties delivered. The construction costs and land acquisition costs we recognized in each period are affected by (i) the combination of properties we delivered during such period; (ii) the GFA delivered; and (iii) the average cost per sq.m. sold. In 2018, 2019 and 2020, our cost of sales generally increased due to a steady increase in average cost per sq.m. sold and, in certain periods, an increase in GFA delivered.

Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of our gross profit and our gross profit margin for each of our source of revenue for the years indicated:

	Year ended December 31,						
	2018		2019		2020		
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit		Gross Profit Margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	US$'000 (unaudited)	(%)
Sale of properties	4,513,919	26.0	5,906,487	28.5	5,807,315	890,010	21.8
Rental income.	119,159	81.0	182,366	86.7	163,660	25,082	88.1
Total	**4,663,078**	**26.4**	**6,088,853**	**29.0**	**5,970,975**	**915,092**	**22.3**

In 2018, 2019 and 2020, our gross profit increased from RMB4,633.1 million in 2018 to RMB5,971.0 million (US$915.1 million) in 2020. The increase in our gross profit is in line with the increase in our revenue from the sale of properties. In 2018, 2019 and 2020, our gross profit margins were 26.4%, 29.0% and 22.3%, respectively. The increase in our gross profit margin in 2018, 2019 and 2020 is in line with the increase in our recognized ASP which outpaced the increase in our average cost per sq.m. sold.

Other Income and Gains

In 2018, 2019 and 2020, our other income and gains were primarily affected by interest income, gain on bargain purchase of the subsidiaries, gain on disposal of subsidiaries and compensation income. Interest income primarily consists of interest income on bank deposits. Gain on disposal of subsidiaries is related to gain from disposing our subsidiaries at a price higher than the book value. Compensation income primarily represents forfeited deposits received from certain potential customers who did not subsequently entered into sales contracts with us and penalties received from certain customers for breach of sales or pre-sales contracts.

Gain on bargain purchase of subsidiaries is mainly related to the gain from purchase of subsidiaries at a price below fair market value. In 2018 and 2019, we successfully identified certain projects and negotiated with their former owners who were willing to accept our proposed purchase prices in order to accelerate their cash flows given the increasing stringent control in the financing requirements for property developers. Such projects are primarily located in the Pearl River Delta Region where we have accumulated abundant experience in property development and have a track record of identifying suitable land resources.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of advertising, marketing and business development expenses, commissions incurred to external sales agents, display unit expenses, staff costs, media expenses, office expenses and other expenses relating to marketing activities.

Our selling and distribution expenses increased in absolute amount in 2018, 2019 and 2020, primarily due to (i) an increase in properties pre-sold and GFA delivered, and (ii) our enhanced efforts in marketing activities. The significant increase in selling and distribution expenses from RMB831.0 million in 2018 to RMB1,556.7 million (US$238.6 million) in 2020 was consistent with the increase in the pre-sale certificates we obtained from 190 in 2018 to 317 in 2020. Such increase in pre-sale certificates resulted in an increase in GFA available for pre-sale, which substantially increased the relevant selling and administrative expenses such as media expenses. In addition, commissions incurred to external sale agents increased from RMB334.4 million in 2018 to RMB821.9 million (US$126.0 million) in 2020 because we paid external sales agents based on a progressive scale, thereby incurring more commissions with higher sales targets achieved in such period.

Administrative Expenses

Administrative expenses primarily consist of staff costs, professional fees, office expenses, tax, travelling and entertaining expenses, depreciation and amortization expenses and other expenses.

In 2018, 2019 and 2020, our administrative expenses increased in absolute amounts as the number of our projects under development and planned for future development increased, resulting in increases in our staff costs, office expenses and other miscellaneous expenses. In particular, the increase in staff costs from RMB429.7 million in 2018 to RMB500.6 million in 2019, and further to RMB518.8 million (US$79.5 million) for the year ended December 31, 2020 was consistent with the increase in our property development projects and project companies. The number of our projects and the number of management staff increased from 2018 to 2020. Consequently, the staff costs, traveling and entertaining expenses, and the incurred for land acquisitions and project financing increased 2018 to 2020. Moreover, our professional fees amounted to RMB132.6 million, RMB114.4 million and RMB161.8 million in 2018, 2019 and 2020, respectively. In addition, we also recorded a insurance expense.

Other expenses

Our other expenses primarily consist of compensation, impairment, penalty and late payment charges, charity donations and others. Other expenses in 2018, 2019 and 2020 were RMB73.5 million, RMB63.8 million and RMB113.4 million (US$17.4 million), respectively. The fluctuation is primarily related to (i) charity donations; (ii) compensation to our customers and other parties, primarily for the delays in delivering properties to our customers; and (iii) penalties related to planning and construction.

Fair Value Gains On Investment Properties

We develop and hold certain commercial properties on a long-term basis for rental income and capital appreciation. Our investment properties are recorded as non-current assets in our consolidated statements of financial position at fair value as of each balance sheet date as determined by independent valuations. Gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses in our consolidated statements of profit or loss and comprehensive income, which may have a substantial effect on our profits. The valuation of property involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may have been higher or lower if a different set of bases or assumptions is used. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant balance sheet dates and do not generate any cash inflow for our operations. The amounts of fair value adjustments have been, and may continue to change based on property market conditions in the PRC. Our fair value gains on investment properties in 2018, 2019 and 2020 were RMB768.2 million, RMB733.6 million and RMB614.9 million (US$94.2 million), respectively. The fair value gains on investment properties in 2018, 2019 and 2020 primarily related to (i) an increased number of investment properties, which was partially due to the reclassification of a number of properties from held for sale to investment properties; and (ii) fluctuations in the fair value of our existing investment properties.

Finance Costs

Our finance costs primarily consist of interest expenses for bank and other borrowings net of capitalized interest relating to properties under development. Our finance costs increased from RMB270.6 million in 2018 and to RMB474.8 million (US$72.8 million) in 2020. Since the construction period for a project does not necessarily coincide with the interest payment periods of the relevant loan, not all of the interest costs related to a project can be capitalized. Our finance costs fluctuate from period to period depending on the effective interest rates of our borrowings, the amounts borrowed as well as the level of interest costs that are capitalized within the reporting period. The increase in finance costs in 2018, 2019 and 2020 was primarily due to an increase in bank and other borrowings, partially offset by an increase in capitalized interest relating to properties under development.

Interest on lease liabilities represent the amount that produces a constant periodic rate of interest on the lease liability in each period during the lease term under the IRFS16. As we adopted the IRFS16 in 2019, we recognized interest on lease liabilities of RMB1.3 million in 2019, which increased to RMB3.9 million (US$0.6 million) in 2020.

Income Tax Expenses

Income tax expenses represent corporate income tax and LAT payable by our Subsidiaries in the PRC. We calculate our effective income tax rate by using the quotient of (a) the result of current income tax plus deferred income tax, divided by (b) the result of profit before income tax. In 2018, 2019 and 2020, our effective income tax rate was 37.7%, 42.9% and 42.5% respectively.

PRC TAXATION

Corporate 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. Most of our Subsidiaries are subject to the 25% enterprise income tax rate.

Moreover, our Group’s funds are expected to be retained in mainland China for our operations and we do not expect our PRC Subsidiaries to distribute such earnings in the foreseeable future. Therefore no deferred income tax needs to be recognized for withholding tax on dividends payable to non-PRC resident corporate investors.

LAT

Under the 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 sale 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 comprehensive 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

Our revenue increased by 27.7% from RMB20,966.2 million in 2019 to RMB26,774.1 million (US$4,103.3 million) in 2020, primarily due to an increase in revenue from sale of properties.

The table below sets forth a breakdown of revenues by sources of income:

	Year ended December 31,				
	2019		2020		
	(RMB'000)	(%)	(RMB'000)	(US$'000) (unaudited)	(%)
Sale of properties	20,755,993	99.0	26,588,345	4,074,842	99.3
Rental income	210,238	1.0	185,724	28,463	0.7
Total	**20,966,231**	**100.0**	**26,774,069**	**4,103,306**	**100.0**

Revenue from sale of properties. Our revenue from sale of properties increased by 28.1% from RMB20,756.0 million in 2019 to RMB26,588.3 million (US$4,074.8 million) in 2020, primarily attributable to an increase in recognized ASP and an increase in GFA delivered.

Rental income. Our rental income decreased by 11.7% from RMB210.2 million in 2019 to RMB185.7 million (US$28.5 million) in 2020, primarily due to the impact of the COVID-19 pandemic, amid which we waived the rent of whole-owned tenants for around half a month to one month.

Cost of sales

Our cost of sales increased by 39.8% from RMB14,877.4 million in 2019 to RMB20,803.1 million (US$3,188.3 million) in 2020, primarily due to the increase of the GFA delivered and the average cost per sq.m. sold in 2020.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased slightly from RMB6,088.9 million in 2019 to RMB5,971.0 million (US$915.0 million) in 2020. Our gross profit margin decreased from 29.0% in 2019 to 22.3% in 2020, primarily due to increases in cost of sales.

Other Income and Gains

Our other income and gains decreased significantly from RMB184.1 million in 2019 to RMB527.3 million (US$80.8 million) in 2020, primarily attributable to the increases in (i) the gains from the disposal of joint ventures and associates, (ii) interest income and (iii) exchange gains.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 41.9% from RMB1,097.2 million in 2019 to RMB1,556.7 million (US$238.6 million) in 2020, primarily due to an increase in commission to external sales agents and marketing activities.

Administrative Expenses

Our administrative expenses increased by 12.8% from RMB955.8 million in 2019 to RMB1,078.5 million (US$165.3 million) in 2020, primarily due to an increase in the number of our projects under development and held for future development, which resulted in an increase in our staff costs, professional fees and office expenses..

Other Expenses

Our other expenses increased by 77.7% from RMB63.8 million in 2019 to RMB113.4 million (US$17.4 million) in 2020, primarily due to (i) charity donations; and (ii) loss on disposal of investment properties.

Fair Value Gains on Investment Properties

Our fair value gains on investment properties decreased by 16.2% from RMB733.6 million in 2019 to RMB614.9 million (US$94.2 million) in 2020, primarily due to the influence of COVID-19 on the appraised value of our investment properties.

Share of Loss of a Joint Venture and Associates

Our share of loss of a joint venture and associates decreased by 94.4% from RMB32.3 million in 2019 to RMB1.8 million (US$0.3 million) in 2020.

Finance Costs

Our finance costs increased by 11.7% from RMB425.1 million in 2019 to RMB474.8 million (US$72.8 million) in 2020, primarily due to an increase in bank and other borrowings as a result of our business expansion. See "– Indebtedness."

Profit Before Tax

As a result of the foregoing, our profit before tax decreased by 12.6% from RMB4,416.7 million in 2019 to RMB3,858.3 million (US$591.3 million) in 2020.

Income Tax Expense

Our income tax expense decreased by 13.5% from RMB1,894.8 million in 2019 to RMB1,639.9 million (US$251.3 million) in 2020, primarily due to a decrease in taxable income.

Profit for the Year

As a result of the foregoing, our profit for the period decreased by 12.0% from RMB2,521.9 million in 2019 to RMB2,218.4 million (US$340.0 million) in 2020.

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

Revenue

Our revenue increased by 19.7% from RMB17,517.5 million in 2018 to RMB20,966.2 million in 2019, primarily due to an increase in revenue from sale of properties.

The table below sets forth a breakdown of revenues by sources of income:

	Year ended December 31,			
	2018		2019	
	(RMB'000)	(%)	(RMB'000)	(%)
Sale of properties	17,370,413	99.2	20,755,993	99.0
Rental income	147,115	0.8	210,238	1.0
Total	**17,517,528**	**100.0**	**20,966,231**	**100.0**

Revenue from sale of properties. Our revenue from sale of properties increased by 19.5% from RMB17,370.4 million in 2018 to RMB20,756.0 million in 2019, primarily attributable to an increase in recognized ASP and an increase in GFA delivered.

Rental income. Our rental income increased by 42.9% from RMB147.1 million in 2018 to RMB210.2 million in 2019, primarily due to an increase in leasable GFA.

Cost of sales

Our cost of sales increased by 15.5% from RMB12,884.5 million in 2018 to RMB14,877.4 million in 2019, primarily due to the increase of the GFA delivered and the average cost per sq.m. sold in 2018. The average cost per sq.m. sold increased primarily because of the increase in the average construction costs, average capitalized interest and average land acquisition costs.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 31.4% from RMB4,633.1 million in 2018 to RMB6,088.9 million in 2019. Our gross profit margin increased from 26.4% in 2018 to 29.0% in 2019, primarily due to the revenue contribution from commercial properties, office buildings and apartments, which have a higher average profit margin.

Other Income and Gains

Our other income and gains decreased by 33.0% from RMB274.7 million in 2018 to RMB184.1 million in 2019, primarily attributable to a decrease in the gain on acquisition of the subsidiaries in the amount of RMB110.6 million from the year ended December 31, 2019 to the year ended December 2018.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 32.0% from RMB831.0 million in 2018 to RMB1,097.2 million in 2019, primarily due to an increase in our contracted sales and contracted GFA.

Administrative Expenses

Our administrative expenses increased by 10.1% from RMB868.1 million in 2018 to RMB955.8 million in 2019, primarily due to an increase in the number of our projects under development and held for future development resulting in increases in our staff costs, professional fees and office expenses.

Other Expenses

Our other expenses decreased by 13.2% from RMB73.5 million in 2018 to RMB63.8 million in 2019, primarily due to a decrease in compensation to our customers.

Fair Value Gains on Investment Properties

Our fair value gains on investment properties decreased slightly from RMB768.2 million in 2018 to RMB733.6 million in 2019, primarily due to fluctuations in the fair value of our existing investment properties.

Share of Loss of a Joint Venture and Associates

Our share of loss of a joint venture and associates increased significantly from RMB12.4 million in 2018 to RMB32.3 million in 2019, primarily because we recognized selling and management expenses for the pre-sale activities of property development projects during the period.

Finance Costs

Our finance costs increased by 57.1% from RMB270.6 million in 2018 to RMB425.1 million in 2019, primarily due to an increase in bank and other borrowings, partially offset by an increase capitalised interest relating to properties under development in 2019. See "— Indebtedness."

Profit Before Tax

As a result of the foregoing, our profit before tax increased by 22.1% from RMB3,618.7 million in 2018 to RMB4,416.7 million in 2019.

Income Tax Expense

Our income tax expense increased by 39.1% from RMB1,362.5 million in 2018 to RMB1,894.8 million in 2019, primarily due to an increase in taxable income.

Profit for the Year

As a result of the foregoing, our profit for the period increased by 11.8% from RMB2,256.2 million in 2018 to RMB2,521.9 million in 2019.

Liquidity And Capital Resources

Source of Liquidity

We operate in a capital-intensive industry and have financed our working capital, capital expenditures and other capital requirements primarily through cash from operations, including proceeds from the pre-sale of our properties and rental income, borrowings from commercial banks, trust and asset management financings and the issuance of corporate bonds. We may also look for additional financing opportunities, such as the issuance of new corporate bonds, asset-backed securities programs and other debt offerings, to fund our property development operations. Our financing methods vary from project to project and are subject to limitations imposed by the PRC regulations and monetary policies.

As of December 31, 2018, 2019 and 2020, we had cash and cash equivalents of RMB4,778.2 million, RMB10,522.2 million and RMB14,878.2 million (US$2,280.2 million), respectively, which primarily consisted of cash at bank and on hand.

Cash Flows Analysis

The following table sets forth a summary of our cash flows for the years indicated:

	Year ended December 31,			
	2018	2019	2020	
	(RMB'000)	(RMB'000)	(RMB'000)	US$'000 (unaudited)
Net cash flows (used in)/from operating activities	3,985,800	4,522,432	(5,161,477)	(791,031)
Net cash flows used in investing activities	(9,678,434)	(5,209,357)	(4,757,098)	(729,057)
Net cash flows from financing activities	5,875,125	6,411,969	14,273,551	2,187,517
Net increase in cash and cash equivalents	182,491	5,725,044	4,354,976	667,429
Cash and cash equivalents at beginning of the year	4,595,727	4,778,218	10,522,176	1,612,594
Cash and cash equivalents at the end of the year	4,778,218	10,522,176	14,878,153	2,280,177

Net Cash Flows (Used in)/ from Operating Activities

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

In 2020, our net cash flows used in operating activities were RMB5,161.5 million (US$791.0 million), which were the result of cash generated from operations of RMB262.9 million (US$40.3 million), as adjusted by (i) interest received of RMB79.3 million (US$12.2 million), (ii) interest paid of RMB4,110.2 million (US$630.0 million) and (iii) tax paid of RMB1,393.4 million (US$213.6 million). Cash flows from operations prior to changes in working capital were RMB3,654.6 million (US$560.1 million). Changes in working capital contributed to a net cash outflow of RMB3,391.7 million (US$519.8 million), comprising primarily of (i) an increase in properties under development and completed properties held for sale of RMB11,721.8 million (US$1,796.4 million) and (ii) an increase in prepayments, deposits and other receivables of RMB3,745.5 million (US$574.0 million), partially offset by (i) an increase in contract liabilities of RMB4,155.4 million (US$636.8 million) and (ii) an increase in other payables, deposits received and accruals of RMB3,477.4 million (US$532.9 million).

In 2019, our net cash flows generated from operating activities were RMB4,522.4 million, which were the result of cash generated from operations of RMB9,785.9 million, as adjusted by (i) interest received of RMB66.1 million, (ii) interest paid of RMB3,468.0 million and (iii) tax paid of RMB1,861.5 million. Cash flows from operations prior to changes in working capital were RMB4,116.2 million. Changes in working capital contributed to a net cash inflow of RMB5,669.7 million, comprising primarily of (i) an increase in contract liabilities of RMB9,932.1 million mainly due to an increase in sales of properties, (ii) an increase in trade and bills payables of RMB7,237.5 million mainly due to an increase in property development projects and cost of sales, partially offset by (i) an increase in properties under development and completed properties held for sale of RMB14,365.3 million mainly due to an increase in projects that had commenced construction, (ii) an increase in restricted bank deposits relating to operating activities of RMB1,655.5 million mainly due to an increase in our property development projects and (iii) an increase in prepayments, deposits and other receivables of RMB3,043.4 million mainly due to an increase in our property development projects.

In 2018, our net cash flows generated from operating activities were RMB3,985.8 million, which were the result of cash generated from operations of RMB7,729.8 million, as adjusted by (i) interest received of RMB81.0 million, (ii) interest paid of RMB2,537.6 million and (iii) tax paid of RMB1,287.4 million. Cash flows from operations prior to changes in working capital were RMB2,968.0 million. Changes in working capital contributed to a net cash inflow of RMB4,761.8 million, comprising primarily of (i) an increase in contract liabilities of RMB7,270.3 million mainly due to an increase in sales of properties, (ii) an increase in other payables and accruals of RMB3,638.4 million mainly due to an increase in acquisition of project companies; and (iii) an increase in trade and bills payables of RMB3,823.6 million mainly due to an increase in property development projects and cost of sales, partially offset by (i) an increase in prepaid land lease payment of RMB4,260.7 million mainly due to an increase in our property development projects and an increase in cost of sales, (ii) an increase in prepayments, deposits and other receivables of RMB2,034.3 million mainly due to an increase in our property development projects and (iii) an increase in properties under development and completed properties held for sale of RMB2,565.2 million mainly due to an increase in projects that had commenced construction.

Net Cash Flows used in Investing Activities

Our cash used in investing activities primarily related to our acquisitions of subsidiaries, purchases of investment properties and prepayments of equity investments. Our cash flows from our investing activities primarily related income from available-for-sale investments as well as disposals of items of property, plant and equipment.

In 2020, our net cash flows used in investing activities were RMB4,757.1 million (US$729.1 million), primarily attributable to (i) acquisition of investment properties of RMB2,121.5 million (US$325.1 million), (ii) net outflow of cash and cash equivalents in respect of the acquisitions of subsidiaries of RMB769.2 million (US$117.9 million) and (iii) outstanding considerations paid for acquisitions of subsidiaries in prior years of RMB522.9 million (US$80.1 million).

In 2019, our net cash flows used in investing activities were RMB5,209.4 million, primarily attributable to (i) acquisitions of subsidiaries of RMB2,984.5 million, which was in line with our business expansion (ii) purchases of investment properties of RMB1,900.9 million, and (iii) payment of outstanding consideration of acquisition of subsidiaries in prior years of RMB1,007.8 million.

In 2018, our net cash flows used in investing activities were RMB9,678.4 million, primarily attributable to (i) acquisitions of subsidiaries of RMB5,571.5 million, which was in line with our business expansion, (ii) payment of outstanding consideration of acquisition of subsidiaries in prior years of RMB1,395.0 million, and (iii) purchases of investment properties of RMB1,374.2 million.

Net Cash Flows from Financing Activities

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

In 2020, our net cash flows generated from financing activities were RMB14,273.6 million (US$2,187.5 million), primarily attributable to (i) new interest-bearing bank and other borrowings of RMB25,038.1 million (US$3,837.3 million) and (ii) capital contribution from non-controlling shareholder of subsidiaries of RMB7,667.9 million (US$1,175.2 million).

In 2019, our net cash flows generated from financing activities were RMB6,412.0 million, primarily attributable to (i) interest-bearing bank and other borrowing of RMB23,167.0 million, and (ii) capital contribution from a non-controlling shareholder of a subsidiary of RMB549.1 million, partially offset by repayments of interest-bearing bank and other borrowings of RMB17,478.9 million.

In 2018, our net cash flows generated from financing activities were RMB5,875.1 million, primarily attributable to (i) advances from related parties of RMB14,143.0 million, and (ii) new interest-bearing bank and other borrowings of RMB18,364.2 million, partially offset by (i) repayments to related parties of RMB14,640.1 million, and (ii) repayments of interest-bearing bank and other borrowings of RMB10,892.9 million.

Capital Expenditures

Our capital expenditures in 2018, 2019 and 2020 primarily represented expenditures incurred in relation to purchases of property, plant and equipment and acquisitions of intangible assets such as certain software. As of December 31, 2018, 2019 and 2020, the aggregate property, plant and equipment and other intangible assets amounted to RMB275.7 million, RMB274.9 million and RMB289.4 million.

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. Generally, the mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the issuance and registration of property ownership certificates to the purchasers, which are generally available within one to two years after the purchasers take possession of the relevant properties. If a purchaser defaults on the mortgage loan, the mortgage bank may require that we immediately repay the entire outstanding balance of the mortgage and any additional payments or penalties pursuant to the guarantee. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks.

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

	As of December 31,			
	2018	2019	2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Guarantees given to banks in connection with facilities granted to purchasers of our properties........	25,827,398	27,521,534	33,919,551	5,198,399

We provided guarantees to banks and other institutions in connection with financial facilities granted to related companies. As of December 31, 2020, all such guarantees were released and discharged.

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 and Material Claims" for more details.

Commitments

Expenditure Commitments

The following table sets forth our property development expenditures we had contracted but not yet provided for as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Contracted, but not provided for:				
— Property development activities.....	25,420,025	33,892,875	47,763,796	7,320,122
— Acquisition of land use rights	2,699,609	2,578,332	521,071	79,858
— Capital contributions payable to joint ventures and associates	—	165,552	3,552	544
	28,119,634	36,636,759	48,288,365	7,400,516

Operating Lease Commitments

As lessor

We lease certain of our investment properties to tenants under operating lease arrangements for a term of one to 20 years. The terms of leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. The following table sets forth our future minimum lease receivables under non-cancellable operating leases with its tenants falling due:

	As of December 31,			
	2018	2019	2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Within one year.................................	255,563	219,977	498,555	76,407
In the second to fifth years, inclusive...	588,241	430,408	616,451	94,475
After five years	480,263	348,828	955,422	146,425
	1,324,067	999,213	2,070,428	317,307

As lessee

We lease certain of our office properties as tenants under operating lease arrangements for a term of one to five years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated. The following table sets forth our future minimum lease payments under non-cancellable operating leases falling due:

	As of December 31,			
	2018	2019	2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Within one year.................................	6,864	5,541	15,756	2,415
In the second to fifth years, inclusive...	4,295	4,711	4,847	743
	11,159	10,252	20,603	3,158

LEASE LIABILITIES

We recognized lease liabilities in the amount of RMB20.6 million (US$3.2 million) as part of our liabilities as of December 31, 2020, pursuant to the adoption of IFRS 16 on January 1, 2019. Lease liabilities are measured at net present value of the lease payments during the lease terms that are not yet paid.

Bank and other borrowings

General

The following table sets forth the closing balances 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	—	—	865,800	132,690
Bank loans — unsecured	—	—	3,000	460
Other loans — secured[1]	2,426,640	1,602,100	1,783,956	273,403
Other loans — unsecured[1]	109,869	64,708	74,291	11,386
Corporate bonds	—	—	3,570,230	547,162
Convertible bonds	—	—	2,046,670	313,666
Add: Current portion of				
Long term bank loans				
Bank loans — secured	889,862	5,183,884	5,226,131	800,940
Bank loans — unsecured	388,280	443,000	—	—
Long term other loans				
Other loan — secured[1]	5,394,900	5,646,046	6,064,984	929,499
Other loans — unsecured[1]	200,000	358,000	—	—
Total Current Borrowings	**9,409,551**	**13,297,738**	**19,635,062**	**3,009,206**
Non-Current Borrowings:				
Bank loans — secured	6,854,000	11,500,684	13,820,401	2,118,069
Bank loans — unsecured	1,154,120	701,360	—	—
Other loans — secured[1]	8,639,865	7,500,593	8,037,726	1,231,835
Other loans — unsecured[1]	250,000	299,900	1,080,000	165,517
Corporate bonds	2,000,000	4,113,525	1,400,000	214,559
Convertible bonds	—	—	676,882	103,737
Total Non-Current Borrowing	18,897,985	24,116,062	25,015,009	3,833,717
Total	**28,307,536**	**37,413,800**	**44,650,071**	**6,842,923**

Note:

(1) These borrowings are mainly in the form of trust and asset management financing arrangements with trust financing providers, asset management companies and other financial institutions.

The table below sets forth a breakdown of the balance of borrowings as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Bank loans	9,286,263	17,828,928	19,915,332	3,052,158
Trust and Asset Management Financing Arrangements	16,911,406	15,298,639	17,715,936	2,715,086
Corporate Bonds	2,000,000	4,113,525	4,970,230	761,721
Other financing arrangement	109,868	172,708	2,048,573	313,958
Total	**28,307,536**	**37,413,800**	**44,650,071**	**6,842,923**

Our total interest-bearing bank and other borrowings increased from RMB28,307.5 million as of December 31, 2018, to RMB37,413.8 million as of December 31, 2019 and further increased to RMB44,650.1 million (US$6,842.9 million) as of December 31, 2020. The increase of our total interest-bearing bank and other borrowings in 2018, 2019 and 2020 was primarily due to increasing financing activities as a result of our business expansion.

We are subject to certain customary restrictive covenants under our credit facilities with commercial banks. For example, certain of our Subsidiaries are prohibited from merger, restructuring, spin-off, material asset transfer, liquidation, change of control, reduction of registered capital, change of scope of business, declaration of dividends and incurring further indebtedness without the prior consent of the relevant banks. We are also, and will be, subject to certain financial covenants linked to certain financial ratios pursuant to our existing and future loans, such as maintaining a prescribed maximum debt-asset ratio or current ratio of the borrower during the term of the loans. As of December 31, 2020, four of our financial arrangements were subject to restrictive covenants that were linked to financial ratios of our project companies acting as borrowers, namely net gearing ratio, current ratio, or both.

As of December 31, 2020, none of our project companies breached the terms of the restrictive covenants. If our project companies had failed to comply with the terms of the restrictive covenants, these project companies would have been able to obtain consent letters from relevant financial institutions pursuant to which such financial institutions agreed to remove relevant restrictive covenants at issue from the date such financial institutions signed the respective financing agreements.

The weighted average effective interest rates on our total borrowings, which represent actual borrowing cost incurred during the period divided by weighted average borrowings that were outstanding during the period, as of December 31, 2018, 2019 and 2020 were 8.8%, 9.4% and 9.5%, respectively. The changes in average effective interest rates on our borrowings in 2018, 2019 and 2020 was in line with the general trends of the market interest rates.

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

	As of December 31,			
	2018	2019	2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Repayable within one year	9,409,551	13,297,738	19,635,062	3,009,205
Repayable in the second year	10,173,925	13,662,371	16,707,044	2,560,467
Repayable within two to five years	7,700,060	8,979,691	6,421,280	984,104
Repayable in more than five years	1,024,000	1,474,000	1,886,685	289,147
Sub-total	18,897,985	24,116,062	25,015,009	3,833,718
Total	**28,307,536**	**37,413,800**	**44,650,072**	**6,842,923**

Trust and Asset Management Financing Arrangements

As with many other property developers in the PRC, we also enter into financing arrangements with trust companies, asset management companies and their financing vehicles, in the ordinary course of business to finance our property development and other related operations. Compared with bank borrowings, such financing arrangements usually offer greater flexibility in terms of availability, approval schedule and repayment requirements, which constitute an effective alternative source of funding for some of our project developments, particularly during the tightened banking credit environments. These financing arrangements include trust financing arrangements, which refer to the financing arrangements with trust companies, asset management companies and their financing vehicles. As of December 31, 2020, the total balance of our trust and asset management financing arrangements accounted for 39.7% of the total balance of our interest-bearing bank and other borrowings as of the same date.

Corporate Bonds

In June 2018, we issued the first tranche of private corporate bonds in the total principal amount of RMB1,000.0 million, which have a two-year term and bear interest at the rate of 7.9% per annum. In December 2018, we issued the second tranche of private corporate bonds in the total principal amount of RMB1,000.0 million, which have a two-year term and bear interest at the rate of 7.8% per annum. In October 2019, we issued the first tranche of senior notes in the total principal amount of US$300,000.0 million, which have a two-year term and bear interest at the rate of 12.88% per annum. In February 2020, we issued the second tranche of senior notes in the total principal amount of US$250,000.0 million, which have a two-year term and bear interest at the rate of 12.88% per annum. As of December 31, 2020, the closing balance of our corporate bonds included in interest-bearing bank and other borrowings was RMB4,970.2 million (US$761.7 million).

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 interest rate risk, credit risk and liquidity risk. We have developed conservative strategies on its risk management. To keep our exposure to these risks to a minimum, we have not used any derivatives and other instruments for hedging purposes or issued derivative financial instruments for trading purposes.

Interest Rate Risk

Our exposure to changes interest rates is mainly attributable to our interest-bearing bank and other borrowings. We have not used derivative financial instruments to hedge interest rate risk. Commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, and we expect that any increase in the benchmark lending rates will increase our borrowing costs.

Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. We have no significant concentrations of credit risk in view of our large number of customers. The credit risk of our other financial assets, which mainly comprise restricted cash and pledged deposits, other receivables, and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity Risk

Our objective is to maintain sufficient and flexible funding through the use of interest-bearing bank and other borrowings. We review our cash flows on an ongoing basis.

The information in the section below has been derived, in part, from various government publications unless otherwise indicated. This information has not been independently verified by us or the Sole Lead Manager or any of our and their respective affiliates or advisors. The information may not be consistent with other information compiled within or outside the PRC.

OVERVIEW OF THE PRC ECONOMY

China has experienced stable economic growth with a softening trend over the last seven years. Over the same period, investment in fixed assets has increased at a CAGR of 7.7%. The economic growth has propelled the urbanization rate, which reached 59.6% in 2019. The following table sets forth selected economic statistics for the PRC for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	59,524	64,397	68,551	74,413	82,712	90,031	8.6%
Real GDP growth rate (%)	7.8	7.3	6.9	6.7	6.9	6.6	N/A
Fixed asset investment (RMB billion)	44,629	51,276	56,200	60,647	63,124	64,568	7.7%
Urbanization rate (%)	53.7	54.8	56.1	57.4	58.5	59.6	N/A
Urban disposable income per capita (RMB)	26,467	28,844	31,195	33,616	36,396	39,251	8.2%

Note: N/A means not applicable or not available

Sources: China Statistical Yearbook, National Bureau of Statistics

However, there has been a slowdown in the growth of the PRC economy as evidenced by a decrease in real GDP growth rate. The real GDP growth rate has dropped to 6.2% in the second quarter in 2020, as compared to 6.2% in the corresponding period in 2019. The real GDP growth slowed down in 2020 in light of the sluggish global economy, the China-US trade war as well as the pressure of industrial transformation and upgrading in China.

THE PRC REAL ESTATE MARKET

Overview

The PRC's overall economic growth in recent years has increased the purchasing power of residents and resulted in rising demand for real estate properties, especially residential properties. Consequently, the PRC property market has been growing strongly. Total investment in real estate development projects increased from approximately RMB8,601 billion in 2013 to approximately RMB12,026 billion in 2019, representing a CAGR of approximately 6.9%. The investment of residential properties increased from approximately RMB5,895 billion in 2013 to approximately RMB8,519 billion in 2019, representing a CAGR of approximately 7.6%. The investment of commercial properties increased from approximately RMB1,194 billion in 2013 to approximately RMB1,418 billion in 2019. The table below sets the selected indicators of the real estate market in the PRC for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	8,601	9,504	9,598	10,258	10,980	12,026	6.9%
Residential Properties							
Commodity residential properties investment (RMB billion)	5,895	6,435	6,460	6,870	7,515	8,519	7.6%
Total GFA of commodity residential properties sold (million sq.m.)	1,157	1,052	1,124	1,375	1,448	1,479	5.0%
Average selling price of commodity residential properties (RMB per sq.m.)	5,850	5,933	6,473	7,203	7,614	8,546	7.9%
Commercial Properties							
Real Estate commercial properties investment (RMB billion)	1,194	1,435	1,461	1,584	1,564	1,418	3.5%
Total GFA of commercial properties sold (million sq.m.)	85	91	93	108	128	120	7.1%
Average selling price of commercial properties (RMB per sq.m.)	9,777	9,817	9,566	9,786	10,323	11,151	2.7%

Sources: China Statistical Yearbook, National Bureau of Statistics, CREIS, Wind

There has been a slowdown in the growth of the PRC economy as evidenced by the decrease in real GDP growth rate. The slowdown in the growth of the PRC economy is expected to affect the growth of the PRC real estate industry.

Major Factors Driving the Real Estate Market

The economic growth, urbanization and rising standards of living in the PRC have been the main driving forces behind the increasing market demand for properties. The real estate industry in the PRC is dependent on the PRC's overall economic growth, including the increase in the purchasing power of residents in the PRC and the resulting demand for residential properties.

Recent Development of PRC Real Estate Policies

The PRC real estate market is subject to extensive government regulations. The PRC Government introduced a series of regulations and policies designed to generally control the growth of the property market. For example, home purchase restrictions, originally introduced under the Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》) issued by the PRC State Council in April 2010, were reactivated in various cities including Beijing, Guangzhou, Tianjin, Zhengzhou, Wuxi, Jinan, Hefei and Wuhan in 2016. Such restrictions aimed to stabilize the property market by supervising selling price, strictening the mortgage loan approval standards and standardizing property transactions.

The PRC Government also issued various policies and regulations to incentivize the property market. For example, the official borrowing and saving rates of the PBOC were adjusted downward five times in 2015, which reduced the financing costs in purchasing properties. In the same year, the PBOC, the Ministry of Finance and the Ministry of Housing and Urban-Rural Development of the PRC jointly issued the Notice on the Adjustment of the Minimum Down Payment Ratio of the Housing Provident Loans (《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》), reducing the down payment from 30% to 20% for home upgraders who (i) fully paid the mortgage of the first home; and (ii) apply for housing provident fund to purchase a second home. In March 2015, the State Administration of Taxation and the Ministry of Finance jointly issued the Notice on the Adjustments of Individual Housing Transfer Business Tax Policy (《關於調整個人住房轉讓營業税政策的通知》), adjusting the threshold requirement for the business tax exemption/reduction of second home purchase from five years to two years after purchasing the first home. These policies have stimulated the property transaction volume. In June 2016, the General Office of the State Council issued the Several Opinions on Accelerating the Development of the Rental Housing Market (《關於加快培育和發展住房租賃市場的若干意見》) to incentivize the markets for both home purchase and home renting (購租並舉) and to accelerate the development of the rental housing. In August 2017, the Ministry of Land and Resources issued the Pilot Scheme for the Use of Collective Construction Use Land to Build Residential Rental Property (《利用集體建設用地建設租賃住房試點方案》) to further develop the rental housing market. These policies provide new business opportunities for real estate companies in rental housing market. At the National People's Congress and the Chinese Political Consultative Conference (NPC&CPPCC) in 2018, the PRC Government reiterated the general policy to stabilize the property market and the principle that "houses are built to be inhabited, not for speculation." On January 13, 2018, China Banking Regulatory Commission issued the Notice of the China Banking Regulatory Commission on Further Deepening the Regulation of Market Disorder in the Banking Market (《根據中國銀監會關於進一步深化整治銀行業市場亂象的通知》), which categorized certain practices of real estate developers as practices that disrupt the banking market and imposed restrictions on those practices. In March 2019, Chinese Premier Li Keqiang delivered the Government Work Report of the Second Session of the 13th National People's Congress (《十三屆人民代表大會二次會議政府工作報告》) (the "**Work Report**"). The Work Report stated that the local government in each city shall take the primary responsibility in reforming and improving the housing system and the housing security system (落實城市主體責任,改革完善住房市場體系和保障體系). Among various housing plans, the PRC Government will continue to renovate shanty towns and construct government-subsidized housings that target the basic housing needs of low income groups to meet the "rigid demand" for housing in the first and second tier cities.

In addition, the PRC Government has been contemplating to levy real estate tax to curb speculation and improve taxation structure. In June 2018, a nationwide unified real estate registration information management foundation platform was established, which could provide a database for levying real estate tax. On March 31, 2019, the PRC Government delivered the Work Report which stated the PRC Government will take further reform measures to "improve local tax system and prudently advance legislation on real estate tax" (健全地方稅體系,穩步推進房地產稅立法), indicating an accelerated schedule on real estate tax legislation.

REAL ESTATE MARKET OF SELECTED CITIES IN THE PRC

The Pearl River Delta Region

Guangzhou

Guangzhou is the capital city of Guangdong Province and an economic and industrial hub in southern China. Guangzhou is recognized as the political, economic, financial, cultural, education and transportation center of southern China. In recent years, the economy of Guangzhou has experienced steady growth. The following table sets forth selected economic indicators relating to Guangzhou for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	1,542	1,671	1,810	1,961	2,150	2,286	8.2%
Real GDP growth (%)	11.6	8.6	8.4	8.2	7.0	6.2	N/A
Fixed asset investment (RMB billion)	445	489	541	570	592	594	5.9%
Urban disposable income per capita (RMB)	42,049	42,955	46,735	50,941	55,400	59,982	7.4%

Note: N/A means not applicable or not available

Sources: Guangzhou Statistical Yearbook, Guangzhou Statistical Communique

Real estate investment in Guangzhou has experienced an upward trend since 2013, increasing from RMB158 billion in 2013 to RMB270 billion in 2019, representing a CAGR of 11.3%. The following table sets forth key indicators of residential market in Guangzhou for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	158	182	214	254	270	270	11.3%
Commodity residential properties investment (RMB billion)	95	99	133	159	177	173	12.7%
Total GFA of commodity residential properties sold (million sq.m.)	8.06	8.36	10.82	14.16	9.82	9.97	4.3%
Average selling price of commodity residential properties (RMB per sq.m.)	14,758	15,075	15,101	16,627	16,450	20,354	6.6%

Note: N/A means not applicable or not available

Sources: Guangzhou Statistical Communique, CREIS

Huizhou

Huizhou is located in the southeast of Guangdong Province. The total area of Huizhou is about 11,300 sq.km. and its permanent resident population was about 4.83 million as of the end of 2019. In recent years, the economy of Huizhou maintained a steady growth. The following table sets forth selected economic indicators relating to Huizhou for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	268	300	314	341	383	410	8.9%
Real GDP growth (%)	13.6	10.0	9.0	8.2	7.6	6.0	N/A
Fixed asset investment (RMB billion)	140	161	186	204	223	230	10.4%
Urban disposable income per capita (RMB)	32,992	27,300	30,057	33,213	36,608	39,574	3.7%

Note: N/A means not applicable or not available

Sources: Huizhou Statistical Yearbook, Huizhou Statistical Communique

Real estate investment in Huizhou has experienced an upward trend since 2013, increasing from RMB59 billion in 2013 to RMB98 billion in 2019, representing a CAGR of 10.7%. The following table sets forth key indicators of residential market in Huizhou for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	59	67	61	75	88	98	10.7%
Commodity residential properties investment (RMB billion)	47	51	49	N/A	73	81	11.5%
Total GFA of commodity residential properties sold (million sq.m.)	3.35	2.79	3.58	5.35	3.36	2.92	(2.7)%
Average selling price of commodity residential properties (RMB per sq.m.)	6,530	6,423	6,322	7,916	10,151	10,804	10.6%

Note: N/A means not applicable or not available

Sources: Huizhou Statistical Communique, CREIS

Zhongshan

Zhongshan is located in the south-central part of the Pearl River Delta. The total area of Zhongshan is about 1,783 sq.km. and its permanent resident population was about 3.31 million as of the end of 2019. The economic structure of Zhongshan City has been improved in recent years. The following table sets forth selected economic indicators relating to Zhongshan for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	264	282	301	320	345	363	6.6%
Real GDP growth (%)	10.0	8.0	8.4	7.8	6.6	5.9	N/A
Fixed asset investment (RMB billion)	96	90	106	115	125	132	6.6%
Urban disposable income per capita (RMB)	34,274	34,304	37,254	41,613	45,295	48,804	7.3%

Note: N/A means not applicable or not available

Sources: Zhongshan Statistical Yearbook, Zhongshan Statistical Communique

Real estate investment in Zhongshan has experienced an upward trend since 2013, increasing from RMB40 billion in 2013 to RMB69 billion in 2019, representing a CAGR of 11.5%. The following table sets forth key indicators of residential market in Zhongshan for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	40	43	48	54	62	69	11.5%
Commodity residential properties investment (RMB billion)	29	32	35	N/A	N/A	N/A	N/A
Total GFA of commodity residential properties sold (million sq.m.)	7.87	7.18	10.19	10.52	2.84	2.47	(20.7)%
Average selling price of commodity residential properties (RMB per sq.m.)	5,737	5,768	5,712	7,146	8,422	8,485	8.1%

Note: N/A means not applicable or not available

Sources: Zhongshan Statistical Communique, CREIS

Zhaoqing

Zhaoqing is located in the Midwest of Guangdong Province, midstream area of Xijiang River. As of 2019, Zhaoqing has a total land area of 14,900 sq. km and a total population of about 4.15 million. The following table sets forth selected economic indicators relating to Zhaoqing for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	166	185	197	208	220	220	5.8%
Real GDP Growth (%)	11.5	10.0	8.2	5.0	5.2	6.6	N/A
Fixed asset investment (RMB billion)	101	114	133	137	150	134	5.8%
Urban disposable income per capita (RMB)	23,929	21,726	23,746	25,907	28,276	30,679	5.1%

Note: N/A means not applicable or not available

Sources: Zhaoqing Statistical Yearbook, Zhaoqing Statistical Communique

Real estate investment in Zhaoqing has experienced a general upward trend since 2013, increasing from RMB17 billion in 2013 to RMB35 billion in 2019, representing a CAGR of approximately 15.5%. The following table sets forth key indicators of residential property market in Zhaoqing for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	17	19	16	15	21	35	15.5%
Real estate residential investment (RMB billion)	13	13	12	11	15	27	15.7%
Total GFA of commodity residential properties sold (million sq.m.)	4.15	4.05	4.24	4.44	N/A	5.94	7.4%
Average selling price of commodity residential properties (RMB per sq.m.)	4,654	4,590	4,549	4,621	N/A	7,015	8.6%

Note: N/A means not applicable or not available

Sources: Zhaoqing Statistical Communique, CREIS

Qingyuan

Qingyuan is a prefecture-level city settled on the north of Guangzhou with a total land area of 19,000 sq. km and a total population of about 3.87 million as of 2019. It is the largest city in Guangdong, in terms of total land area. The following table sets forth selected economic indicators relating to Qingyuan for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	109	119	128	139	150	157	7.6%
Real GDP Growth (%)	8.2	7.9	8.2	7.9	5.0	4.0	N/A
Fixed asset investment (RMB billion)	49	60	62	62	67	75	8.9%
Urban disposable income per capita (RMB)	21,368	21,368	22,907	22,907	27,610	29,377	6.6%

Note: N/A means not applicable or not available

Sources: Qingyuan Statistical Yearbook, Qingyuan Statistical Communique

Real estate investment in Qingyuan has experienced a general upward trend since 2013, increasing from RMB20 billion in 2013 to RMB39 billion in 2019, representing a CAGR of approximately 14.3%. The following table sets forth key indicators of residential property market in Qingyuan for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	20	22	21	23	28	39	14.3%
Real estate residential investment (RMB billion)	15	18	17	18	21	31	15.6%
Total GFA of commodity residential properties sold (million sq.m.)	4.83	3.95	5.11	7.34	8.09	5.70	3.4%
Average selling price of commodity residential properties (RMB per sq.m.)	4,970	4,833	4,718	4,782	6,398	8,331	10.9%

Note: N/A means not applicable or not available

Sources: Qingyuan Statistical Communique, CREIS

The Yangtze River Delta Region

Shanghai

Shanghai is one of the four municipalities and is the leading city of the Yangtze River Delta Region. Shanghai is the economic, financial, trade and shipping center of mainland China. In recent years, the economy of Shanghai maintained a steady growth rate. The following table sets forth selected economic indicators relating to Shanghai for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	2,160	2,356	2,496	2,747	3,013	3,268	8.6%
Real GDP growth (%)	7.7	7.0	6.9	6.8	6.9	6.6	N/A
Fixed asset investment (RMB billion)	565	602	635	676	725	763	6.2%
Urban disposable income per capita (RMB)	43,851	47,710	52,962	57,692	62,596	68,034	9.2%

Note: N/A means not applicable or not available

Sources: Shanghai Statistical Yearbook, Shanghai Statistical Communique

Real estate investment in Shanghai has experienced an upward trend since 2013, increasing from RMB282 billion in 2013 to RMB403 billion in 2019, representing a CAGR of 7.4%. The following table sets forth key indicators of residential market in Shanghai for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	282	321	347	371	386	403	7.4%
Commodity residential properties investment (RMB billion)	162	172	181	197	215	223	6.6%
Total GFA of commodity residential properties sold (million sq.m.)	18	16	23	22	14	13	(6.3)%
Average selling price of commodity residential properties (RMB per sq.m.)	18,890	18,995	23,590	26,728	26,142	29,687	9.5%

Note: N/A means not applicable or not available

Sources: Shanghai Statistical Communique, CREIS

Shaoxing

Shaoxing is a prefecture-level city of Zhejiang Province, located in the north-central part of Zhejiang Province and the south bank of Hangzhou Bay. The Nominal GDP of Shaoxing had generally increased from approximately RMB398.7 billion in 2013 to approximately RMB541.7 billion in 2019, at a CAGR of approximately 6.3%. The following table sets forth selected economic indicators relating to Shaoxing for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	398.7	426.6	446.6	471.0	510.8	541.7	6.3%
Real GDP Growth (%)	8.5	7.5	7.1	5.5	7.1	7.1	N/A
Fixed asset investment (RMB billion)	200	230	258	288	312	318	9.7%
Urban disposable income per capita (RMB)	40,454	43,167	46,747	50,305	54,445	59,049	7.9%

Note: N/A means not applicable or not available

Sources: Shaoxing Statistical Yearbook, Shaoxing Statistical Communique

Real estate investment in Shaoxing has experienced a general upward trend since 2013, increasing from RMB54 billion in 2013 to RMB80 billion in 2019, representing a CAGR of approximately 8.2%. The following table sets forth key indicators of residential property market in Shaoxing for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	54	61	62	64	68	80	8.2%
Real estate residential investment (RMB billion)	42	47	43	43	50	63	8.5%
Total GFA of commodity residential properties sold (million sq.m.)	1.08	0.91	1.69	1.64	1.99	1.72	9.8%
Average selling price of commodity residential properties (RMB per sq.m.)	12,816	10,020	9,432	9,672	11,183	15,858	4.4%

Note: N/A means not applicable or not available

Sources: Shaoxing Statistical Communique, CREIS

Hefei

Hefei is located in the centre of Anhui Province and in the middle reaches of Yangtze River. It is the capital and the largest city of Anhui Province with an area of 11,434.25 sq.km. The following table sets forth selected economic indicators relating to Hefei for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	467.29	515.80	566.03	627.43	721.35	782.2	10.9%
Real GDP Growth (%)	11.5	10.0	10.5	9.8	8.5	8.5	N/A
Fixed asset investment (RMB billion)	470.80	538.52	615.34	650.12	635.14	680.2	7.6%
Urban disposable income per capita (RMB)	28,083	29,348	31,989	34,852	37,972	41,484	8.1%

Note: N/A means not applicable or not available

Sources: Hefei Statistical Yearbook, Hefei Statistical Communique

Real estate investment in Hefei increased from RMB111 billion in 2013 to RMB153 billion in 2019, representing a CAGR of 6.6%. The following table sets forth key indicators of residential property market in Hefei for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	111	113	126	135	156	153	6.6%
Commodity residential properties investment (RMB billion)	67	72	78	86	110	117	11.8%
Total GFA of commodity residential properties sold (million sq.m.)	12.70	11.14	10.67	9.73	4.16	13.09	0.6%
Average selling price of commodity residential properties (RMB per sq.m.)	6,859	7,330	8,263	10,735	10,797	11,566	11.0%

Note: N/A means not applicable or not available

Sources: Hefei Statistical Communique, CREIS

Nanjing

Nanjing is the capital city of Jiangsu Province. In 2019, it was ranked the third largest city in the Yangtze River Delta Region in terms of urban population and urban area. In recent years, the economy of Nanjing has experienced a steady growth. The following table sets forth selected economic indicators relating to Nanjing for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	801	882	972	1,050	1,172	1,282	9.9%
Real GDP growth (%)	11.0	10.1	9.3	8.0	8.1	8.0	N/A
Fixed asset investment (RMB billion)	527	546	548	553	622	680	5.2%
Urban disposable income per capita (RMB)	39,881	42,568	46,104	49,997	54,538	59,308	8.3%

Note: N/A means not applicable or not available

Sources: Nanjing Statistical Yearbook, Nanjing Statistical Communique

Real estate investment in Nanjing has experienced an upward trend since 2013, increasing from RMB112 billion in 2013 to RMB235 billion in 2019, representing a CAGR of 16.0%. The following table sets forth key indicators of residential market in Nanjing for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	112	113	143	185	217	235	16.0%
Commodity residential properties investment (RMB billion)	77	80	108	139	157	155	15.0%
Total GFA of commodity residential properties sold (million sq.m.)	9.93	7.76	12.07	14.31	7.10	6.48	(8.2)%
Average selling price of commodity residential properties (RMB per sq.m.)	12,916	14,267	15,897	20,378	25,201	25,546	14.6%

Note: N/A means not applicable or not available

Sources: Nanjing Statistical Communique, CREIS

Hangzhou

Hangzhou is the capital city of Zhejiang Province and is the local political, economic and cultural center. The city is located on the lower reaches of the Qiantang River in southeast China and only 180 km from Shanghai. The following table sets forth selected economic indicators relating to Hangzhou for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	840	921	1,005	1,131	1,257	1,351	10.0%
Real GDP growth (%)	8.0	8.2	10.2	9.6	8.0	6.7	N/A
Fixed asset investment (RMB billion)	426	495	556	584	586	649	8.8%
Urban disposable income per capita (RMB)	39,310	44,632	48,316	52,185	56,276	61,172	9.2%

Note: N/A means not applicable or not available

Sources: Hangzhou Statistical Yearbook, Hangzhou Statistical Communique

Real estate investment in Hangzhou has experienced an upward trend since 2013, increasing from RMB185 billion in 2013 to RMB307 billion in 2019, representing a CAGR of 10.7%. The following table sets forth key indicators of residential market in Hangzhou for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	185	230	247	261	273	307	10.7%
Commodity residential properties investment (RMB billion)	117	134	144	156	171	195	10.8%
Total GFA of commodity residential properties sold (million sq.m.)	3.59	3.47	4.98	6.04	3.84	2.46	(7.3)%
Average selling price of commodity residential properties (RMB per sq.m.)	21,758	21,679	22,663	24,883	31,568	41,774	13.9%

Note: N/A means not applicable or not available

Sources: Hangzhou Statistical Communique, CREIS

The Western China Region

Kunming

Kunming is the capital city of Yunnan Province with a total land area of 21,473 sq.km. The total GDP of Kunming reached RMB521 billion in 2019, ranking the first in Yunnan Province. The following table sets forth selected economic indicators relating to Kunming for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	345	375	401	434	486	521	8.6%
Real GDP growth (%)	12.9	8.1	8.1	8.5	9.7	8.4	N/A
Fixed asset investment (RMB billion)	293	314	350	392	422	445	8.7%
Urban disposable income per capita (RMB)	28,354	31,295	33,955	36,739	39,788	42,988	8.7%

Note: N/A means not applicable or not available

Sources: Kunming Statistical Yearbook, Kunming Statistical Communique

Real estate investment in Kunming has experienced an upward trend since 2013, increasing from RMB129 billion in 2013 to RMB184 billion in 2019, representing a CAGR of 7.4%. The following table sets forth key indicators of residential property market in Kunming for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	129	149	145	153	168	184	7.4%
Commodity residential properties investment (RMB billion)	87	93	88	93	106	116	5.9%
Total GFA of commodity residential properties sold (million sq.m.)	N/A	7.01	6.50	6.72	5.60	6.5	(1.9)%*
Average selling price of commodity residential properties (RMB per sq.m.)	N/A	7,401	7,827	8,176	9,612	12,353	13.7%*

Note: N/A means not applicable or not available

* CAGR is calculated as the CAGR from 2014 to 2018.

Source: CREIS

Chengdu

Chengdu is the capital of Sichuan Province. It is located in the western region of the Sichuan basin. The city is the political, economic, financial, cultural and transportation center of western China. The following table sets forth selected economic indicators relating to Chengdu for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	911	1,006	1,080	1,217	1,389	1,534	11.0%
Real GDP Growth (%)	10.2	8.9	7.9	7.7	8.1	8.0	N/A
Fixed asset investment (RMB billion)	650	662	701	837	940	834	5.1%
Urban disposable income per capita (RMB)	29,968	32,665	33,476	35,902	38,918	42,128	7.1%

Note: N/A means not applicable or not available

Sources: Chengdu Statistical Yearbook, Chengdu Statistical Communique

Real estate investment in Chengdu has experienced an upward trend since 2013, increasing from RMB211 billion in 2013 to RMB227 billion in 2019, representing a CAGR of 1.5%. The following table sets forth key indicators of residential property market in Chengdu for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	211	222	244	264	249	227	1.5%
Commodity residential properties investment (RMB billion)	129	135	147	142	130	124	(0.7)%
Total GFA of commodity residential properties sold (million sq.m.)	11	9	21	29	21	18	10.4%
Average selling price of commodity residential properties (RMB per sq.m.)	9,437	10,019	7,395	8,149	9,408	11,173	3.4%

Note: N/A means not applicable or not available

Source: CREIS

Xi'an

Xi'an is the capital city of the Shaanxi Province, the largest central city in the northwest of China and the core area on the Silk Road Economic Belt, which is the important scientific research, educational and industrial base of china. The total area of Xi'an is 10,752 sq.km. and the registered population is 10 million as of 2019. The following table sets forth selected economic indicators relating to Xi'an for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	493	549	580	628	717	835	11.1%
Real GDP Growth (%)	11.1	9.9	8.2	8.5	7.7	8.2	N/A
Fixed asset investment (RMB billion)	513	590	517	519	756	820	9.8%
Urban disposable income per capita (RMB)	33,100	30,315	33,188	35,630	38,536	41,657	4.7%

Note: N/A means not applicable or not available

Sources: Xi'an Statistical Yearbook, Xi'an Statistical Communique, CREIS, Wind

Real estate investment in Xi'an has experienced a general upward trend since 2013, increasing from RMB157.3 million in 2013 to RMB241.2 billion in 2019, representing a CAGR of approximately 8.9%. The following table sets forth key indicators of residential property market in Xi'an for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	157.3	174	182	195	224	241.2	8.9%
Real estate residential investment (RMB billion)	122.6	132	130.5	134	151	159.1	5.4%
Total GFA of commodity residential properties sold (million sq.m.)	12.2	11.9	14.3	18.9	13.1	15.4	4.8%
Average selling price of commodity residential properties (RMB per sq.m.)	7,254	6,739	6,770	7,076	8,316	10,741	8.2%

Note: N/A means not applicable or not available

Sources: CREIS

The Central China Economic Region

Wuhan

Wuhan, is the capital of Hubei Province and the political, cultural and economic center of the province. It is located in the central of China and in the middle reaches of the Yangtze River. As a rapidly growing metropolis, the GDP of Wuhan increased annually between 2013 and 2019 at a CAGR of 10.4%, reaching RMB1,485 billion in 2019. The following table sets forth selected economic indicators relating to Kunming for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	905	1,007	1,091	1,191	1,341	1,485	10.4%
Real GDP Growth (%)	10.0	9.7	8.8	7.8	8.0	8.0	N/A
Fixed asset investment (RMB billion)	600	700	773	709	787	870	7.7%
Urban disposable income per capita (RMB)	29,821	33,270	36,436	39,737	43,405	47,359	9.7%

Note: N/A means not applicable or not available

Sources: Wuhan Statistical Yearbook, Wuhan Statistical Communique

Real estate investment in Wuhan increased from RMB191 billion in 2013 to RMB278 billion in 2019, representing a CAGR of 7.8%. The following table sets forth key indicators of residential property market in Wuhan for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Real estate investment (RMB billion)	191	235	258	252	269	278	7.8%
Commodity residential properties investment (RMB billion)	125	156	178	173	184	196	9.4%
Total GFA of commodity residential properties sold (million sq.m.)	15.81	17.74	22.70	29.98	20.86	17.87	2.5%
Average selling price of commodity residential properties (RMB per sq.m.)	6,849	7,422	8,582	9,168	9,336	9,485	6.7%

Sources: Wuhan Statistical Communique, CREIS

The Jing-Jin-Ji Region

Langfang

Langfang is located in the east-central part of Hebei Province, it is also located between Beijing and Tianjin. Langfang has a total area of 6,429 sq.km. and a population of 4.8 million in 2019. The following table sets forth selected economic indicators relating to Langfang for the years indicated:

	2013	2014	2015	2016	2017	2018	CAGR
Nominal GDP (RMB billion)	194	206	247	271	288	311	9.9%
Real GDP Growth (%)	9.1	8.2	8.8	8.0	6.8	6.5	N/A
Fixed asset investment (RMB billion)	158	188	217	249	266	284	12.4%
Urban disposable income per capita (RMB)	26,985	29,416	31,925	34,633	37,474	40,435	8.4%

Note: N/A means not applicable or not available

Sources: Langfang Statistical Yearbook, Langfang Statistical Communique

Real estate investment in Langfang has experienced an upward trend since 2013, increasing from RMB30 billion in 2013 to RMB61 billion in 2019, representing a CAGR of 15.1%. The following table sets forth key indicators of residential property market in Langfang for the years indicated:

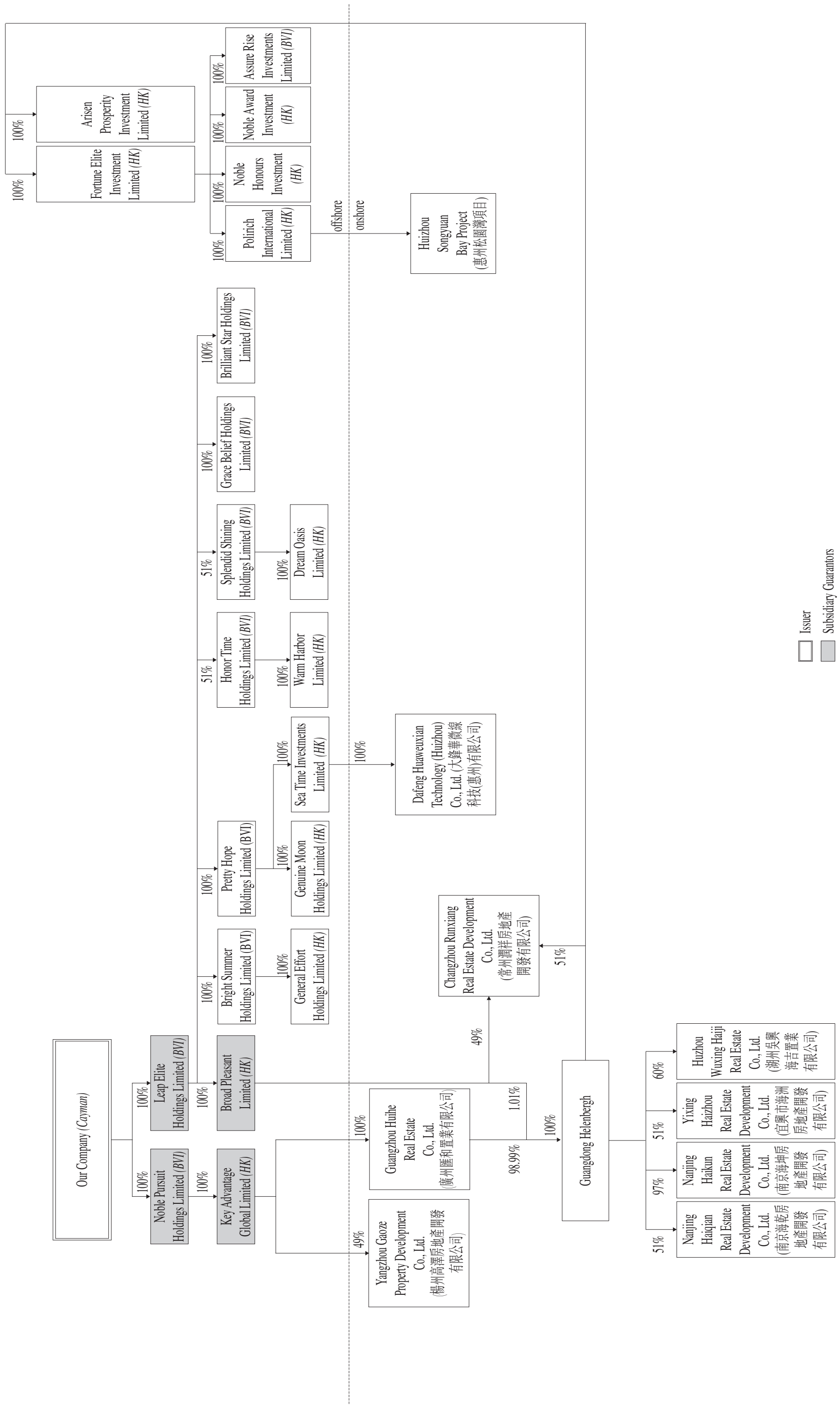
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**CAGR**
Real estate investment (RMB billion)	30	52	67	70	76	61	15.1%
Commodity residential properties investment (RMB billion)	26	44	56	56	60	47	12.6%
Total GFA of commodity residential properties sold (million sq.m.)	2.43	3.00	3.86	4.81	1.99	0.84	(19.1)%
Average selling price of commodity residential properties (RMB per sq.m.)	6,735	7,348	8,883	10,513	10,476	13,182	14.4%

Note: N/A means not applicable or not available

Sources: Langfang Statistical Communique, CREIS

CORPORATE STRUCTURE

The following chart shows our simplified corporate structure as of the date of this offering memorandum[(1)(2)]:



Notes:

(1) Subsequent to December 31, 2020, we have, in our ordinary course of business, incorporated or acquired certain subsidiaries, which are not reflected in the corporate structure in this offering memorandum.

(2) The simplified corporate structure chart depicts all the offshore subsidiaries of the Company and the principal onshore subsidiaries of the Company. The principal subsidiaries include: (i) companies which we consider to be significant in regions and segments where we operate; (ii) companies which are established in accordance with our national presence strategy. As of December 31, 2020, we had equity interest in 696 Subsidiaries, and we also had interests in five joint venture and five associated companies.

OVERVIEW

We are an expanding PRC real estate developer with a national footprint. We primarily develop residential properties, and, to a lesser extent, commercial properties and Creative & Technology Parks. We commenced our business in 1998 in Guangdong province and has established a strong foothold in major cities in Guangdong province, such as Guangzhou, Zhuhai, Zhongshan, Foshan and Huizhou in the early years of our development. Leveraging our extensive experience in Guangdong province, we have tapped into the markets in some of the economically developed cities in the PRC and created a strategic national presence. As of December 31, 2020, we had 184 property projects or project phases at various stages of development and established our presence in 45 cities covering 15 provinces and municipalities mainly located in the Pearl River Delta Region, the Yangtze River Delta Region, the Jing-Jin-Ji Region, the Western China Region and the Central China Region.

We focus on the development and sale of residential real estate properties. In line with our business strategy, we have also expanded into the development of commercial properties and Creative & Technology Parks to increase the breadth and stability of our sources of income. We develop commercial properties for sale or hold for long-term investment and capital appreciation purposes. Our commercial properties mainly include shopping malls, office spaces and retail spaces accompanying our residential properties. In addition, we design, develop and operate integrated Creative & Technology Parks in suburban areas in line with local governments' development plans.

Our land bank is strategically located in first-tier and second-tier cities and in cities that we believe have sustainable growth potential in the PRC. As of December 31, 2020, we had a total land bank with an aggregate GFA of approximately 31.6 million sq.m., including (i) saleable GFA unsold and leasable GFA of approximately 4.6 million sq.m., accounting for 14.6% of our total land bank, (ii) total planned GFA under development of approximately 17.5 million sq.m., accounting for 55.4% of our total land bank, and (iii) total estimated GFA for future development of approximately 9.5 million sq.m., accounting for 30.0% of our total land bank. We believe our competitive advantage in acquiring quality and cost-competitive land bank to sustain our expansion is attributable to the following factors:

- ***Regional deep-plough investment strategy***: We select a core city or a few core cities in each region when we enter into a regional market. After gaining a foothold in the core cities, we expanded our presence in each region by continuously penetrating into other cities which we believe have high growth potential.

- ***Prudent land acquisition policy***: Before entering into a new city, generally we engage a third party consultant to create a data model to track key data of the city. Before acquiring a parcel of land, our management will consider key factors that influence the growth of the local property market and conduct a detailed feasibility study. To control the risks related to land acquisition, we also engage professional parties from time to time to conduct financial and legal due diligence on the target lands and project companies.

- ***Diversified land acquisition approaches***: We acquire land in a variety of ways, which primarily include (i) acquiring equity interests in companies holding land use rights from third parties; (ii) acquiring land parcels from third parties; (iii) participating in government organized auctions and the public listing-for-sale process; and (iv) participating in urban re-development projects (舊城改造) (eventually through government-organized auctions and the public listing-for-sale process).

- ***Experienced land acquisition teams***: We have a dedicated land acquisition team to identify suitable acquisition opportunities, conduct legal risks analysis, negotiate with counter-parties and execute acquisition transactions.

We plan to adhere to our regional deep-plough investment strategy and continue to enhance our presence in our existing markets to increase our market share and brand recognition nationwide by offering high quality properties. In particular, we intend to pay close attention to regions or districts that enjoy policy supports, such as the Greater Bay Area, the Hangzhou Bay Area and the Yangtze River Economic Zone.

We believe our success is also attributable to our standardized development procedures. We have developed a meticulous operation system and a project management system, each having various key nodes and main items to help us efficiently manage and supervise our development process. As a result, we are able to effectively control the costs, quality and progress of our projects. Capitalizing on our standardized project management system, we have developed three standardized residential property series tailoring for different customers, including Lasting Joy Series (璽悦系), Rosen Joy Series (玖悦系) and Peaceful Joy Series (和悦系). We have also developed three product lines for our commercial properties, including Helen World (海樂世界), Helen City (海樂城) and Helen Park (海樂薈). Each of these series and product lines is tailored to the needs of different customer groups and can be quickly replicated to a new market. We believe such diversified product portfolio has strengthened our brand name and cultivated customer loyalty and will enhance our brand recognition. In addition, in response to the PRC development plan and policy in the future, we may consider expanding our operations into new business lines, which we believe will be complementary to our current businesses, such as senior housing (養老地產).

Our dedication to offering high quality products, together with our strategic expansions, have contributed to our growth and earned us various accolades in the industry. We have received multiple awards, such as "China's Top 100 Real Estate Developers" (中國地產百強企業) from Development Research Center of the State Council (國務院發展研究中心企業所), Property Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院), from 2014 to 2020 and "China's Top 100 Commercial Real Estate Companies" (中國商業地產百強企業) awarded by China Index Academy (中國指數研究院) from 2019 to 2020. See "— Awards and Recognitions." We believe our established brand name, together with our growing presence across China, position us well to capture the growth potential in the PRC real estate market.

Our business operations have experienced significant growth. For the years ended December 31, 2018, 2019 and 2020, our total revenue amounted to RMB17,517.5 million, RMB20,966.2 million and RMB26,774.1 million (US$4,103.3 million), respectively, representing a CAGR of 23.6%. During the years ended December 31, 2018, 2019 and 2020, our profit for the year was RMB2,256.2 million, RMB2,521.9 million and RMB2,218.4 million (US$340.0 million), respectively.

OUR BUSINESS STRENGTHS

We believe our success in the PRC real estate industry was principally attributable to the following competitive strengths:

We are an expanding PRC real estate developer with a national footprint.

We are an expanding PRC real estate developer with a national footprint. We established our business in 1998 in Guangdong province, which is among the most economically developed and the most densely populated regions in the PRC. We have established a strong foothold in major cities in Guangdong province, such as Guangzhou, Zhuhai, Zhongshan, Huizhou, Dongguan and Foshan in the early years of our development. Leveraging our extensive experience in the real estate industry in Guangdong province, we successfully expanded our business to regions in the PRC which we believe are centers of economic activities that possess a large market appetite for properties we develop. We have been recognized by Development Research Center of State Council (國務院發展研究中心), Property Research Institute of Tsinghua University (清華大學地產研究所) and China Index Academy (中國指數研究所) as one of the China Top 100 Real Estate Developers for seven consecutive years since 2014. See "— Awards and Recognitions." As of December 31, 2020, we had 184 property projects or project phases at various stages of development with a total land bank of approximately 31.6 million sq.m. (in GFA) and established our presence in 45 cities covering 15 provinces and municipalities mainly located in the Pearl River Delta

Region, the Yangtze River Delta Region, the Jing-Jin-Ji Region, the Western China Region and the Central China Region. We believe that our geographical presence in these markets, as well as our management capabilities, position us well to grow with scale in these and other markets in the PRC.

Our dedication to offer quality products and strategic regional expansions have earned us various accolades in the industry. We have received multiple awards, such as "China's Top 100 Real Estate Developers" (中國地產百強企業) awarded jointly by Development Research Center of the State Council (國務院發展研究中心企業所), Property Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院), from 2014 to 2020 and "China's Top 100 Commercial Real Estate Companies" (中國商業地產百強企業) from China Index Academy (中國指數研究院) from 2019 to 2020. See "— Awards and Recognitions."

Ability to acquire cost-competitive land bank at strategic locations propels long term development.

We believe our success largely depends on our ability to acquire cost-competitive land bank at strategic locations. As of December 31, 2020, we had a land bank with an aggregate GFA of approximately 31.6 million sq.m. that was strategically located in first-tier and second-tier cities and in cities that we believe have sustainable growth potential. We believe the following demonstrate our strong capabilities in land acquisition:

- *Regional deep-plough investment strategy*. When selecting land acquisition targets, we adopt a regional deep-plough investment strategy. We select a core city or a few core cities in each region when we enter into the market. After gaining a foothold in the core cities, we expanded our presence in each region by continuously penetrating into other cities which we believe have high growth potential. While developing new projects in the same region, we believe our successful experience in the core cities contributes to accurate market positioning, effective cost control and risk management. We believe our regional deep-plough investment strategy enables us to utilize our experience and resources in each region and achieve a balance between expansion and stability.

- *Prudent market selection strategy and effective land acquisition policy*. We adopt a prudent market selection strategy and effective land acquisition policy. Before entering into a new city, generally we engage a third party consultant to create a data model to track key data of the city, such as its economic growth, population size and movements, migration rate, industry and commercial policies. We closely monitor and carefully analyze the data, entering into the market when we believe that the city has high growth potential and is in line with our investment strategy. Before acquiring a parcel of land, our management will consider key factors that influence the growth of the local property market and conduct a detailed feasibility study which includes a financial analysis using metrics such as projected return and investment payback period. We closely monitor the market and land price movements, and aim to acquire land at desirable prices. To control the risks related to land acquisition, we also engage professional parties from time to time to conduct financial and legal due diligence on the targets when we acquire land parcels from third party companies. We believe that our prudent land acquisition policy could enable us to control investment risks when making land acquisition decisions.

- *Experienced and dedicated land acquisition team*. We have a dedicated land acquisition team to identify suitable acquisition opportunities, conduct legal risks analysis, negotiate with counter-parties and execute acquisition transactions. Our land acquisition team is experienced in acquiring land in a variety of ways, which primarily include (i) acquiring equity interests in companies holding land use rights from third parties; (ii) acquiring land parcels from third parties; (iii) participating in government organized auctions and the public listing-for-sale process; and (iv) participating in urban re-development projects (舊城改造) (eventually through government-organized auctions and the public listing-for-sale process). Such diversified land acquisition approaches broaden our access to high quality land. In addition, when we acquire from third parties we typically aim to enter into purchase agreements that allow us to pay the purchase price in multiple installments, which helps reduce our capital expenditures at the initial stage of project development and enhance our capital efficiency.

We believe we have accumulated and will continue to obtain high quality and cost-competitive land bank at strategic locations, which in turn will support our expansion in the future.

Standardized project development procedures enable us to speed up asset turnover to support growth.

We have established a comprehensive project development system with standardized development procedures, which allows us to expedite asset turnover while maintaining high product quality. With the support of this system, we typically are able to commence pre-sale of properties, which generates cash inflows to financing our development, within five to eight months from the commencement of construction. Our project development system features:

- *Meticulous management guideline*. Our project development system includes a detailed breakdown of key work-streams for each major phase of the life cycle of a project, with clear division of responsibilities among personnel at each management level. We have a meticulous construction management guideline which identifies 22 “milestone” activities and covers over 300 main work items and all major development stages, including the commencement of construction, commencement of pre-sale, completion of construction and delivery of properties.

- *Dynamic profitability monitoring system*. We set a clear profit target at the outset of a project. To assess such profit target, we set a target revenue for each project based on, among others, the local market price, the type of the property and the project planning. We estimate the costs for each project based mainly on the land premium and the estimated development costs. The profit target for each project is subject to adjustment from time to time during the course of development. We have a system in place to continuously monitor factors that may affect a project’s profit and make adjustments, such as with respect to development schedule, product features and sales strategies, to better adapt to market developments.

- *Effective decision-making process*. The clear division of responsibilities among personnel allows us to make quick and effective decisions with respect to the project. We have also set up various cross-department committees who can quickly convene to make timely decisions on key stages of the project.

- *Standardized product series*. Leveraging our project development system and the associated standardized procedures, we have developed three standardized residential product series which we are able to quickly replicate with consistent quality as we enter into a new market.

We believe our standardized property development procedures position us well to capitalize market opportunities and withstand market volatilities.

Health Plus philosophy promotes the quality of our products and further enhances our brand recognition.

Guided by our "Re-Imagine Your Home (讓家重新想象)" philosophy, we strive to create a comfortable and quality living environment for our customers. Capitalizing on the increasing demand for healthy and eco-friendly lifestyles among our existing and potential customers, we started to introduce the "Health Plus" philosophy in 2016. The "Health Plus" philosophy places importance on the customer's health and wellness, which includes not only physical fitness, but also mental well-being, social well-being and a balanced relationship within the community. Following the "Health Plus" philosophy, we strive to provide wellness amenities and eco-friendly environments, integrate individual, family and community and promote the ultimate well-being of our customers.

To implement our "Health Plus" philosophy, we have incorporated various amenities and services in our products attending to details of everyday life. Three elements, namely "Eco-Planning (健康生態規劃)," "Delicate Residence (健康精裝住宅)" and "Wisdom Community (健康智慧社區)," focus on different aspects of the product design.

- "Eco-Planning (健康生態規劃)" focuses on the eco-design of the overall project. Catering to the preferences of our customers for a clean and natural living environment, we aim to design the overall project layout with appropriate floor plans and desirable position and orientation of buildings, landscape and ancillary facilities to maximize natural lighting and ventilation. We have also built in various fitness and social amenities such as gyms, swimming pools, social lounges and landscaped gardens to facilitate healthy and well-balanced lifestyle for our customers;

- "Delicate Residence (健康精裝住宅)" focuses on the interior design of our residential buildings. We tailor our design to sophisticated lifestyles of our customers from multiple aspects including unit layout, visual effect, storage design and other personalized details. We also introduce a smart-living system embodying advanced air-purification and dehumidification system, water-filtration system and smart security system to improve in-door living experiences; and

- "Wisdom Community (健康智慧社區)" is dedicated to providing people-oriented and community-focused amenities and services supported by advanced technology. We have established a smart service system and community management system through a "HI-HOME (HI居)" mobile App which provides various community services and security protection functions. For example, our customers can report maintenance requests and pay property management fees and utility fees through the "HI-HOME (HI居)" App. Moreover, the "HI-HOME (HI居)" mobile App has various social community functions, such as publication of community news, recommendations of local shopping malls and markets, and offering "group buying" services, which we expect will facilitate social activities and foster a collaborative community.

To further promote the "Health Plus" philosophy among our existing and potential customers, we have established a "Health Plus" Experience Center ("健康+生活體驗館") in some of our projects including Chengdu Helen Tianlu, Kunming Helen Central Square and Huizhou Helen Xiangzhou Garden. We believe our products incorporating the "Health Plus" philosophy have proven popular among our target customers and will further differentiate our products from our competitors.

We have a professional management team with extensive industry experience and a team of qualified and dedicated employees to support our long term sustainable growth.

Our success has been, and will continue to be, dependent on our professional and experienced management team members who have in-depth understanding of the real estate industry in China. Our Chairman of the Board, Mr. Huang, has more than 20 years of experience in the real estate industry. Mr. Huang has been well known for his spirit of craftsmanship in real estate development and was honored "Special Contribution Award to the Guangdong Property's Development for 20 Years (廣東房地產20年特別貢獻獎)" by Guangdong Real Estate Association (廣東省房地產協會) in December 2011. Most of our senior management members have more than ten years of experience in the real estate industry. Many members of our senior management team have extensive experience and expertise in their respective fields, which cover all the key aspects of our operation, such as real estate investment, development, planning and financing. This diversity of knowledge and expertise has helped us establish strategies for development, respond to the changing markets, make major decisions when entering into new markets, formulate financial policies and minimize risks related to our operations. We believe our visionary, motivated and stable management team has contributed to our success and will continue to be a critical factor for our expansion and long-term growth.

In addition, we have (i) established a systematic remuneration policy that offers competitive compensation to our employees; (ii) provided various training programs and courses to enhance employees' professional capabilities; and (iii) offered ample promotion opportunities along with our growing business. We believe all of these measures have enabled us and will keep enabling us to attract and retain qualified and dedicated employees.

OUR BUSINESS STRATEGIES

Our goal is to become a leading real estate developer in China. To achieve this goal, we will implement the following business strategies:

Continue to strengthen our national presence by penetrating our existing markets and selectively developing new markets.

We plan to adhere to our regional deep-plough investment strategy and continue to enhance our presence in our existing markets to increase our market share and brand recognition nationwide by offering high quality properties. In particular, we intend to pay close attention to regions or districts that enjoy policy supports, such as the Greater Bay Area, the Hangzhou Bay Area and the Yangtze River Economic Zone. For example, on May 24, 2018, the State Council issued the Proposal for Further Deepening the Reform and Opening-up of China (Guangdong) Pilot Free Trade Zone (《進一步深化中國(廣東)自由貿易試驗區改革開放案》) to establish a general vision to develop a free trade zone in Guangdong province, which could bring various opportunities to Guangdong province and surrounding areas. Moreover, we intend to leverage our extensive experience and well recognized brand name to expand in cities along the high-speed railway lines which we believe have extensive growth potentials. When selecting acquisition targets in expansion, we intend to adhere to our prudent acquisition policy, closely monitor the market conditions and take into account various factors before making the investment decision, such as the location and size of the target project, the surrounding social and economic environment, the growth potentials of the city or region, acquisition cost and feasibility of the potential transaction. For example, we have conducted feasibility studies on the viability of entering into the property market in Chongqing and Zhengzhou on, among other aspects, (i) local laws and policies; (ii) the difference between property price and land price; (iii) the economic conditions; and (iv) the local property market conditions.

Continue to pursue strategic opportunities for commercial property projects and Creative & Technology Parks.

We will continue to refine our asset portfolio. Residential property will remain our primary focus. Our commercial property development will be strategic and selective. We intend to focus on commercial property projects that are located in regions that match our expansion plan and at locations expected to generate high occupancy rates and desirable rental income. When suitable opportunities arise, we also plan to develop Creative & Technology Parks targeting high technology companies and "new economy" companies that are expected to be a driving force in economic growth in the new era. When evaluating an opportunity, we will consider, among other things, the availability of favorable government policies, and whether the Creative & Technology Park project is complementary to our other projects (such as fueling demand for our nearby residential property projects).

Continue to enhance the quality of our products incorporating the "Health Plus" philosophy to provide optimized experience for our customers to differentiate us from our competitors.

We will keep focusing on the needs and expectation of our target customers and further improve the quality of our products and services and enhance our brand recognition. We intend to refine our standardized product series to adapt to the changing preferences of modern-day customers. One of our key initiatives is to continue to apply the "Health Plus" philosophy to our products. We have developed and are implementing "Health Plus 2.0" to further upgrade and enhance our products.

"Health Plus 2.0" places more emphasis on the lifestyle of our customers and the construction of the public spaces in residential communities. It is fine-tuned into five perspectives, namely, architectural design, landscape design, interior design, smart systems and services. We intend to weave in health and ecological features from the five perspectives and develop standardized design procedures for each perspective. We believe our continued attention to the needs of our customers and our constant efforts to upgrade our products will differentiate us from our competitors, enhance our brand recognition and further promote our competitiveness.

Continue to standardize our property development procedures and expedite asset turnover to achieve healthy growth and operating efficiency.

We will continue to standardize property development procedures and strengthen our project management and execution capabilities while maintaining the quality of our properties, so as to further expedite our asset turnover and enhance our operating efficiency. We have a dedicated design and management team managing and optimizing our product lines to achieve efficient design and construction. Moreover, as part of our standardized procedures, we will continue to closely monitor our cash flow and liquidity, gauge our development scale, time our development schedule and carefully manage our development cost for each project to optimize our capital structure and maximize our investment return.

In addition, we will continue to refine our standardized product series. We intend to pay attention to the changing customer preferences and follow up with customers' feedbacks to improve our standardized product series. We aim to improve the quality of our products and optimize our customers' experience while maintaining high asset turnover to achieve healthy growth.

Continue to attract, retain and motivate skilled and talented employees

We believe high-quality employees are essential elements for our sustainable growth. We intend to attract and retain talents with extensive industry experience and strong execution capabilities through various initiatives. While striving to maintain competitive compensation packages, we intend to offer performance-based incentives on a short-term, mid-term and long-term basis. Moreover, we plan to adopt an incentive plan that shares the success of our business with our employees based on their contribution. In addition, we will make constant efforts to refine our employee benefits package to retain quality employees. With a dedicated workforce, we believe we will be well-positioned to expand our business and maximize value for our shareholders.

OUR PROPERTY PROJECTS

Overview

As of December 31, 2020, we had 184 property projects or project phases at various stages of development and a land bank with an aggregate GFA of approximately 31.6 million sq.m., including (i) saleable GFA unsold and leasable GFA of approximately 4.6 million sq.m., accounting for 14.6% of our total land bank, (ii) total planned GFA under development of approximately 17.5 million sq.m., accounting for 55.4% of our total land bank, and (iii) the total estimated GFA for future development of approximately 9.5 million sq.m., accounting for 30.0% of our total land bank. Such land bank covers 45 cities in 15 provinces and municipalities which are mainly located in the Pearl River Delta Region, the Yangtze River Delta Region, the Jing-Jin-Ji Region, the Western China Region and the Central China Region.

In addition to the above land bank, we also had additional land resources for property development as of December 31, 2020 as follows: (i) we held five parcels of industrial land which can be used for the development of industrial parks, such as Creative & Technology Parks, or converted into commercial land for other projects to the extent permitted under the PRC laws and regulations; (ii) we had entered into corporation/acquisition agreements for four project; and (iii) we had entered into cooperation agreements with local government for two urban redevelopment projects, according to which we had participated in urban-redevelopment projects, but had not yet obtained the land use rights or executed land grant agreements as of December 31, 2020. Such additional land resources mainly located in cities including Dongguan, Huizhou, Zhaoqing, Nanjing, Huzhou, Nantong, Suzhou, Taizhou, Wuhan, Xi'an and Kunming.

We develop a variety of residential and commercial properties and Creative & Technology Parks. For our residential projects, we focus on developing quality residential units with comfortable living environment and convenient ancillary facilities. Commercial properties we develop primarily include shopping malls, office spaces and retail spaces accompanying our residential properties. In addition, we design, develop and operate integrated Creative & Technology Parks in suburban areas in line with local governments' development plans. As of December 31, 2020, we had 16 completed commercial properties, including two Creative & Technology Park, and seven commercial properties under development, including one Creative & Technology Park under development.

Our standardized property product series

We focus on providing customer-oriented residential properties. Guided by our "Re-Imagine Your Home (讓家重新想象)" philosophy, we strive to create a comfortable and quality living environment for our customers. To this end, we have fine-tuned our products into three standardized residential property series, each targets specific customers groups:

- Lasting Joy Series (璽悦系) targets high-end customers. Located in central urban areas, Lasting Joy Series is designed to create spacious dwellings with luxurious embellishments and upscale ancillary facilities. Properties in Lasting Joy Series feature classic styles, with complex decorations that resonate royal tastes;

- Rosen Joy Series (玖悦系) targets upper-middle urban households with an emphasis on the fusion of urban fashions and natural styles. Properties in Rosen Joy Series feature elements of nature in designs, which combined with modern facilities, provide residents with enjoyable living experiences; and

- Peaceful Joy Series (和悦系) targets middle urban households with an emphasis on affordability and convenience. Located in developed but affordable urban areas, properties in Peaceful Joy Series feature accessibility to surrounding urban facilities, which create delightful living conditions along with the aesthetic designs of the series.

In addition to residential properties, we have diversified our product portfolio to include commercial properties such as shopping malls, office spaces and retail spaces. As of December 31, 2020, we developed three product series for our commercial properties, including Helen World (海樂世界), Helen City (海樂城) and Helen Park (海樂薈). Each of these series tailors to the needs of different customers. Helen World Series provides one-stop shopping centers and comprehensive mid-to-high end commercial complexes. It features an integrated facility offering shopping, entertainment, dining, leisure, sports and fitness as well as family activities to serve the various needs of urban consumers. Helen City Series targets primarily well-educated young professionals and families, providing convenient shopping centers to satisfy everyday needs. Helen Park Series is a community-oriented shopping center providing daily necessities to the residents in the neighborhood. We believe our diversified product portfolio tailoring to the needs of our customers has strengthened our brand name and cultivated customer loyalty, which will enhance our brand recognition.

"Health Plus" philosophy

Capitalizing on the increasing demand for healthy and eco-friendly lifestyles among our existing and potential customers, we started to introduce the "Health Plus" philosophy in 2016. The "Health Plus" philosophy places great importance on the customer's health and wellness, which includes not only physical fitness, but also mental well-being, social well-being and a balanced relationship within the community. Following the "Health Plus" philosophy, we strive to provide wellness amenities and ancillary services in an eco-friendly environment, integrate individual, family and community and promote the ultimate well-being of our customers. To implement our "Health Plus" philosophy, we have incorporated various amenities and services attending to details of everyday life. Our "Health Plus" philosophy has three elements, namely "Eco-Planning", "Delicate Residence" and "Wisdom Community." See "— Our Business Strengths — Health Plus Philosophy promotes the quality of our products and further enhances our brand recognition."

To further promote the "Health Plus" philosophy among our existing and potential customers, we have established "Health Plus" Experience Center ("健康+生活體驗館") in some of our projects including, among others, Chengdu Helen Tianlu, Kunming Helen Central Square and Huizhou Helen Xiangzhou Garden. We believe our products incorporating the "Health Plus" philosophy have proven popular among our target customers and will further differentiate our products from our competitors.

Classification of Our Property Projects

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

- *completed projects or project phases*: a project or a project phase is classified as completed when the required land use rights certificate has been issued by the relevant government authorities and the completion certificate has been obtained from the relevant government construction authorities.

- *projects or project phases under development*: a project or a project phase is classified as under development when the required construction work commencement permit has been obtained but the completion certificate has not been obtained.

- *projects or project phases held for future development*: a project or a project phase is classified to be held for future development when (i) the land use rights certificate has been obtained, but the requisite construction work commencement permit has not been obtained or (ii) a land grant contract for the underlying parcel of land with relevant government authorities has been signed, but relevant land use rights certificate has not been obtained.

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

Detailed descriptions of each of our projects or project phases as set forth in this offering memorandum were as of December 31, 2020, unless otherwise dated. The commencement date relating to each project or each phase of a project refers to the date construction commenced. The completion date set out in the descriptions of our completed projects or project 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 project phases under development or for future development, the completion date reflects our best estimate based on our current development plans.

The classification of our properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Each property project or project phase may require multiple land use rights certificates, construction permits, pre-sale permits and other permits and certificates, which may be issued at different times throughout the development process. Our classification of our properties is also different from the classification of properties in the accountants' report. The differences between our classification of properties and the respective classification of properties in the accountants' report are set forth in the table below:

Our Classification	Accountants' Report
• Completed projects or project phases	• Completed properties held for sale • Investment properties • Property, plant and equipment
• Projects or project phases under development	• Investment properties • Properties under development
• Projects or project phases held for future development	• Prepaid land lease payments • Prepayments, deposits and other receivables

Site Area and GFA

Site area is calculated as follows: (i) for projects or project phases for which we have obtained land use rights, based on the relevant land use right certificates; or (ii) for projects or project phases for which we have not obtained land use rights, based on the relevant land grant contracts.

Total GFA of each of our projects on project phases as set forth in this offering memorandum is calculated as follows: (i) for a project and a project phase that is completed, based upon relevant property completion certificate or property completion and inspection report; (ii) for a project and a project phase that is 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 (iii) for a project and a project phase that is held for future development, based upon the total GFA indicated in the permit(s) or approval(s) issued by the relevant government authorities, the property master plan(s) or based on our internal record(s) and development plan(s), which may be subject to change.

Total GFA as used in this offering memorandum is comprised of saleable GFA and non-saleable GFA. Non-saleable GFA as used in this offering memorandum refers to certain communal facilities and ancillary facilities, such as certain underground GFA and spaces for security offices, 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 have yet to deliver 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: (i) for a project and a project phase that is completed, based on the relevant property ownership certificate or other documents recognized by relevant government authorities, such as the inspection reports; (ii) a project and a project 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 (iii) for a project and a project phase that is held for future development, based upon our internal records and development plans. 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.

Land Bank and Property Portfolio

The following table sets forth the GFA breakdown of our property portfolio as of December 31, 2020 in terms of geographic location:

	Number of Projects	Completed saleable GFA unsold/ Leasable GFA(1)	Planned GFA Under Development	Estimated GFA held for Future Development	Estimated GFA held for Future Development (Land Use Right Certificates Not Yet Obtained)	Total Land Bank(2)	% of Total Land Bank
		(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	
Pearl River Delta Region							
Dongguan	4	47,634	2,909	–	–	50,543	0.2
Foshan	7	92,788	500,298	–	257,579	850,665	2.7
Guangzhou	6	453,235	218,489	–	289,884	961,608	3.0
Huizhou	27	449,213	1,882,308	1,244,768	–	3,576,289	11.3
Jiangmen	6	54,269	550,318	57,514	157,884	819,985	2.6
Qingyuan	4	64,965	600,447	209,309	–	874,721	2.8
Zhanjiang	2	11,888	190,564	139,336	–	341,788	1.1
Zhaoqing	5	300,647	164,357	90,543	–	555,547	1.8
Zhongshan	13	210,358	574,974	830,228	–	1,615,560	5.1
Zhuhai	3	202,420	41,588	–	52,887	296,895	0.9
Subtotal	**77**	**1,887,417**	**4,726,252**	**2,571,698**	**758,234**	**9,943,601**	**31.5**
Yangtze River Delta Region							
Hangzhou	5	19,753	381,645	–	–	401,398	1.3
Hefei	3	–	425,644	524,875	–	950,519	3.0
Huzhou	2	–	535,433	–	–	535,433	1.7
Jiaxing	4	55,010	405,702	–	–	460,712	1.5
Jinhua	1	23,576	78,392	–	–	101,968	0.3
Nanjing	5	165,217	244,207	344,239	–	753,663	2.4
Nantong	2	–	325,427	–	–	325,427	1.0
Ningbo	4	–	496,664	–	–	496,664	1.6
Shanghai	4	124,451	210,155	–	–	334,606	1.1
Shaoxing	4	43,280	697,430	–	–	740,710	2.3
Suzhou	4	–	540,157	67,271	–	607,428	1.9
Taizhou	2	–	250,105	–	–	250,105	0.8
Wuxi	6	–	714,106	–	58,091	772,197	2.4
Yangzhou	1	–	352,000	250,000	–	602,000	1.9
Zhenjiang	3	–	420,080	–	–	420,080	1.3
Subtotal	**50**	**431,287**	**6,077,147**	**1,186,385**	**58,091**	**7,752,910**	**24.5**
Western China Region							
Chengdu	7	179,348	339,911	–	323,076	842,335	2.7
Guiyang	1	–	–	417,503	–	417,503	1.3
Kunming	10	1,491,636	2,123,162	95,608	496,337	4,206,743	13.3
Meishan	1	–	61,020	42,507	–	103,527	0.3
Nanchong	2	–	394,486	44,601	–	439,087	1.4
Xi'an	4	167,862	221,170	273,405	–	662,437	2.1
Yuxi	1	–	–	–	191,886	191,886	0.6
Chongqing	3	–	153,225	79,707	298,783	531,715	1.7
Subtotal	**29**	**1,838,846**	**3,292,974**	**953,331**	**1,310,082**	**7,395,233**	**23.4**

	Number of Projects	Completed saleable GFA unsold/ Leasable GFA[(1)]	Planned GFA Under Development	Estimated GFA held for Future Development	Estimated GFA held for Future Development (Land Use Right Certificates Not Yet Obtained)	Total Land Bank[(2)]	% of Total Land Bank
		(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	
Central China Region							
Ezhou	1	–	108,074	–	–	108,074	0.3
Jingzhou	1	–	257,374	67,159	–	324,533	1.0
Jiujiang	1	–	88,925	–	–	88,925	0.3
Nanchang	3	104,288	190,954	–	–	295,242	0.9
Wuhan	10	313,153	1,802,100	103,788	794,887	3,013,928	9.6
Xiangyang	2	–	280,150	–	–	280,150	0.9
Yichun	1	–	–	–	249,040	249,040	0.8
Subtotal	**19**	**417,441**	**2,727,577**	**170,947**	**1,043,927**	**4,359,892**	**13.8**
Jing-Jin-ji Region							
Langfang	4	–	339,362	700,815	–	1,040,177	3.3
Zhangqiu	1	–	48,287	606,513	–	654,800	2.1
Subtotal	**5**	**–**	**387,649**	**1,307,328**	**–**	**1,694,977**	**5.4**
Others							
Fuzhou	1	–	96,188	–	–	96,188	0.3
Longyan	2	25,100	93,730	–	–	118,830	0.4
Zhangzhou	1	–	91,807	116,318	–	208,125	0.7
Subtotal	**4**	**25,100**	**281,725**	**116,318**	**–**	**423,143**	**1.4**
Total	**184**	**4,600,091**	**17,493,324**	**6,306,007**	**3,170,334**	**31,569,756**	**100.0**

Notes:

(1) Includes saleable GFA remaining unsold of approximately 3,159,446 sq.m. and leasable GFA of approximately 1,440,645 sq.m. as of December 31, 2020.

(2) Total land bank equals to the sum of (i) total saleable GFA unsold and total leasable GFA for completed properties; (ii) total planned GFA for properties under development; and (iii) total estimated GFA for properties held for future development.

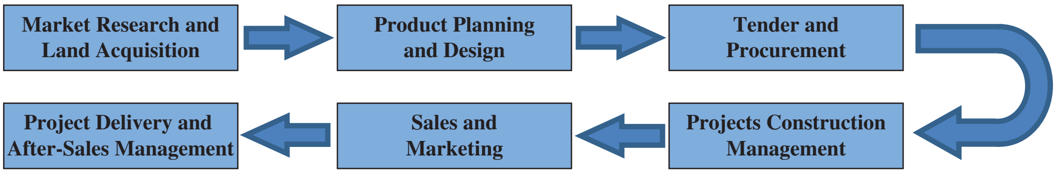
(3) For projects held by our Subsidiaries, the GFA has not been adjusted by our equity interest in the respective project. For projects held by our joint venture and associated companies, the GFA has been adjusted by our equity interest or our economic interests set out in relevant contractual arrangement in the respective project as applicable.

As of December 31, 2020, we had 56 completed civil air defense properties with an aggregate GFA of approximately 465,227 sq.m., among which 11 completed civil air defense properties were held for sale, with an aggregate GFA of approximately 115,838 sq.m. The civil air defense properties were primarily used or to be used for car parks, representing an insignificant portion of our property portfolio. As part of our day-to-day operation, we monitor our business practice related to the Civil Defense Law to ensure such compliance.

OUR PROJECT OPERATION AND MANAGEMENT

Our Project Development Process

We have developed a standardized project development process for properties ranging from large-scale residential properties to integrated mixed-use properties that include residential buildings, office spaces, shopping malls and retail spaces. The diagram below sets forth the major stages typically involved in our development of a property project:



Market Research and Land Acquisition

Market Research

We typically select sites for the development of our projects in economically developed cities and in urban centers and central areas of other cities in China that we believe have strong prospects for growth. When selecting land acquisition targets, we adopt a regional deep-plough investment strategy. We select a core city or a few core cities in each region when we enter into the market. After gaining a foothold in the core cities, we expanded our presence in each region by continuously penetrating into other cities which we believe have high growth potential. While developing new projects in the same region, we believe our successful experience in the core cities contributes to accurate market positioning, effective cost control and risk management. We believe our regional deep-plough investment strategy enables us to utilize our experience and resources in each region and achieve a balance between expansion and stability.

We adopt a prudent land acquisition policy. Before acquiring a parcel of land, our management will consider key factors that influence the growth of the local property market and conduct a detailed feasibility study which includes a financial analysis using metrics such as projected return and investment payback period. We closely monitor the market and land price movements, and aim to acquire land when land prices are relatively low. To control the risks related to land acquisition, we also engage professional parties from time to time to conduct financial and legal due diligence on the targets when we acquire land parcels from third party companies.

The key factors we consider in site selection include, among others, the following:

- general economic conditions and development prospects of a city;
- population density of the city and the local areas, particularly the surrounding area;
- infrastructure, urban planning and the development plan of the local government;
- income levels and purchasing power of local residents;
- growth trend of the local property market;
- scale and price of land parcels in the city;
- location of the site in the city, proximity to the city center and access to transport and public facilities;
- suitability of the site for our product positioning; and
- estimated development costs and time and expected investment returns.

We devote significant management resources to the site selection process, which involves collaboration among multiple departments. We have a dedicated and experienced land acquisition team to identify suitable acquisition opportunities, conduct legal risks analysis, negotiate with counter-parties and execute acquisition transactions. Our site selection process is led by our investment and development center which is responsible for identifying a potential project, conducting market research and performing preliminary screening. Our investment and development center coordinates with other functional centers including research and design center, sales management center, cost management center, financial management center and capital operation center to formulate a detailed feasibility study, which will be submitted to the Investment Review Committee for review and approval by vote. The Investment Review Committee consists of seven members, including, the Chairman of our Board, Huang Chiheng, the executive directors Ye Jun, Dai Xiaohui and the vice presidents Yang Luning and Chen Jianfei. See "Management" for the experience and qualification of some of the members of the Investment Review Committee.

Land Acquisition

We primarily obtain our land bank primarily through the following methods:

- acquisition of equity interests in companies that hold land use rights;
- participation in government-organized auctions and public listings-for-sale;
- acquisition of land parcels from third party companies; and
- participation in urban-redevelopment projects (eventually obtain the land parcels through government-organized auctions and public listing-for-sale).

We primarily acquire land for our projects through acquiring land use rights from independent third-parties or acquiring equity interest in project companies that hold land use rights from Independent Third Parties. Such acquisitions are subject to the terms and conditions of the original land grant contracts and the relevant PRC laws and regulations.

We typically pay by installments when we acquire land from third parties. The installment arrangements have helped improve our liquidity position and capital efficiency.

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

As part of our acquisition through government-organized auctions and public listing-for-sale, we occasionally acquire land parcels by participating in urban-redevelopment projects. We typically enter into cooperation agreements with local governments and self-governing organizations under the "Urban Redevelopment" policy to develop certain land parcels in cities such as Langfang and Kunming. The local governments engage independent third party companies to organize demolition of existing buildings and resettlement of existing residents. We prepay the costs of such demolition and resettlement and undertake the subsequent construction of properties and ancillary facilities. We must complete construction within a time frame as agreed in the respective cooperation agreement. After the construction is complete, notwithstanding the cooperation agreements we entered into with the local government, we are required to go through the public auction or listing-for-sale procedures under the relevant PRC laws and rules before we can obtain the land use rights with respect to the land parcels under such cooperation agreements. The cost of such demolition, resettlement and construction will be deducted from the price that we pay for the land use rights. The relevant local self-governing organizations and enterprises is entitled to a cash compensation or a certain percentage of the completed GFA after completion of property development as agreed in the respective agreement and we have the right to dispose of the remaining properties, if any. If we cannot acquire the underlying land parcels after going through the public listing-for-sale process, we will be entitled to a compensation equal to our prepayments plus a premium calculated under a formula provided by the local government.

In 2018, 2019 and 2020, we participated in two urban re-development project and won the bid for the land parcel for this project. In March 2018, we acquired three land parcels in Kunming for Helenbergh Central Square with a planned aggregate GFA of 554,550 sq.m. and capacity building area of 405,616 sq.m. after completing the urban-redevelopment and going through the process required by the government. If we complete all urban- redevelopment projects we currently participate in and successfully win the bid at the land auctions and the public listing-for-sale process, we could obtain additional land parcels with an estimated site area of 169,704 sq.m., an estimated GFA of over 500,000 sq.m. and capacity building area of over 300,000 sq.m.

We plan to continue to enhance our presence in existing markets, expand in cities along the high-speed railway lines which we believe have extensive growth potentials and pay close attention to regions or districts that enjoy policy supports, such as the Greater Bay Area, the Hangzhou Bay Area and the Yangtze River Economic Zone. See "— Our Business Strategies — Continue to strengthen our national presence by penetrating our existing markets and selectively developing new markets." When selecting acquisition targets, we intend to adhere to our prudent acquisition policy, closely monitor the market conditions and taking into various factors which could affect and alter our acquisition plans.

In conjunction with the acquisition of land use rights from the PRC Government, property developers in the PRC are required to pay a land grant premium to the relevant government authorities and apply for a land use rights certificate (if applicable, a real estate rights certificate) conferring land use rights. In general, upon the payment of the land grant premium to the relevant land authorities, land use rights are granted for a term of 70 years for residential properties, 40 years for mixed-use complexes and 50 years for office complexes.

Project Planning and Design

Our research and design center is responsible for product research, development, planning and design. We have strong in-house research capabilities with a dedicated product research and development department of more than 80 employees, most of whom hold engineering qualification or assistant engineering qualification and have solid industry experiences. We have established standardized designs, components and modules for our projects to ensure efficiency and cost control. While adapting and revising these standard designs to our development projects, we take into account local aesthetic preferences, government policies, product positioning and market conditions.

Our product design philosophy is to introduce customer-oriented designs that best suit the needs of our customers. We pay significant attention to details so that the design of our products will bring increased convenience and value-added experience to our customers based on their lifestyle and habits. We are also attentive to the physical and mental health of the our residents and actively engaged in designing indoor and outdoor fitness facilities for all ages and for all seasons. In addition, we incorporate user-friendly details based on the preferences of our customers in our indoor design. We believe our attention to such planning and product innovations showcases our focus on our customers and that we strive to provide them with the best experience as to our products.

When developing a project, our research and design center reviews the master planning and design specifications for the project under development. They ensure that the master design concept and design plan meet our internal design philosophy and standards and conform to our cost control and operational requirements. In addition, supported by our product database, they collaborate with regional, city and project companies, other relevant departments at our headquarters, and third-party architectural and design firms during the planning and design process to prepare more detailed design drawings.

We typically use a tender process on a project-by-project basis in selecting third-party architectural 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, former experience with major property developers, innovation capability, reputation for reliability and quality as well as our previous experience working with them and the price of their proposed services. We have cooperated with several leading third-party architectural and design firms, such as FKL Associates LLC and CCDI Group, and expect to deepen our cooperation with such firms in the future. These firms are architects and designers that have demonstrated strong design capabilities and good understanding of our standards and requirements. As such, we believe these firms will be able to most efficiently assist us and reduce the overall timeframe required for product design and development.

Tender and Procurement

Contractors and Sub-contractors

We outsource the construction work of our property development projects to qualified contractors who are Independent Third Parties. We usually engage a general contractor for the major construction of a project, including main structure construction, equipment installation and engineering work. Many of our general contractors hold the Premium Grade Constructor Qualification in the PRC. We maintain strategic cooperative relationships with several leading domestic contractors in China, including China Construction Seventh Engineering Division Corp. Ltd., China Construction Second Engineering Bureau Co. Ltd. and China Railway Construction Group Co., Ltd. In addition, we engage specialized contractors in specific areas, such as landscaping, glass wall system, night lighting system and intelligent entrance security control system.

The tender process for selecting construction contractors is managed by the tender department at our city companies and our headquarters. We conduct due diligence on major potential contractors, such as inspecting their credentials and conducting on-site supervision on their offices and property projects. Only those contractors who have passed our due diligence are included in our database. We seek tenders from at least three contractors from our database of approved qualified contractors and conduct price and quality assessment on such contractors. In selecting the winning bid, we typically consider the contractors' professional qualifications, technical capabilities, industry reputation, construction team in charge of the potential project, track record, price and payment schedule.

Typically we enter into a construction agreement with our general contractors based on the standard template provided by the relevant government authorities. Pursuant to such agreements, the general contractors are obliged to undertake the construction work in compliance with laws and regulations as well as our design specifications and time schedules. We have negotiated payment terms which we believe were favorable to us with many of our construction contractors. We pay our construction contractors according to construction milestones. When a project reaches a construction milestone, we generally pay the contractor 75% to 85% of the cost of the construction work as agreed between the contractor and us for such milestone. Upon the completion of the whole project, we usually pay approximately 95% to 97% of the total contract price, while holding back the remaining approximately 3% to 5% as retention fee for quality warranties purpose. The construction contractors are generally required to provide us with a warranty period typically ranging from two to five years, for any losses we may incur as a result of not being able to meet contractually specified quality standards. The unused portion of the retention fee will be returned to the contractors after the warranty period has expired. We may also agree to settle the retention fee by instalments over the warranty period. However, we will also be able to claw back any portion of such retention fee already remitted to the contractor to cover any losses that 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 agreements, we will also be entitled to a pre-determined amount as a penalty payment and, in some cases, we will have the right to terminate the agreements.

Our contractors may, with our consent, subcontract construction works to third party sub-contractors. We require them to supervise the sub-contractors and ensure their construction works are in strict compliance with our specifications and requirements, and to provide progress reports to us on a regular basis for us to closely monitor the construction progresses.

Procurement

We are responsible for purchasing certain specialized building materials and equipment such as elevators and air conditioning systems directly from suppliers through tender processes. We typically procure materials from our database of approved qualified suppliers to ensure quality. We collect information about suppliers, such as quality of service and pricing, and create a database which are regularly reviewed and updated. We seek tenders from at least four suppliers from our database of approved suppliers for one bid and conduct price and quality assessment on these suppliers. In deciding the winning bid, apart from price we consider factors such as product and service quality and suitability of such suppliers to our potential projects. We maintain long-term procurement agreements with several leading suppliers. The procurement agreements typically have a term of two years and include terms of price, turnover and payment arrangement.

Most building construction materials, such as steel and cement, are procured by contractors we engage. We typically designate the brands and quality requirements of these construction materials as part of our construction agreements. With respect to most of our general contracting agreements, the construction contract price will be adjusted if the market price fluctuation of such materials exceeds a certain threshold, and we, as a result, will bear the risks or enjoy the benefits associated with such price increases or decreases outside this range. We can partially offset the potential increases in raw material costs by adjusting the prices of our products. However, we still bear the risk of price fluctuations in raw materials to the extent that we are unable to increase our prices to fully cover any increases in costs. Our construction materials are primarily purchased from suppliers in the PRC.

The operation management center at our headquarters and the individual construction management teams of our city companies oversee the quality of each project development, conduct periodical on-site inspection and pre-examine the construction materials before they are used in the projects. For certain specialized building materials and equipment we procure on our own, we generally do not maintain construction material inventory, but order these materials and equipment only on an as-needed basis. We generally implement centralized procurement of those that can be used in our projects all over the country, such as elevators and air conditioning system, to benefit from economies of scale. For the materials and equipment that need to be tailored to the local preferences, such as interior decoration materials, generally our headquarters and regional project companies typically divide their responsibilities for procurement based on the amount of the contract value and the nature of the materials and equipment.

Project Construction Management

To comply with the relevant PRC laws and regulations, before construction commences, we must first obtain the development rights to the relevant land parcel and the necessary permits and certificates, which include the land use rights certificate (if applicable, the real estate rights certificate), 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 (if applicable, the real estate rights certificate), the construction land planning permit and the construction work planning permit are obtained). Some of our project companies did not obtain certain permits before commencing construction or did not fully comply with certain permits. We have been dedicated to improve our internal control measures to ensure future compliance.

Moreover, we are also required to commence construction of our developments within the time prescribed by the 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 and the idle land might be resumed without any compensation. 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 under construction is less than one third of the total area ought to be under construction or the invested capital is less than 25% of the total amount of capital ought to be invested.

Quality Control

High quality properties are critical to our reputation and business success. We have placed, and will continue to place, significant emphasis on quality control over our project development to ensure regulatory compliance and high quality residential products. Quality control starts with the selection of high quality construction contractors; and we have already established long-term relationships with several construction contractors. See "— Our Project Operation and Management — Tender and Procurement — Contractors and Sub-contractors." We inspect and review the qualification and performances of these contractors regularly to ensure they are performing up to our standards. We also perform extensive due diligence in the selection of other service providers, including external architectural and design firms and raw material suppliers, based on factors such as their quality, reputation and performance records.

We have also established a comprehensive set of standardized quality control guidelines that provide detailed requirements as to quality control standards and specifications for all major aspects of our construction processes. As of December 31, 2020, we had more than 623 employees dedicated to construction management and quality control. Our construction management and quality control teams at our city company, regional company and headquarters level and the management teams of the project companies are comprised of qualified engineers and construction technicians. In addition, we engage Independent Third Parties to review the quality of our products. We engage qualified Independent Third Party supervisors to monitor the quality of the products of our contractors, making sure the work products comply with the standards specified under relevant laws and regulations. Moreover, we engage third party consultants to conduct quality review on the work quality of our contractors and our employees every quarter based on field measurement against our internal quality standards. We typically link the review results to the promotion opportunities and bonuses for our employees as well as the future cooperation opportunities and economic incentives for our contractors. We believe the periodical review by Independent Third Parties will provide us an objective feedback for construction quality, incentivize our employees and contractors to follow our quality standards, and enhance our overall quality control.

Safety Control

We have implemented various safety control measures at our construction sites. However, on June 29, 2018, an accident occurred on the construction site of Wuhan Qingshang Jialingcun Project resulting in the death of a construction worker of our subcontractor, which we believe was due to our subcontractor's inadequate attention to certain safety measures. See "Risk Factors — Risks Relating to Our Business — Safety accidents at our construction sites may delay the project development schedules, subject us to administrative penalties and adversely affect our business, financial performance and reputation."

According to the investigation report issued by Construction Management Station, such accident occurred because the worker worked on an excavator without using his safety rope, violating the subcontractor's safety guidelines. The investigation report further concluded that the accident occurred also because (i) our subcontractor failed to implement the relevant construction site safety management procedures to (a) install adequate safety precaution equipment at the construction site; (b) timely discover and prevent the construction workers from violating the safety procedures; and (c) enhance its employees' awareness of the safety issues at the construction site; (ii) the Third Party supervising company of this project failed to effectively perform its supervising duty at the construction site; and (iii) our contractor failed to supervise the subcontractor to follow the safety measures during construction.

As advised by the our PRC Legal Advisor, the construction company, which is one of our subcontractors, was at fault and should bear all liabilities and losses resulting from this accident. Our PRC Legal Advisor also advised that, based on the investigation report issued by Construction Management Station, we were not liable for the accident. In addition, as advised by our PRC Legal Advisor, according to Regulation on the Reporting, Investigation and Disposition of Production Safety Accidents (《生產安全事故報告和調查處理條例》) adopted by the State Council on March 28, 2007, the aforementioned accident was categorized as an ordinary accident ("一般事故"). We have enhanced safety control since the occurrence of the accident. For example, we required the subcontractor to enhance security training to on-site workers and tightened the security review of the newly hired workers. Except for the aforementioned accident, to the best of our knowledge, we are not aware of any fatal or material accident on our construction sites for the years ended December 31, 2018, 2019 and 2020.

Progress Control

We have established an internal progress management system that specifies the critical keynotes, master program plans, responsibility allocation and major progress timetable. Supported by such database, we follow up the progress of each project and timely respond to the deviations from the planned schedule. Such system enables us to monitor the pace of each project development in a timely manner and to quickly identify any potential delays to the final schedule. Once a delay to a check point is identified, our city and regional companies and our construction management department at our headquarters will implement remedial measures, including, among others, evaluating the construction unit, optimizing the construction structure and increasing work force, to shorten the timeframe for future milestones to ensure that the overall project timeline will not be compromised or to reduce the impact of such delay. In addition, we provide detailed project construction timelines in our agreements with third-party construction contractors and closely monitor subcontractors to ensure that such timeline is met. Typically a qualified third-party professional company will facilitate completion of the construction work according to the relevant timeline.

Cost Control

We have established a comprehensive cost management system to set the relevant budget for our projects, including, among others, standards to assess the different cost components. For each project, the relevant city and project company, as approved by its general manager, shall prepare a master budget, which will be submitted to cost management department of the regional company. Upon the approval of the regional company, the master budget shall be reviewed by the cost management center and the financial management center at the headquarters level and then ultimately approved by the standing vice president of our Group.

We have established a dedicated cost management center at our headquarters to approve and monitor all construction and supplier agreements entered into. The cost management center reviews and ensures that the relevant contracted amount and payment schedules are in accordance with those set forth in our master budget. The city companies report the construction contracts and actual costs and provide analysis for the items that have changed significantly on a monthly basis. Our cost management center at our headquarter reviews, verifies and analyzes the actual costs incurred in detail on a quarterly basis. Where actual cost exceeds the initially approved budget, the cost management center gives warning to the city companies. The budget will be approved and payment will be arranged after the cost management center reviews the progress payment and the financial management center reviews the amount to be paid. We believe such procedures enable our management to effectively control costs. In addition to our cost control procedures, our centralized procurement of certain specified construction materials and equipment also contribute to our ability to control development costs.

Sales and Marketing

Sales and Marketing Efforts of Our Group

We have established our in-house marketing management team at both headquarters level and regional management level. The marketing management center at our headquarter is in charge of formulating marketing strategies, setting marketing goals, controlling marketing costs and evaluating the performance of the local sales and marketing teams. The sales and marketing teams designated by our management teams at regional company level and city company level, on the other hand, are responsible for the formulation and execution of detailed project marketing plans.

We rely on our own marketing management department for the sale of most of our properties. We believe by establishing and strengthening our own sales and marketing teams and leveraging the supports of our other departments, we are better positioned to gain in-depth understanding of the market to improve our marketing and pricing efforts, and to identify industry trends and customer demands that we can benefit in optimizing our products. Our sales and marketing personnel are incentivized by performance-based compensation packages. We believe we provide relative competitive remuneration packages to our sales and marketing staff, which take into account the performance evaluation of the individual sales and marketing personnel and the overall performance of their teams.

We also occasionally engage Independent Third Party real estate sales agents depending on market conditions and the sales performance of the particular project to facilitate our sales and marketing efforts. These real estate sales agents promote our property projects through their own marketing networks and bring in potential customers to our project sites. We typically pay a commission based on the total sales amount they make.

Our marketing staff are generally involved from the early stage of project development to ensure that our property developments are well positioned and priced by providing valuable information relating to our target market, local pricing information, pricing of competitive projects, customers and estimated sales velocity.

Pre-Sale

We generally commence the pre-sale of our properties prior to completion of construction.

Prior to starting pre-sale, we typically establish 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.

Amongst others, we must fulfil 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; and

- in terms of the properties put into pre-sale, at least 25% of the total amount of the investment fund has been injected into the development and the progress of construction and the expected completion and delivery dates have been ascertained.

Under applicable PRC laws and regulations, the pre-sale proceeds are required to be used primarily for the construction and development of the relevant projects. See "Regulation — Real Estate Transactions — Pre-sale of Commodity Properties." The local governments at provincial or municipal level may impose more detailed requirements to implement such nationwide restriction on pre-sale proceeds, including the following.

The places where our other construction projects are located, such as Shaanxi Province, Zhejiang Province, Nanjing, Zhuhai, Dongguan, Qingyuan, Foshan and Hefei, have also promulgated local implementation rules for the regulation of commercial housing pre-sale proceeds. The specific requirements in these places are largely similar to those provisions issued by the cities listed above. To supervise the use of pre-sale proceeds and ensure our compliance with relevant PRC laws and regulations, we have put into place certain supervising mechanism since December 2010, pursuant to which (i) pre-sale proceeds shall be deposited in escrow accounts under supervision in accordance with the detailed requirements of relevant local governmental authorities; (ii) expenses incurred during construction to be paid out of such accounts shall be reviewed and approved by the chief financial officer and the accounting departments of the relevant project companies, as well as relevant local bureaus of housing administration. During this process, (i) our employees are required to submit supporting documents such as construction progress schedules and construction contracts to relevant accounting departments to prove the use of proceeds; (ii) relevant accounting departments shall review such supporting documents to ensure the compliance with applicable PRC laws and regulations; and (iii) the banks with which such escrow accounts are held shall double check the relevant approvals by competent local bureaus before releasing funds in relevant escrow accounts. During the years ended December 31, 2018, 2019 and 2020, we had neither identified any material violation by our project companies of our internal supervising measures discussed above, nor received any administrative penalty from relevant governmental authorities for any non-compliance incident involving improper use of pre-sale proceeds in any material aspect.

In addition, property developers are also required to use a standard pre-sale contract prescribed by the relevant local authorities. In accordance with the requirements of the applicable PRC laws and regulations, we register such pre-sales with the relevant local authorities and provide warranties on the quality of properties we sell to our customers. The warranty periods are normally shorter than that for the quality warranties we receive from our construction contractors under the relevant construction contracts. A typical pre-sale contract includes arrangements of, among other things, the total sale price, payment arrangements, whether the property has interior decoration, liabilities for late payment or default, warranty, registration of individual property ownership certificates and standards for delivery. For example, a typical pre-sale contract includes a compensation clause which provides one or more options in the event of delays in completion and delivery, including, among other options, default payments and termination of the pre-sale contract. We typically make the form of our pre-sale contracts available to public at the sales office. We generally are not required under relevant laws and regulations to explain construction costs to the property purchasers but will do so at the request of the purchasers.

Pricing Policies

Our ability to price our products at desired levels has been, and will continue to be, important to our operations. Generally, we determine the prices of our for-sale properties based on a variety of factors, including relevant laws and regulations, market conditions, competitive landscape, prices of comparable properties in the market, positioning of properties, target customers, locations, types of houses, floors, facing directions, views and cost of construction. We adjust the prices during the sales process based on market responses.

Prior to launching our sales efforts for a project, our investment and development center and marketing management center at our headquarters level, in consultation with our other centers, establish the overall marketing budget, overall sales targets and target ASPs for each project based on our total costs incurred and our target profitability levels. Total costs incurred include land costs, costs of construction and installation, period costs (including selling and administrative costs and finance costs) and tax expenses.

Due to the highly competitive and evolving nature of the 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. Our project management team will closely monitor and analyze the pricing trends and promotion campaigns of other competing properties as well as the changing policies related to property pricing and propose adjustment to our marketing and pricing strategies as appropriate.

As part of our marketing efforts, we offered discounts to customers who pay the property price in full upon signing the formal sale and purchase agreement without mortgage, and customers who purchase more than one property or have multiple purchase records. We believe the above discounts were effective in attracting potential customers and we consider that the discounts granted were in line with the then prevailing market practice.

Interior Decoration Arrangements

We sell both roughcast units and units with interior decorations. For the roughcast units, we usually sign a purchase and sale contract with purchasers, which typically provides that the units does not include fees or charges for interior decorations.

For the units with interior decorations, we either undertake interior decoration through a qualified subcontractor or arrange a contractor to execute interior decoration agreements with purchasers directly. In both cases, such contractors were selected through a tender process. A contractor is typically selected from the tender process based on a comprehensive evaluation on factors including, among others, the contractor's size, human resources, technical support, reputation in the industry, recent projects and quality of the service. In addition to the tender process, several members of the relevant project companies may also conduct onsite inspection and scored the contractor based on a balanced scorecard. The purchasers of units with interior decorations are required to pay for such interior decorations either to us or to the third party contractor pursuant to a separate agreement. The fees or charges for interior decorations are generally determined taking into consideration of (i) the market positioning of the relevant property project and (ii) the applicable pricing guidance issued by relevant governmental authorities.

When we undertake interior decorations through a qualified subcontractor, we usually specify the arrangements of interior decorations in the purchase and sale contract with each purchaser. Such arrangements typically includes, among others, the price per unit, the delivery schedule and standards of the units with interior decorations. We are typically required to deliver the units with interior decorations that meet the quality standards set out in such contracts pursuant to the schedule specified. If the interior decorations fail to meet the standards set out in such contracts, we typically have the obligation to make timely reparation. Disputes arising out of such contracts may be resolved by negotiation. When parties cannot reach an agreement on whether the unit delivered meets the specified standards under the purchase and sale contract, the parties can engage a professional institution to conduct quality appraisal tests. When the parties cannot reach an agreement via negotiation, parties may resolve the disputes by legal proceedings.

In the case where a contractor directly undertakes interior decorations for the purchasers, we file the selling price for roughcast units and the reference price for the interior decorations with the relevant government authorities when we apply for the pre-sale permits. Such contractor typically signs a interior decoration contract with each purchaser directly, under which a purchaser pays the interior decoration fees directly to the contractor without going through our accounts. Although a sample interior decoration contract between a purchaser and the relevant contractor is typically made available in the sales office of the relevant project company, the detailed terms and conditions, including the price for the interior construction work, payment schedule and the completion schedule of the interior decorations, are subject to negotiation between the purchaser and the contractor. In some cases, the purchaser and the contractor may enter into supplemental contracts to revise or specify the arrangements of the interior decorations. Our project companies typically sign such contracts as a party whose obligations may include, among others, providing demonstration units and resolving the defects if the interior decorations are below the specified standards within the period set out in the warranties of such interior decoration contracts. Pursuant to a typical interior decoration contract, disputes arising out of such contract may be resolved either by negotiation, or, when such negotiation cannot lead an agreement, by legal proceedings.

We had, from time to time, disputes with purchasers in respect of interior decoration quality. For example, we received complaints from purchasers in the Wuhan Qingshan Jialingcun Project and Wuhan Helenbergh Junlin Changjiang from November 2018 to April 2019. The allegations primarily include (i) the relevant project companies violated applicable PRC laws and regulations by failing to include the charges of the interior renovation in the Company's filing for the pre-sale permits with relevant government authorities; (ii) the interior decorations provided by the contractors failed to meet the standards set forth in the interior decoration contracts and the applicable governmental standards; and (iii) the contractor that provided interior decoration service is not qualified under applicable PRC laws and regulations. Upon investigation and consultation, we believe that (i) relevant project companies had complied with relevant PRC laws, regulations and policies regarding sales of commodity properties and had not received any penalties from such governmental authorities as of December 31, 2020; (ii) the two projects discussed above had not commenced interior decoration when we received the complaints so the complaint that the interior decorations failed to meet relevant standards was groundless; and (iii) the contractor that provided interior decoration service is qualified under applicable PRC laws and regulations. Moreover, we obtained a confirmation letter from the Wuhan Housing Security and Housing Management Bureau (武漢市住房保障和房屋管理局), the competent governmental authority supervising all the project companies of the Group located in Wuhan on November 13, 2018, which confirms that our subsidiaries located in Wuhan, had complied with relevant laws, regulations and policies regarding sales of commodity properties and had not received any penalties from such governmental authority on this regard from January 1, 2015 to the date of the confirmation letter. The two projects commenced pre-sale and the contractors commenced interior decoration in June 2019 and July 2019, respectively, which had been completed as of December 31, 2020. Despite the fact that the allegations in such complaints were untrue, similar disputes may expose us to risks and uncertainties. See "Risk Factors — Risks Relating to 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 customers, contractors, suppliers, employees, tenants or other third parties, and may face significant liabilities as a result" and "Risk Factors — Risks Relating to Our Business — We rely on third parties in certain key aspects of our business and if any of such third parties fails to deliver quality services in a timely manner, or if our relationships with any of them deteriorate, our reputation or business operation may be adversely affected."

Payment Arrangements

Generally, our customers can make the payment with or without mortgage financing.

If a customer chooses to pay the purchase price without arranging mortgage financing, we typically request our customers to pay a non-refundable deposit before entering into the sales or pre-sale contract. The deposit will be forfeited if the customer decides not to sign the formal sales or pre-sale contract. The deposit will be applied to settle the purchase price in part after signing the formal sales or pre-sale contract. The balance of the purchase price is to be paid no later than the date specified in the sale and purchase agreement. We usually require customers to pay no less than 30% of the total purchase price on the contract date and to settle the remaining within one month after entering into the sales or pre-sale contracts. When customers choose to fund their purchases through mortgage loans provided by commercial banks they generally will be required to pay a non-refundable down payment of approximately 30% to 70% of the purchase price upon entering into the sales or pre-sale contracts in accordance with the terms stipulated in the contracts, depending on various factors. See "Regulatory Overview — Real Estate Transactions — Mortgage of Properties."

In line with market practice in the PRC, we have arrangements with various banks for the provision of mortgage financing and when required, provide our customers with guarantees as security for mortgage loans. These guarantees shall be released upon the earlier of (i) the relevant certificates of registration of mortgage or the certificates of other interests with respect to the relevant properties being delivered to the mortgagee banks; and (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers of our projects. As a guarantor, if the purchaser defaults in payment, we are obligated to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the loan. We do not conduct credit checks on our customers but rely on the credit checks conducted by relevant banks.

In case of a customer default under a purchase agreement financed by mortgages, we are typically required to repay all amounts due under the mortgages. Upon the fulfillment of our obligation as a guarantee, the mortgagee bank would be obliged to assist us in collecting payments from the defaulting customers. We are generally entitled to forfeit the deposits and foreclose the relevant properties. See "Risk Factors — Risks Relating to Our Business — We guarantee the mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments."

Project Delivery and Customer Relationship Management

Project Completion and Delivery Management

We strive to deliver completed properties to our customers within the timeframe prescribed in the respective pre-sale or sale and purchase contracts. Before delivery of properties to our customers, we may obtain the certificate of completion or other certificates as required under the respective sales contracts as well as the local laws and regulations. It typically takes approximately two to three years from the commencement of pre-sale to the date of the completion certificate, depending on the scale of the properties and the market conditions.

To help ensure timely delivery of our properties, we closely monitor the progress of construction of our projects and conduct pre-delivery property inspections. Our inspection process starts with the internal inspection of our city companies. Upon passing the city-level inspection, our operation management center at the headquarter level arranges a comprehensive pre-delivery examination. Once the properties pass the examination, customer relationship department at the city company level prepares delivery arrangements and delivers the properties. On the day of delivery, personnel from the customer experience center at our headquarter level evaluates the whole delivery process and provides feedbacks. The delivery process typically includes, among others, confirming the client's identity, signing delivery agreement, paying the agreed fees and costs, delivering the key and the examining the property.

We will assist our customers in obtaining their individual property ownership certificates by providing all requisite information to the local authorities for registration. The local authorities will then grant an individual property ownership certificate or a real estate rights certificate for each property unit afterwards.

Sale of properties income is recognized when or as the control of the asset is transferred to the purchaser. 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: (i) provides benefits which are received and consumed simultaneously by the purchaser; (ii) creates and enhances an asset that the purchaser controls as the Group performs; or (iii) 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.

Warranties

We provide our customers with a warranty for the quality of the structure of the building pursuant to the Measures on the Sales of Commodity Housing (《商品房銷售管理辦法》) and Regulations for the Operations of Urban Property Development (《城市房地產開發經營管理條例》). In addition, we also provide quality warranties for certain fittings and fixtures, if applicable, usually for a period of six months to five years as specified in the Residential Property Quality Warranty, according to the published national standards.

In particular, we provide the following warranties, among others, for our residential properties:

- warranty as to the foundation and main structure of the properties for the period designed for reasonable use of the relevant properties;

- five-year warranty for defects relating to the waterproofing of property surfaces;

- five-year warranty for defects relating to the waterproofing of bathrooms, rooms and walls;
- two-year warranty with respect to the electricity, sewage pipes and equipment installment;
- warranty with respect to the heater and air conditioner systems for two heating periods and two cooling periods; and
- two-year warranty with respect to the refined decoration work.

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

In general, we allow for returns of our properties in circumstances where there are material delays in the delivery of our properties which exceed the periods stipulated in the relevant sales and purchase agreements, material quality defects with respect to our properties, material changes made by us to the design of the properties which result in changes in areas such as property layout, spatial dimension and orientation, and material discrepancies in the GFA of our properties delivered as compared to the GFA stipulated in the sales and purchase agreements.

We may receive customer claims in relation to the quality of real properties that we developed from time to time. Generally, we coordinate with the relevant third-party contractors to respond to such customer claims. Such third-party contractors shall be responsible for the repair or maintenance at their own costs subject to the warranties provided in the agreements that they entered with us.

Customer Relationship Management

We rely on our sales and marketing center to provide after-sales services. Our customer service personnel are 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 the relevant departments to improve various aspects of our operation, such as project design and marketing strategies.

We have also established a membership program “Helen Club (海倫會)” in certain of our properties in which purchasers of such property are voluntarily enrolled after verifying their identities. We believe the membership program enables us to establish better relationships with customers, build customer loyalty, foster brand awareness, solicit timely customer feedbacks and also to enhance our ability to customer complaints.

To provide quality product and services to our customers, the customer services department at the city company level typically do the followings:

- constantly respond to the requests of our customers;
- offer 24-hour customer service hotline to provide our customer the access to our assistants and services;
- conduct quarterly inspections on multiple aspects of our products, such as safety and fire control;
- engage Independent Third Party consultants to evaluate the customer satisfaction; and
- organize customers events and activities.

Delivery of Properties

Delivering quality properties and providing satisfying purchasing experiences to customers are fundamental to the success of our business. We closely monitor the construction progress of our properties and endeavor to deliver properties to our customers within the timeframe specified in the respective sales and purchase agreements and in a manner that complies with the PRC laws and regulations. To speed up the registration and approval process, we have increased our communication with the relevant government authorities to actively follow up on the status of certificate applications. Historically, there were incidents which, we did not complete requisite administrative procedures to obtain the completion certificate for one of our properties due to factors beyond our control.

MANAGEMENT OF COMMERCIAL PROPERTIES

Our Commercial Properties

We have developed and maintained commercial properties of three product lines, as follows:

Product Line	Features
Helen World (海樂世界)	• A city shopping center attracting customers from the entire district or city. Helen World is intended to be a city landmark that integrates various ancillary facilities with multiple functions, including shopping, entertainments, dining, leisure, sports and fitness as well as family activities;
Helen City (海樂城)	• A multi-functional commercial center located in densely populated residential areas. With a focus on regional consumption needs, Helen City intends to satisfy the everyday needs of the neighborhood; and
Helen Park (海樂薈).......................	• A community shopping center targeting to provide daily necessity to the residents living in the community. Helen Park also is intended to offer a variety of featured services such as arts and cultural activities, leisure services and sports to provide quality lifestyle for the residents within the community.

As of December 31, 2020, we had 23 commercial properties with an aggregate GFA of 1,980,053 sq.m., including 16 commercial properties completed and seven commercial properties under development. These commercial properties are located in Guangzhou, Kunming, Shanghai, Hefei, Nanjing, Zhongshan, Zhaoqing, Chengdu, Xi’an, Suzhou, Jingzhou, Cixi, Jinhua, Yangzhou, Zhenjiang and Hangzhou.

Our Creative & Technology Parks

We define our Creative & Technology Parks as "industry incubators," with a vision to facilitate the growth and prosper of a variety of high-technology or "neo-economy" companies, including, among others, information technology enterprises, creative design companies, culture and entertaining companies and e-commerce enterprises. We strive to renovate our operation model, provide diversified ancillary services addressing the specific needs of those target companies, actively participate in each phase of their life cycles, and create an integrated platform to form a value chain that fosters the growth of the target companies. In particular:

- we offer diversified value-added services, including professional services and trainings as well as various office facilities to support the growth of the emerging enterprises;

- we strategically introduce companies with complementary businesses, such as financial services companies, to form a value chain and create an open platform for resource sharing and collaboration;

- we provide efficient and convenient workplaces with modern features and garden-like scenery to enhance work efficiency, promote creativity and boost productivity;

- we pay close attention to the local and national policies for the relevant industries and assist the companies in the Creative & Technology Parks to enjoy policy benefits; and

- we create a collaborative community with a variety of facilities, such as gyms, swimming pools, restaurants, and retail stores.

As of December 31, 2020, we had two Creative & Technology Parks with an aggregate GFA of approximately 575,339 sq.m., including one Creative & Technology Park completed and one under development each located in Guangzhou.

Our Investment Properties

We hold and operate a portion of our commercial properties and the Creative & Technology Parks for long-term investment purposes. We currently hold shopping malls, office spaces and parking spaces as investment properties to diversify our investment portfolio and increase the value of other properties for sale in these complexes. We determine whether our properties will be sold or retained for investment purposes in the early stages of development for each of our project. We typically intend to hold for investment the large-scale centralized commercial projects and the Creative & Technology Parks, and sell the commercial premises on the ground floor or commercial blocks in a residential community. Although we currently focus on the development of residential properties for sale, we will in the future selectively develop high quality investment properties in response to changing market conditions and customer demand.

As of December 31, 2020, we had 17 completed investment properties and eight investment properties under development which include shopping malls, office spaces and parking spaces we developed.

The following table sets forth our investment properties under development as of December 31, 2020:

City	Project Name	Estimated Construction Completion Date	Total Planned GFA
			(sq.m)
Kunming	Kunming Chuncheng Shiguang Garden	June 2020	572,863.46
Nanjing........................	Nanjing Lishui International Centre	June 2020	99,765.30
Shanghai......................	Shanghai Xinying Business Centre	October 2019	71,291.00
Guangzhou	Guangzhou Helenbergh Creative City (North)	June 2021	323,645.12
Hefei	Hefei Helenbergh City Center	December 2021	490,174.00
Hangzhou	Pujiang Helen City	N/A	115,612.18
Hangzhou	Cixi Helenbergh Haibo Center	September 2021	37,024.00
Suzhou.........................	Suzhou Xiexin Qidi Technology Information Industrial Park	October 2021	68,097.48
Yangzhou.....................	Yangzhou Yizheng Project	N/A	50,000.00
Wuhan	Jingzhou Helenbergh Jiuyue Mansion	N/A	52,618.15
Zhejiang	Zhejiang Fenghui Yuan	January 2022	22,179.57

Pre-Leasing

The anchor stores of a project typically enter into a letter of intent during the process of project planning, business promotion and positioning and construction. At the same time, we obtain cooperation commitment from other stores. This model enables our tenants to maximize their ability to customize their leased spaces during the construction of the development projects to best suit their needs. In order to satisfy the tenants' needs for the relevant spaces, our product research and development department and commercial assets management department work closely with tenants to ensure that the products we deliver are aligned with their requirements.

Our pre-leasing model has allowed us to effectively secure a significant portion of leasing commitments from anchor tenants before the commencement of operation of our shopping malls while satisfying requirements under relevant laws and regulations. The commitments from anchor tenants can enhance the positioning of the commercial assets and accelerate the project development process.

Lease Agreements

The range of lease terms varies among different types of tenants and is typically two to five years with retail tenants, five to 20 years with large or mid size retail chain tenants and five to ten years with office spaces tenants. Our leases normally contain fixed rents that are payable either monthly or quarterly. In addition, some of our leases contain revenue-sharing provisions.

To enhance the competitiveness and profitability of our investment properties, we closely monitor the daily operation of individual stores via the information technology and operation management systems. For example, we use the CRM system to conduct big data analysis on the sales volume and passengers flow. We rank the tenants in terms of sales volume, appeal to customers, quality of services and ability to pay rents on time. We believe the system will incentivize the tenants to improve their service and enhance the quality of our commercial projects. The IT system also helps us quickly respond to the changing market preferences, adjust our operation strategy and provide quality service to our customers. Moreover, the IT system reduces our reliance on repeated labor and enhance communication efficiency. By reducing the direct and indirect labour costs, the IT system helps reduce our operation expenses and enhances our profitability.

Selection, Merchandizing and Management of Tenants

Our investment properties serve a large and diverse tenant base. As of December 31, 2020, we had entered into roughly 2,097 individual leases with these tenants at various commercial properties and office buildings. In 2018, 2019 and 2020, the average occupancy rate of our commercial properties was approximately 87.7%, 81.5% and 83.0%, respectively. To maintain a high-quality tenant base, we have established and maintained a database which consists of quality brands selected from marketing events and historical business relationships. The database serves as the primary source for potential tenants. Our commercial management center is responsible for managing such database, including conducting the evaluation, grading, addition and removal of brands in the database. As of December 31, 2020, the database consisted of more than 3,900 brands, many of which are internationally or nationally well-known brands.

Marketing and Promotion

To maintain a high occupancy rate of our commercial properties we have formulated a set of marketing strategies and developed activities using both internal and external sources to promote our commercial and mixed-use properties and attract visitors, including:

- advertising through a variety of media, including television, newspapers and magazines, point-of-sale materials, the Internet, mobile media, outdoor billboards, reality TV shows and new media;

- advertising through a variety of print advertisement, including outdoor advertisement at bus stations, outdoor LED advertisement, advertising lightboxes, indoor banners, indoor DM and LED screens and landscape print advertisements;

- host diversified promotional events and branding activities, such as grand opening ceremony, car exhibitions, large scale performance shows and IP shows; and

- establish various experience stores or spaces including children's parks and theme spaces which aim to offer unique immersion experience for visitors.

Value-Added Service

To enhance the value of our investment properties, we provide value-added services to commercial properties we developed. We collect management fee for a variety of value-added services provided, such as public area maintenance, construction management, security management, leasing, gardening in public areas, maintenance of public facilities and the collection charges of public utilities.

SUPPLIERS AND CUSTOMERS

Our major suppliers are construction contractors and construction material suppliers. We depended on a limited number of major suppliers to operate our businesses. Some of our general contractors are operating entities owned or controlled by the same group. Although we transacted with such operating entities on an individual basis, we aggregated the purchases from such entities and counted the relevant group companies as our major suppliers.

We believe we are able to secure sufficient supplies in a timely manner at comparable cost if one or several of current suppliers fail to provide us with contractor services and raw materials in the quantity and quality meeting our requirements.

AWARDS AND RECOGNITIONS

The below table sets forth a summary of the key awards and recognitions of our Group or our properties as of December 31, 2020.

Recipient/Project	Award/Recognition	Awarding Authority	Year
Our Group	China Top 100 Real Estate Developers (中國房地產百強企業)	Development Research Center of the State Council, (國務院發展研究中心企業所), Property Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院)	2014 — 2020
Our Group	China's Top 10 Real Estate Company with Growth Potential (中國房地產百強企業成長性TOP10)	Development Research Center of the State Council, (國務院發展研究中心企業所), Property Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院)	2016 — 2020
Our Group	China's Top 100 Commercial Real Estate Companies (中國商業地產百強企業)	China Index Academy (中國指數研究院)	2019 — 2020
Our Group	China's Top 20 Real Estate Brand Value (中國房地產公司品牌價值TOP20)	Development Research Center of the State Council (國務院發展研究中心企業所) and China Top 10 Real Estate Research Group (中國房地產TOP10研究組)	2015 — 2020

Recipient/Project	Award/Recognition	Awarding Authority	Year
Our Group	Top 10 Customer Satisfaction of Guangzhou (廣州房地產顧客滿意度十強)	China Index Academy (中國指數研究院)	2014 — 2017, 2020
Guangdong Helenbergh	China's Top 50 Real Estate Development Company (中國房地產開發企業50強)	China Real Estate Industry Associations (中國房地產協會), Shanghai E-House Real Estate Research Institute (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心)	2018, 2020
Our Group	Craftsmanship Enterprise Award 2020 (2020年度匠心企業)	China Business Journal (中國經營報)	2020
Our Group	Healthy Habitat Product Line of Chinese Real Estate Enterprises – Rosen Joy Series of Helenbergh (2020中國房企健康人居產品線—海倫堡·玖悅系)	Yihan Zhiku (億翰智庫)	2020
Our Group	China's TOP30 Real Estate Enterprise Super Product Strength (2020中國房企超級產品力TOP30)	Yihan Zhiku (億翰智庫)	2020
Our Group	Golden Brick Award – 2019 Quality Real Estate Comprehensive Enterprise (金磚獎-2019年度品質地產綜合企業)	Century 21st Business Herald (《21世紀經濟報道》), Boao · 21st Century Real Estate Organizing Committee (博鰲·21世紀房地產組委會)	2019
Our Group	China's Top 100 Property Management Companies (中國物業服務百強企業)	China Index Academy (中國指數研究院)	2019

Recipient/Project	Award/Recognition	Awarding Authority	Year
Our Group	China's Top 50 Real Estate Enterprises in terms of Comprehensive Value (中國房企綜合實力50強)	Yihan Zhiku (億翰智庫)	2018 — 2020
Our Group	Top 100 Brands of China Real Estate Companies (中國房地產品牌價值100強)	Yihan Zhiku (億翰智庫)	2018
Guangdong Helenbergh	China's Top 50 Real Estate Enterprises in terms of Comprehensive Value (中國房企綜合實力50強)	China Real Estate Industry Associations (中國房地產協會), Shanghai E-House Real Estate Research Institute (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心)	2020
Guangdong Helenbergh	China's Top 100 Real Estate Development Company (中國房地產開發企業100強)	China Real Estate Industry Associations (中國房地產協會), Shanghai E-House Real Estate Research Institute (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心)	2017
Guangdong Helenbergh	China's Top 100 Real Estate Enterprises in terms of Comprehensive Value (中國房企綜合實力100強)	Yihan Zhiku (億翰智庫)	2017
Guangdong Helenbergh	Guangdong Top 20 Creditworthy Real Estate Enterprises (廣東地產資信二十強)	Guangdong Top 20 Creditworthy Real Estate Enterprises Review Committee (廣東地產資信二十強評審會)	2017

In addition, many of our projects received awards and recognitions. For example, our Huizhou Helenbergh Hongchenghou Garden was awarded the "Golden Prize" (美國Muse2020第二季金獎) at the MUSE Design Awards 2020 by International Awards Associates (國際獎項協會). Our Kunming Helenbergh Central Square (昆明海倫堡中央廣場) was recognized the Most Valuable Investment Real Estate Project in China (中國最具投資價值樓盤) in 2016 by China Index Academy and the 2017 Regional Landmark Real Estate Project (2017年區域標桿樓盤) in 2017. Our Guangzhou Blossom Age (廣州花樣年華) was awarded "Golden Medal Real Estate Project" of 2017 Annual Habitable Quality District (2017年度廣州業宜居品質城區"金牌明盤") in 2018 by Guangzhou Real Estate Industry Association and Panyu Daily.

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 cities where we operate or intend to operate. 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 regions in which we conduct our business, namely the Pearl River Delta Region, the Yangtze River Delta Region, the Western China Region, the Central China Region and the Jing-Jin-Ji Region have been highly competitive in recent years. Property developers from the PRC and overseas have entered the property development markets in first- and second-tier cities in these regions. The rapid development of these regions in recent years has led to a diminishing supply of undeveloped land in desirable locations in the first- and second-tier cities in these regions. Moreover, the PRC Government has implemented policies to tightly control 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 bank or other land resources, product quality, brand recognition by customers, customer services and support, pricing and design quality. There is no assurance that we will be able to continue to compete effectively in our industry. See "Risk Factors — Risks Relating to Our Industry — The PRC property market industry is highly competitive" and "Risk Factors — Risks Relating to Our Business — We may not be successful in managing our growth and expansion into new cities and regions and new businesses."

We believe that, with our proven property development capabilities, balanced investment portfolio and customer-oriented product offerings, 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 real estate market.

INTELLECTUAL PROPERTY

We place emphasis on developing our brand and have extensive trademark registrations to protect all respects of our brand. Our Principal Subsidiaries conduct our business in the PRC under 77 trademarks with five trademarks registered in Hong Kong, and have registered one domain name for the website of our Group.

As of December 31, 2020, 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

There are no national mandatory provisions under the relevant PRC laws and regulations requiring property developers to maintain insurance coverage with respect to their property development operations. We do not maintain any insurance policies for our residential property development projects. We generally maintain property insurance for our commercial property projects held for investment. In addition, we require the general contractors of our development projects to maintain insurance policy in accordance with the contracting agreements.

We believe our practice is with industry norms. However, there are certain risks for which we are not insured, and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations. See "Risk Factors — Risks Relating to Our Business — Current insurance coverage may not be adequate to cover all risks related to our operations" for further details.

PROJECT FINANCING

We finance our projects primarily through internal cash flows generated from our operating activities (including proceeds from the pre-sales and sales of properties and rental income), bank and other borrowings, equity contribution from shareholders and issuances of debt securities. We also entered into multiple trust and asset management financing arrangements to finance the development of our projects. We aim to finance our property developments with internal resources to the extent practicable so as to reduce the level of external funding required.

We typically estimate the amount of overall financing required for each property development based on the cash flow requirements for each project. In general, the financing requirements for a project or project phase depend on various factors, such as the location and scale of such project, raw material costs, labor costs, development progress and the pre-sale schedule.

We typically start preparing financing plans and assessing the total financing requirements at the early stage of a project. The finance department at the project company level typically assesses the total funding required by creating a financial matrix based on the estimated development costs and anticipated cash outflows and inflows at different stages of the project. The finance department of the relevant project company typically obtains the inputs from the accounting department, the cost center and the engineering department of such project company. The finance department at the headquarters level is responsible for reviewing and approving the financing plans of the project companies.

When determining the type of financing, we usually take into account factors such as costs, terms, credit limit and the complexity of the approval process. Before obtaining requisite land use rights certificates, construction and planning permits, construction work planning permits and construction work commencement permits (collectively, the "**Four Permits**") for a project, we prioritize financing plans which have the most efficient approval process and the highest credit limit while maintaining relatively acceptable costs. After obtaining the Four Permits, we prefer financing options offering the best available combination of the low financing costs and high credit limit.

Sale and Pre-Sale Proceeds and Rental Income

We use the proceeds from the pre-sales and sales of our properties as well as our rental income to fund part of our construction costs.

Pre-sale proceeds form an integral source of our operating cash flows during project development. According to the applicable PRC laws and regulations, certain criteria must be met before we may commence any pre-sale activities for properties under development, and the use of pre-sale proceeds may be restricted by local governments in cities where we operate. See "Regulation — Real Estate Transactions — Pre-sale of Commodity Properties."

Bank Loans

As of December 31, 2018, 2019 and 2020, the closing balance of our bank loans amounted to RMB9,286.3 million, RMB17,828.9 million and RMB19,915.3 million (US$3,052.2 million), respectively. Our ability to obtain financing from banks for our projects is affected by various policies promulgated by the central and local governments. See "Regulation — Real Estate Financing — Loans to Real Estate Development Enterprises."

Trust and Asset Management Financing Arrangements

We enter into financing arrangements with trust companies or asset management companies in the ordinary course of business to finance our property development projects. Compared with bank borrowings, such financing arrangements usually offer greater flexibility in terms of availability, approval schedule and repayment requirements, and therefore is an effective alternative source of funding for some of our project developments, particularly during the tightened banking credit environment.

As of December 31, 2020, the total balance of our trust and asset management financing arrangements accounted for 39.7% of the total balance of interest-bearing bank and other borrowings as of the same date.

These trust companies, asset management companies and their financing vehicles we have cooperated with are reputable and well-established institutions in the PRC and are Independent Third Parties to us.

Corporate Bonds

In June 2018, we issued the first tranche of private corporate bonds in the total principal amount of RMB1,000.0 million, which have a two-year term and bear interest at the rate of 7.9% per annum. In December 2018, we issued the second tranche of private corporate bonds in an aggregate principal amount of RMB1,000.0 million, which have a two-year term and bear interest at the rate of 7.8% per annum. In October 2019, we issued the first tranche of senior notes in the total principal amount of US$300,000.0 million, which have a two-year term and bear interest at the rate of 12.88% per annum. In February 2020, we issued the second tranche of senior notes in the total principal amount of US$250,000.0 million, which have a two-year term and bear interest at the rate of 12.88% per annum. As of December 31, 2020, the closing balance of our corporate bonds included in interest-bearing bank and other borrowings was RMB4,970.2 million (US$761.7 million).

The IPO Plan

We are in the preparation of the initial public offering of our common stock and the listing of our common stock on the Stock Exchange. The IPO Plan is subject to the review and approval by the Securities and Future Commission and the Stock Exchange, which is beyond our control. We cannot assure you that the IPO Plan will complete in the near future, or at all. See "Risk Factors — Risks Relating to Our Business — We may not have sufficient funding for our future land acquisitions and property developments whether through proceeds from the pre-sale of our properties, bank loans, corporate bonds, asset-backed securities programs, trust financing or other arrangements, on commercially reasonable terms, or at all."

PROPERTIES FOR SELF-USE

As of December 31, 2020, we owned properties with a total GFA of approximately 10,398 sq.m., which are primarily used as our office spaces. As of the same date, we rented properties with a total GFA of approximately 78,051 sq.m., which are primarily used as office spaces. Our leases generally have a term ranging from one to 20 years, and we expect to renew the leases upon their expiry.

As of December 31, 2020, our Principal Subsidiaries failed to register 65 lease agreements mainly for our office premises with respect to properties with a total GFA of 4,192 sq.m. We sought cooperation from the landlords at the leased properties to register such executed lease agreements. Registration of lease agreements requires the submission of certain documents of landlords, including their identity documentation and property ownership certificates, to the relevant authorities and therefore the registration is subject to cooperation of landlords which is not within our control. However, the relevant government authorities may require us to rectify these unregistered lease agreements within a certain period of time and, if we fail to so rectify, impose a fine of up to RMB10,000 for each unregistered lease agreement. See "Risk Factors — Risks Relating to Our Business — We may be subject to fines due to the lack of registration of our leases." As of December 31, 2020, we had not received any rectification order or been subject to any fines in respect of non-registration of any of our lease agreements.

In order to ensure on-going compliance with the PRC laws and regulations relating to the registration of executed lease agreements, where we are the tenant to an executed lease agreement, we have developed an internal guideline to standardize our leased offices. However, as we do not control the landlords, there is no assurance whether and when our landlords will register the leases.

INFORMATION TECHNOLOGY

We rely on the effective operation of our IT system for our business operations. Our IT team under the operation management center is responsible for developing and maintaining an IT system that keeps pace with the expansion of our business and is customized to meet our business needs. The centralized IT system is controlled and operated from our headquarters.

We face increasing security risks and threats from cyber-attacks with respect to our IT systems. We require our staff to follow our management guidelines on our IT system and safeguard information in the system. To help combat such attacks, we have also established emergency recovery systems, keep regular backups of all the data in the system and are equipped with efficient anti-virus software. In addition, we conduct regular reviews of our IT system and perform the necessary upgrades to prevent and address potential attacks. For example, our information security team schedules practice drills to ensure the continuous smooth operation of our IT system in the long term.

Operation Management System

We aim to provide industry-leading problem solutions for multiple aspects of our operation management, including tenders, contract management, sales, customers' services, finance and property management, by engaging software development companies and coordinating our internal teams to develop and launch an information system. Such system enables centralized management of our Subsidiaries, employees and projects scattered throughout the country, fosters timely communication and promotes the efficiency and accuracy of our operation. In specific, it has enhanced our operation management from the following aspects:

- promote consistent implementation of our standards and specification. For example, the information system has standardized multiple phases for our sales from receiving customers to the delivery the property, consistently implementing our pricing policies and capital control standards throughout the process;

- foster timely communication and information exchange. For example, our online approval system for contracts and budgets has enabled an efficient and effective coordination between multiple functional departments across different geographical regions; and

- collect, retain and analyze current and historical operational performance data to achieve effective decision-making.

We believe our information system for operation management has helped standardize our operation, enhance remote control and improve strategy execution.

Office Automation System

Our office automation system utilizes technology to integrate multiple office functions. It regulates various aspects of our daily business operations, including monitoring the overall approval process, coordinating various software application, publishing news and publication and managing documents. For example, it monitors the application and approval process for sales, financials, operation and EHR business and manage such process according to the applicable responsibility allocation arrangement. The system has resulted in faster processing time, reduced labor costs and increased efficiencies and productivity, as well as broadened timely inter-departmental coordination in different regions.

HEDGING ARRANGEMENTS

As of December 31, 2020, we had not entered into and had no plan to enter into any hedging transactions.

EMPLOYEES

As of December 31, 2020, we had 3,127 full-time employees, all of whom were based in China. The following table sets forth a breakdown of our full-time employees by function as of December 31, 2020:

Function	Number of Employees	% of All Employees
Management	21	0.6
Finance	453	13.9
Administration	224	6.9
Sales and Marketing	444	13.6
Construction Management and Quality Control	740	22.7
Cost Control and Procurement	465	14.3
Product Design	284	8.7
Investment	188	5.8
Operational Management	373	11.4
Financing	70	2.1
Total	3,262	100.0

The following table sets forth a breakdown of our full-time employees by locations as of December 31, 2020:

Location	Number of Employees	% of All Employees
Guangzhou	840	25.8
Shenzhen	318	9.7
Zhongshan	236	7.2
Shanghai	158	4.8
Jiaxing	133	4.1
Hefei	70	2.1
Nanjing	139	4.3
Hangzhou	119	3.6
Ningbo	114	3.5
Chengdu	139	4.3
Kunming	274	8.4
Xi'an	77	2.4
Wuhan	209	6.4
Beijing	79	2.4
Langfang	3	0.1
Fuzhou	62	1.9
Jinan	39	1.2
Nanchang	72	2.2
Wuxi	138	4.2
Chongqing	43	1.3
Total	**3,262**	**100.0**

We actively recruit skilled and qualified personnel in local markets through various channels, such as on-campus recruitment programs, recruiting firms, internal referrals and advertisement on the Internet. We particularly value employees who demonstrate loyalty to their work and who value our corporate culture, as well as those with relevant working experience. We have implemented a variety of training programs for our employees at different levels on regular basis to meet different requirements and emphasize individual initiative and responsibility.

We offer our employees competitive remuneration packages that include salary, bonus and various allowances. We also contribute to social insurance for our employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds. Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. In 2018, 2019 and 2020, we incurred employee benefit expenses of RMB607.8 million, RMB671.4 million and RMB730.5 million (US$112.0 million), respectively, representing 3.5% 3.2% and 2.7% of our total revenue, respectively.

Our employees have established the employee union. In addition, our human resource and administration center handles complaints from the employees, liaises between the employees and our management and ensures the legal rights of the employees are protected. As of December 31, 2020, there were no material disputes arising from our employee union.

ENVIRONMENTAL MATTERS

We are subject to certain environmental protection laws and regulations, including those relating to air pollution, noise emissions and water and waste discharge. Each of our property development projects is required under the PRC law to undergo environmental impact assessments. We must submit the relevant environmental impact reports, analysis table or registration forms in accordance with certain classification of environmental impact, along with other required documents, for evaluation and approval or filing-record by the authorized environmental protection administrations. The approval from the relevant government authorities will specify the standards applicable to the implementation of the construction project with respect to areas such as air pollution, noise emission and water and waste discharge. Such measures are required to be incorporated into the design, construction and operation of the particular project. Upon the completion of construction of a construction project for which an environment impact report or environment impact statement is formulated, the construction unit shall conduct acceptance inspection of the complementary environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, and formulate the acceptance inspection report.

We take specific measures to ensure our compliance with the applicable environmental laws and regulations, including: (i) strictly selecting construction contractors to ensure compliance with relevant laws and regulations; (ii) applying for review by the relevant government authorities in a timely manner after the project is completed; and (iii) actively adopting equipment and designs that are in compliance with relevant legal standards. We also take voluntary actions with respect to environmental protection and make energy conservation and emission reduction top considerations when designing our property projects. In 2018, 2019 and 2020, we incurred environmental compliance costs of approximately RMB10.0 million, RMB11.6 million and RMB14.8 million (US$2.3 million), respectively. We expect the annual costs of compliance going forward to be substantially similar, assuming that there will not be any material changes in the environmental protection rules and regulations.

None of our properties had received any material fines or penalties associated with the breach of any environmental laws or regulations as of December 31, 2020.

HEALTH AND SAFETY MATTERS

We are subject to various PRC laws and regulations with respect to safety and work-related incidents. We have established a set of guidelines on issues relating to occupational health and safety and have developed a comprehensive management system to implement our policies and procedures in this respect. In addition, we provide regular training to our employees on topics relating to occupational health and safety to enhance the awareness and knowledge of our employees.

Under the applicable PRC laws and regulations, our construction companies are responsible for the safety of the construction sites and are required to maintain accident insurance of their workers. We generally require our construction companies to purchase accident insurance in accordance with applicable laws and regulations, adopt effective occupational safety control measures and offer regular training to workers who are exposed to the risk of occupational injuries.

We are committed to providing our employees with a safe and hygienic working environment. To ensure construction quality and safety, we have established a set of standards and specifications which we require both our own workers as well as workers employed by third party construction companies to follow during the construction process. We closely monitor each project at every major stage to ensure the construction process is in compliance with relevant laws and regulations. We also engage Independent Third Party supervising companies to monitor the safety of our construction sites throughout the construction process.

LEGAL PROCEEDINGS AND MATERIAL CLAIMS

As a property developer in the PRC, we may be involved in legal proceedings or disputes in the ordinary course of business from time to time. As of the date of this offering memorandum, we were involved as defendants in the following material legal proceedings:

1. In August 2019, our subsidiary Wuhan Haiyi Real Estate Development Co., Ltd. (武漢市海頤房地產開發有限公司) ("**Wuhan Haiyi**") received a subpoena from the Intermediate People's Court of Wuhan City (武漢市中級人民法院) in respect to a dispute relating to an agreement dated December 16, 2015 (the "**2015 Agreement**") entered into among the Villagers' Committee of Jialing Village Wudong Street, Qingshan District, Wuhan City (the "**Villagers' Committee**"), Wuhan Helenbergh Real Estate, the plaintiff and a witness which was terminated by Wuhan Haiyi and Villagers' Committee by way of service of a notice of termination to the plaintiff on August 12, 2016 pursuant to the PRC Contract Law.

   Pursuant to the 2015 Agreement, the Villagers' Committee, Wuhan Helenbergh Real Estate and the plaintiff agreed to cooperate redevelop a project named "village in city" (城中村) in Wuhan. The 2015 Agreement provides that, among others, Villagers' Committee shall obtain the government's approval of the reconstruction plan; Wuhan Helenbergh Real Estate shall obtain the land parcel via the public listing-for-sale process and complete the redevelopment within the time therein and pay the construction costs; and the plaintiff shall complete the resettlement and demolition and compensate the original residents within the time as set out therein or as otherwise agreed among parties. On January 11, 2016, Wuhan Helenbergh Real Estate novated its rights and obligations under the 2015 Agreement to its wholly owned subsidiary, Wuhan Haiyi. On August 12, 2016, Wuhan Haiyi and the Villagers' Committee jointly issued a notice to the plaintiff to terminate the 2015 Agreement on the ground that, among others, (i) the plaintiff failed to fulfil its obligation of resettlement and demolition under the 2015 Agreement within the agreed time frame; and (ii) a court order dated July 18, 2016 frozen the plaintiff's assets in an aggregate amount of RMB65.0 million as a result of the plaintiff's commercial disputes with third parties.

The plaintiff sought a declaration from the Intermediate People's Court of Wuhan City (武漢市中級人民法院) that (i) the 2015 Agreement was not terminated by the termination notice issued by Wuhan Haiyi and the Villagers' Committee in 2016 as the plaintiff has fulfilled its obligations under the 2015 Agreement without any delay; (ii) the unilateral termination by Wuhan Haiyi and Villagers' Committee constituted a breach of the 2015 Agreement. The plaintiff also demanded that (i) Wuhan Haiyi shall pay a compensation in an amount of RMB135.5 million to the plaintiff, representing 10% of the total contract sum of the 2015 Agreement in accordance with the terms thereto; (ii) the Villagers' Committee shall pay to the plaintiff approximately RMB53.7 million and settlement fee of approximately RMB5.4 million, representing the damages suffered by the plaintiff as a result of the breach of 2015 Agreement by Wuhan Haiyi and Villagers' Committee, for which Wuhan Haiyi shall be jointly liable; and (iii) the Villagers' Committee and Wuhan Haiyi shall pay the plaintiffs' legal costs incurred for the litigation. On October 16, 2019, Wuhan Haiyi brought a counterclaim against the plaintiff seeking a compensation of approximately RMB67.8 million, representing 5% of the total contract amount as the compensation payable to Wuhan Haiyi as a result of the plaintiff's delay to fulfil its obligations under the 2015 Agreement. As of the date of this offering memorandum, the lawsuit remained pending.

Wuhan Haiyi has engaged the PRC Litigation Counsel to advise on such lawsuit. The PRC Litigation Counsel is of the view that the plaintiff's claim is groundless because (i) the 2015 Agreement provides that Wuhan Haiyi and the Villagers' Committee have the right to terminate the 2015 Agreement if the plaintiff fails to fulfil its obligation of resettlement and demolition pursuant to the terms therein or as otherwise agreed among parties; and (ii) the plaintiff failed to fulfil its obligation of resettlement and demolition pursuant to the terms agreed among parties. Therefore, the PRC Litigation Counsel is of the view that the court is unlikely to rule in favour of the plaintiff.

2. In August 2019, our Subsidiary Huizhou Qianshiju Decoration Engineering Co., Ltd. (惠州市千飾居裝飾工程有限公司) ("**Huizhou Qianshiju**") received an order for retrial (the "**2019 Retrial**") of the 2017 Lawsuit (as defined below) from the Higher People's Court of Guangdong Province (廣東省高級人民法院) in respect of a dispute relating to (i) a loan agreement dated July 20, 2010 entered into among Huizhou Longmen County Donghong Micro-Credit Company Limited (惠州市龍門縣東宏小額貸款股份有限公司) (the "Plaintiff"), the previous shareholder of Huizhou Qianshiju, namely Mr. Huang Jiyang, and Huizhou Senyadao Decoration Engineering Co., Ltd. (惠州市森雅道裝飾工程有限公司)) ("**Huizhou Senyadao**") and (ii) a loan agreement dated August 12, 2010 (collectively, the "**2010 Loan Agreement**") entered into among the Plaintiff, Mr. Huang Jiyang, Huizhou Senyadao and Huizhou Qianshiju. Mr. Huang Jiyang is the beneficial owner of Huizhou Senyadao.

   On January 4, 2017, the Plaintiff brought a lawsuit (the "**2017 Lawsuit**") to the People's Court of Longmen County in Huizhou City (惠州市龍門縣人民法院) against Mr. Huang Jiyang, Huizhou Senyadao and Huizhou Qianshiju. The Plaintiff alleged that Mr. Huang Jiyang, Huizhou Senyadao and Huizhou Qianshiju failed to pay back the outstanding principal amount under the 2010 Loan Agreement in full. The Plaintiff demanded that (i) Mr. Huang Jiyang, Huizhou Senyadao and Huizhou Qianshiju shall pay the outstanding principal amount under the 2010 Loan Agreement of approximately RMB16.9 million plus accrued interest from November 16, 2016 up to the date of full repayment of the principal amount which shall be calculated based on an annual interest rate of 24%; (ii) Huizhou Qianshiju shall pay the tax and expenses that the Plaintiff prepaid for Huizhou Qianshiju in an aggregate amount of approximately RMB0.77 million plus accrued interests; and (iii) Mr. Huang Jiyang, Huizhou Senyadao and Huizhou Qianshiju shall pay Plaintiff's legal costs incurred for 2017 Lawsuit. On October 9, 2017, the People's Court of Longmen County in Huizhou City (惠州市龍門縣人民法院) handed down a judgment (the "**2017 Judgment**") in favor of the Plaintiff and ordered (i) Mr. Huang Jiyang and Huizhou Senyadao to pay the outstanding principal amount under the 2010 Loan Agreement of approximately RMB13.8 million to the Plaintiff; and (ii) Huizhou Qianshiju should be jointly liable for part of Mr. Huangjiyang and Huizhou Senyadao's liabilities under the 2017 Judgment in an amount of approximately RMB13.4 million. Mr.

Huang Jiyang and Huizhou Qianshiju lodged an appeal to the Intermediate People's Court of Huizhou City in Guangdong Province (廣東省惠州市中級人民法院). On March 26, 2018, the Intermediate People's Court of Huizhou City in Guangdong Province (廣東省惠州市中級人民法院) handed down a judgment which reversed the 2017 Judgment and dismissed the Plaintiff's claims in the 2017 Lawsuit. The Plaintiff lodged the 2019 Retrial to the Higher People's Court of Guangdong Province (廣東省高級人民法院) which accepted the retrial applications. As of the date of this offering memorandum, the 2019 Retrial remained pending.

On November 15, 2016, Guangdong Helenbergh entered into an equity transfer agreement (the "**2016 Huizhou Equity Transfer Agreement**") with Mr. Huang Jiyang, Huizhou Qianshiju and Guangdong Zhongyi to acquire the entire equity interest in Huizhou Qianshiju. Pursuant to the 2016 Huizhou Equity Transfer Agreement, Guangdong Helenbergh shall deposit RMB65.0 million into a bank account under the name of the People's Court of Huicheng District of Huizhou City (惠州市惠城區人民法院) which is jointly controlled by Mr. Huang Jiyang and Guangdong Helenbergh. Under the 2016 Huizhou Equity Transfer Agreement, such deposit was for the purpose of settling the liabilities of Mr. Huang Jiyang under the 2010 Loan Agreement in full under a settlement agreement (the "**2016 Settlement Agreement**") entered into between Mr. Huang Jiyang, Ms. Huang Wenna and Mr. Yan Tongzhao in respect of a court judgment in an earlier lawsuit between them. As agreed in the 2016 Huizhou Equity Transfer Agreement, Guangdong Helenbergh deposited RMB2.0 million into a bank account controlled by Mr. Huang Jiyang on November 1, 2016 and RMB63.0 million into a bank account under the name of the People's Court of Huicheng District of Huizhou City (惠州市惠城區人民法院) on November 16, 2016, which fulfilled Mr. Huang Jiyang's obligation under the 2016 Settlement Agreement.

Huizhou Qianshiju has engaged the PRC Litigation Counsel to advise on the 2019 Retrial. The PRC Litigation Counsel is of the view that Mr. Huang Jiyang fulfilled his obligation under the 2016 Settlement Agreement. The PRC Litigation Counsel is also of the view that Huizhou Qianshiju shall not be liable for the payment of the outstanding principal amount plus accrued interest under the 2010 Loan Agreement because (i) Huizhou Qianshiju is not a party under the loan agreement dated July 20, 2010 and has no obligation thereto; and (ii) the Plaintiff controlled Huizhou Qianshiju during the period when the parties entered into the loan agreement dated August 12, 2010 and delayed the payment of the outstanding principal amount and interest. On May 25, 2021, the Superior People's Court of Guangdong Province (廣東高級人民法院) handed down a final judgement with respect to the 2019 Retrial which ruled that as the 2016 Settlement Agreement did not preclude the liabilities under the 2010 Loan Agreement, Huizhou Qianshiju shall be jointly liable for approximately RMB12.3 million.

3. On October 31, 2019, our subsidiary Huizhou Tianchen Industrial Co., Ltd. ("**Huizhou Tianchen**") received a subpoena from the Intermediate People's Court of Huizhou City (惠州市人民法院) in respect of a dispute in relation to an equity transfer agreement dated September 12, 2007 (the "**2007 Project Transfer Agreement**") between Huizhou Shengyi Real Estate Development Company Limited ("**Huizhou Shengyi**," which subsequently changed its name to Huizhou Jinyuan Real Estate Development Company Limited ("**Huizhou Jinyuan**")) and Hong Kong Rickei Company ("**Rickei Company**"), as supplemented by a supplemental agreement dated December 28, 2009 (the "**2009 Supplement**") entered into among Rickei Company, Huizhou Shengyi and Huizhou Jinyuan and a supplemental agreement dated March 30, 2010 (the "**2010 Supplement**") among Rickei Company, Huizhou Jinyuan and Huizhou Tianchen. Pursuant to the 2007 Project Transfer Agreement and the 2009 Supplement, Huizhou Jinyuan (formerly Huizhou Shengyi) agreed to acquire a land parcel held by Rickei Company at a consideration of RMB8.4 million and agreed to grant Rickei Company a 20% interest in the project developed on such land parcel if certain conditions are met. Pursuant to the 2010 Supplement, Huizhou Tianchen agreed to jointly assume Huizhou Jinyuan's rights and obligations under the 2007 Project Transfer Agreement and the 2009 Supplement. The 2007 Project Transfer Agreement, the 2009 Supplement and the 2010 Supplement were all entered into by Huizhou Tianchen before we acquired Huizhou Tianchen through our subsidiary, Huizhou Xiongze Properties Co., Ltd. ("**Huizhou Xiongze**") in September 2017.

According to the statement of claims, the plaintiff, Rickei Company, alleged that Huizhou Tianchen breached the 2007 Equity Transfer Agreement as a result of its failure to pay the consideration pursuant to the terms therein. Rickei Company demanded that Huizhou Tianchen shall pay Rickei Company (i) the consideration for acquiring the land parcel in an aggregate principal amount of RMB8.4 million; (ii) the accrued interest on the unpaid consideration from June 1, 2015 (when the land parcel was transferred to Huizhou Tianchen), to the date of full payment of the consideration which shall be calculated at a monthly rate of 3% of the unpaid balance; and (iii) the plaintiff's legal costs incurred for this litigation. The plaintiff also sought a declaration that the clause under the 2009 Supplement which provides Rickei Company shall be entitled to a 20% interest in the project developed on the land parcel is valid. As of the date of this offering memorandum, the litigation remained pending.

As the disputed agreements were entered into before we acquired Huizhou Tianchen. On November 30, 2019, one of the original shareholders and two of the actual controllers of Huizhou Tianchen issued a confirmation letter to Huizhou Xiongze. Pursuant to this confirmation letter, the original shareholder and two actual controllers agreed to bear all liabilities arising from this litigation and to indemnify Huizhou Tianchen if it incurs any economic losses as a result of this litigation.

Our subsidiary, Huizhou Tianchen, has engaged the PRC Litigation Counsel to advise on this litigation. The PRC Litigation Counsel is of the view that the statute of limitation for claims arising from the 2007 Project Transfer Agreement and its supplements had expired. In addition, the PRC Litigation Counsel is of the view that Rickei Company failed to meet the conditions which it is required to meet in order to be entitled to a 20% interest in the project developed on the land parcel transferred pursuant to the 2009 Supplement. The PRC Litigation Counsel is therefore of the view that the Intermediate People's Court of Huizhou City (惠州市人民法院) is unlikely to rule in favor of the plaintiff. The PRC Litigation Counsel is also of the view that Huizhou Tianchen may seek indemnity from the original shareholders of Huizhou Tianchen pursuant to the confirmation letter described above in the event that the Intermediate People's Court of Huizhou City (惠州市人民法院) rules in favor of the plaintiff.

4. In November, 2020, our subsidiary Hangzhou Xiaoshan Innovation Science and Technology Zone Co., Ltd ("**Hangzhou Xiaoshan**") received a subpoena the People's Court of Xihu District, Hangzhou (杭州市西湖區人民法院) in respect of a loan agreement dated June 1, 2017 (the "**2017 Loan Agreement**") between the plaintiff and Gao Yazhen, the then controlling shareholder of Hangzhou Xiaoshan. Pursuant to the 2017 Loan Agreement, it was agreed that the plaintiff shall lend approximately RMB20.0 million to Gao Yazhen at a monthly interest rate of approximately 2.0% for a period of three months. Hangzhou Xiaoshan was listed as the guarantor under the 2017 Loan Agreement. The 2017 Loan Agreement was later supplemented (the "**2017 Supplemental Agreement**") to extend the loan period for another three months.

   On September 20, 2018, the plaintiff filed a claim in the People's Court of Xihu District, Hangzhou (杭州市西湖區人民法院) demanding Gao Yazhen to return the principal amount of the loan plus any interest accrued. Through mediation by the People's Court of Xihu District, Hangzhou (杭州市西湖區人民法院), Gao Yazhen agreed to pay the plaintiff the outstanding amount of loan plus interest in an amount of approximately RMB25.2 million. If Gao Yazhen failed to settle its payment before 2019, she will be liable for an annualized interest of 24% accruing on January 1, 2019. The plaintiff alleged that as Gao Yazhen did not honor her obligation under the mediation agreement, Hangzhou Xiaoshan shall be jointly liable for the outstanding obligations of Gao Yazhen.

   Our subsidiary, Hangzhou Xiaoshan, has engaged the PRC Litigation Counsel to advise on this litigation. The PRC Litigation Counsel is of the view that based on the 2017 Loan Agreement and pursuant to relevant laws and regulations on guarantees, the plaintiff's claim is groundless because (i) although Hangzhou Xiaoshan was listed as a guarantor under the 2017 Loan Agreement, the decision to be listed as the guarantor of the transaction was not approved by the shareholder's meeting or resolutions from the shareholder's meeting; (ii) Hangzhou Xiaoshan was not listed as the guarantor in the 2017 Supplemental Agreement and Hangzhou Xiaoshan did not sign the 2017 Supplemental Agreement; (iii) the plaintiff voluntarily withdrew its claim against Hangzhou Xiaoshan in 2018 pursuant to the mediation hosted by the People's Court of Xihu District, Hangzhou (杭州市西湖區人民法院); and (iv) the interest rate of 24% is unconscionable.

5. In January 2021, our subsidiary Shanghai Songjiang Pharmaceutical International Co. Ltd. ("**Shanghai Songjiang**") received a subpoena from the People's Court of Jing'an District, Shanghai (上海市靜安區人民法院) in respect of a dispute relating to multiple loan agreements dated from January 2014 to January 2015 (the "**2014-2015 Loan Agreements**") entered into between the plaintiffs and Shanghai Songjiang for the development of a specific project in Songjiang before we acquired the equity interest in Shanghai Songjiang in 2015. The plaintiff in the lawsuit alleged that Shanghai Songjiang had breached the 2014-2015 Loan Agreements as a result of failure to pay the plaintiff and principal amount of the loans and interest in full.

   On November 7, 2015, Guangdong Helenbergh entered into the acquisition agreement to acquire the entire equity interest in Shanghai Songjiang (the "**2015 Acquisition Agreement**") from its previous shareholders Mr. Zhang Yicai and Suzhou Zhongchi Investment Co., Ltd. ("**Suzhou Zhongchi**"). The 2015 Acquisition Agreement provided that the Zhang Yicai and Suzhou Zhongchi were entitled to the equity interest of phase one and phase two projects developed by Shanghai Songjiang while Guangdong Helenbergh was entitled to the interests of phase three and phase four projects. Zhangyi Cai and Suzhou Zhongchi did not disclose the 2014-2015 Loan Agreements to Guangdong Helenbergh and no evidence of the 2014-2015 Loan Agreements can be found through due diligence. On March 4, 2019, Mr. Zhang Yicai issued a letter (the "**2019 Confirmation Letter**") to Guangdong Helenbergh to confirm that he would bear the losses suffered by Shanghai Songjiang arising from the 2014-2015 Loan Agreements and agreed to secure his performance obligation through their interests held in phase one and phase two projects developed by Shanghai Songjiang.

   Our subsidiary, Shanghai Songjiang, has engaged the PRC Litigation Counsel to advise on this litigation. The PRC Litigation Counsel is of the view that the court is likely to rule in favor of Shanghai Songjiang primarily because (i) the alleged loans arising from the 2014-2015 Loan Agreements did not appear on the bank statements of Shanghai Songjiang in the relevant periods; (ii) the alleged loans arising from the 2014-2015 Loan Agreements were not used for the development of the specific project in Songjiang; (iii) the bank statements provided by the plaintiff, which the plaintiff alleged to be provided by Zhang Yicai, were dated 2018, a time after we acquired the entire equity interest of Shanghai Songjiang and Zhang Yicai did not have any authority to represent Shanghai Songjiang in 2019. Even if the court held Shanghai Songjiang liable for the principal amount of the loans and interest arising from the 2014-2015 Loan Agreements, the results of the litigation would not have any impact on Shanghai Songjiang's business operation and financial performance as Zhang Yicai shall indemnify Shanghai Songjiang through his interests in phase one and phase two projects developed by Shanghai Songjiang, an amount greater than the aggregate principal amount of loans and interest under the 2014-2015 Loan Agreements.

6. In January 2021, our subsidiary Huidong Zhongyi Real Estate Co., Ltd. ("**Huidong Zhongyi**") received a subpoena from People's Court of Huidong County (惠東縣人民法院) in respect of a dispute relating to the payment of outstanding construction fee among the plaintiff, as the subcontractor, Wuchuan Tumu Construction Engineering Company ("**Wuchuan Tumu**"), as general contractor and Huidong Zhongyi as the outsourcer in relation to the development of a property project in Huidong county. The plaintiff in the lawsuit alleged that Wuchuan Tumu failed to pay outstanding constructions fees in full to the plaintiff after project completion pursuant to the subcontracting agreement and demanded Huidong Zhongyi to be jointly liable for the unpaid amount of the construction fees.

On December 20, 2017, Huidong Zhongyi outsourced the construction services related to a property project in Huidong to Wuchuan Tumu. Huidong Zhongyi and Wuchuan Tumu later entered into a general contracting agreement on January 10, 2018 (the "**2018 General Contracting Agreement**") with respect to the development of the same property project in Huidong. On April 20, 2018, Wuchuan Tumu, though its agent Li Huafeng, subcontracted the construction services to the plaintiff by entering into a supplemental agreement to the 2018 General Contracting Agreement (the "**2018 Supplemental Agreement**"). The plaintiff alleged that the plaintiff had completed the construction work under the 2018 Supplemental Agreement as of December 16, 2020 but yet to receive the full payment from Li Huafeng. As such, the plaintiff demanded Wuchuan Tumu to pay the outstanding amount of constructions fees in an amount of approximately RMB27.0 million and Huidong Zhongyi to be jointly liable for the unpaid amount.

On July 20, 2021, People's Court of Huidong County (惠東縣人民法院) held that as the underlying property project was accepted by Huidong Zhongyi, Huidong Zhongyi shall pay the general contractor 95% of the total contracted amount, approximately RMB146.2 million, based on the 2018 General Contracting Agreement. Since Huidong Zhongyi had only settled RMB128.6 million with Wuchuan Tumu, Huidong Zhongyi shall be jointly liable for approximately RMB17.6 million (the difference between RMB146.2 million and RMB128.6 million). Huidong Zhongyi lodged an appeal to the Intermediate People's Court of Huizhou (惠州市中級人民法院) on August 3, 2021. Huidong Zhongyi is of the view that it shall not be jointly liable for the RMB17.6 million judgement entered into by the People's Court of Huidong County (惠東縣人民法院) as the 2018 General Contracting Agreement provided that Huidong Zhongyi shall pay the Wuchuan Tumu 95% of the total contracted amount ten business days after the underlying property project was accepted by Huidong Zhongyi and the relevant completion settlement procedures were completed and, as of the date of the appeal, Huidong Zhongyi and Wuchuan Tumu had yet to complete the completion settlement procedures. As of the date of this offering memorandum, the appeal remained pending.

7. In January 2021, our subsidiary Huidong Hongcheng Industrial Development Co., Ltd. ("**Huidong Hongcheng**") received a subpoena from People's Court of Huidong County (惠東縣人民法院) in respect of a dispute relating to the payment of outstanding construction fee among the plaintiff, as the subcontractor, Wuchuan Tumu, as general contractor and Huidong Hongcheng as the outsourcer in relation to the development of a property project in Huidong county. The plaintiff in the lawsuit alleged that Wuchuan Tumu failed to pay outstanding constructions fees in full to the plaintiff after project completion pursuant to the subcontracting agreement and demanded Huidong Hongcheng to be jointly liable for the unpaid amount of the construction fees.

   On October 27, 2016, Huidong Hongcheng entered into a general contracting agreement with Guangzhou Chengjian General Contracting Co., Ltd. for the development of a property project in Huidong (the "**2017 General Contracting Agreement**"). Chengjian General Contracting Co., Ltd. later transferred its rights and obligations under the 2017 General Contracting Agreement to Wuchuan Tumu. Wuchuan Tumu subsequently subcontracted the construction services under the 2017 General Contracting Agreement to plaintiff. The plaintiff alleged that the plaintiff had completed the construction work under the subcontracting agreement entered into with Wuchuan Tumu but yet to receive the full payment. As such, the plaintiff demanded Wuchuan Tumu to pay the outstanding amount of constructions fees in an amount of approximately RMB3.5 million and Huidong Hongcheng to be jointly liable for the unpaid amount.

   On July 5, 2021, People's Court of Huidong County (惠東縣人民法院) held that as the underlying property project was accepted by Huidong Hongcheng, Huidong Hongcheng shall pay the general contractor 95% of the total contracted amount, approximately RMB179.1 million. Since Huidong Hongcheng had only settled RMB172.5 million with Wuchuan Tumu, Huidong Hongcheng shall be jointly liable for approximately RMB6.6 million (the difference between RMB179.1 million and RMB172.5 million). Huidong Hongcheng lodged an appeal to the Intermediate People's Court of Huizhou (惠州市中級人民法院) on August 20, 2021. Huidong Hongcheng is of the view that it shall not be jointly liable for the RMB6.6 million judgement entered into by the People's Court of Huidong County (惠東縣人民法院) as Huidong Hongcheng shall pay the Wuchuan Tumu 95% of the total contracted amount ten business days after the underlying property project was accepted by Huidong Hongcheng and the relevant completion settlement procedures were completed and, as of the date of the appeal, Huidong Hongcheng and Wuchuan Tumu had yet to complete the completion settlement procedures. As of the date of this offering memorandum, the appeal remained pending.

8. In July 2021, our subsidiary Zhangzhou Zhangpu Runjiang Riverside Real Estate Development Co., Ltd. ("**Zhangpu Runjiang Riverside**") received a subpoena from Intermediate People's Court of Zhangzhou (漳州市中級人民法院) in connection with the payment of construction services related to certain property projects in Zhangzhou.

   On March 16, 2019, the plaintiff obtained a construction service agreement through the public tender process from Zhangpu Runjiang Riverside and subsequently entered into a series of general contracting agreements with respect to different phases of a development project in Zhangzhou (the "**General Contracting Agreements**"). In October 2020, plaintiff and Zhangzhou Runjiang Riverside entered into a series of agreement terminating the General Contracting Agreements. The plaintiff claimed the relevant termination agreements provided that Zhangpu Runjiang Riverside shall pay plaintiff in an amount of approximately RMB90.0 million for the construction services provided. As of July 2021, RMB64.8 million remained unsettled. As such, the plaintiff demanded Zhangpu Runjiang Riverside to pay the RMB64.9 million unpaid fees and any interest accrued since July 1, 2020.

   In August 2021, Zhangpu Runjiang Riverside brought counterclaims against the plaintiff demanding (i) the plaintiff to indemnify Zhangpu Runjiang Riverside in an amount of approximately RMB3.7 million for construction quality issues identified during the inspection; (ii) the plaintiff to compensate Zhangpu Runjiang Riverside for costs resulting from the cleaning of the construction sites previously operated by the plaintiff; and (iii) the plaintiff to pay an liquidated damage in an amount of approximately RMB32.0 million for illegally subcontracting the construction services to a third party. As of the date of this offering memorandum, the litigation remained pending.

Except as disclosed above, we are not, as of the date of this offering memorandum, involved in any material legal proceedings or disputes, and no material legal proceedings or disputes is known to us to be pending or threatened by or against us that may have a material adverse effect on our business, financial condition and results of operations.

NON-COMPLIANCE INCIDENTS

Non-Compliance Incidents related to Construction

In 2018, 2019 and 2020, we experienced a series of non-compliance incidents in relations to project construction, including (i) commencement of construction work prior to obtaining requisite permits; (ii) deviation from construction work planning permits; (iii) deviation from construction work commencement permit; (iv) commencement of construction before completing the tender process; and (v) failure to comply with the fire safety procedures.

We believe such non-compliances occurred primarily because (i) our contractors commenced construction according to the development schedule but the relevant permits were not issued in time pursuant to our original schedule; (ii) inconsistency in implementation or interpretation of the relevant PRC laws and regulations by different local government authorities which led to varying standards in recognizing construction stages in practice and varying time requirements for completing the relevant administrative procedures; (iii) some of our project managers misunderstood the standards under local laws and regulations and there was some miscommunication between our project managers and the relevant governmental agencies; and (iv) the insufficiency in our employees training on execution of internal control policies to supervise the construction process.

Internal Control Measures to Ensure On-going Compliance

We issued the Pre-project Development and Construction Management Policy (the "**Development and Construction Policy**") in August 2018 and further updated such policy in December 2018 to enhance our guidelines of project development and construction application. Pursuant to the Development and Construction Policy, a construction project can only be initiated after obtaining the construction permit. Meanwhile, we also established approval procedures for commencing construction. During the process of project construction application, our project manager should prepare a project commencement application form to specify the expected date of obtaining a construction permit and the proposed construction commencement date and submit it to (i) the deputy general manager or general manager of the city company and (ii) the general manager of the operation center at our headquarters or the vice president of the relevant regional operation center for approval.

Under the Development and Construction Policy, the development department managers of our headquarters are required to obtain ledger rights of each projects, which includes the construction land planning permit, construction work planning permit, construction engineering permit, land use rights certificate and pre-sale permit. The ledgers include the date of obtaining each of the certificates. The city companies shall update the ledger on a monthly basis. We have designated employees at our headquarters to keep track of the progress of license application for each project.

In addition, our internal policy and guidelines will further clarify the responsibility of our quality control staff in monitoring construction progress from a legal compliance perspective on a regular basis, ensuring that the requisite permits, licences and documents are obtained and administrative procedures are satisfied at each stage of the construction process. The relevant quality control team is required to provide guidance and rectification instructions on any non-compliance identified in the inspection and record such non-compliance in the inspection log book for follow-up inspection. We will also organize lectures and trainings on relevant laws and regulations for our employees and our contractors, educating them of the latest laws and implementation rules. We will provide more trainings to our employees on execution of our internal control policies to supervise the compliance during the construction process.

Non-Compliance Incidents related to Social Security Insurance and Housing Provident Fund

In 2018, 2019 and 2020 and up to the date of this offering memorandum, certain of our Subsidiaries failed to make adequate social security insurance and housing provident fund contributions for some employees as required by relevant PRC laws and regulations. As of December 31, 2020, the provision for the social security insurance and housing provident funds was nil.

Reasons for Non-Compliance

We believe such non-compliances occurred primarily because (i) implementation or interpretation of the PRC laws and regulations vary among local authorities; and (ii) some of our relevant personnel in the human resource development misunderstood the relevant PRC laws and regulations as implemented by the local authorities.

Legal Consequences

According to the relevant PRC laws and regulations, if we fail to pay the full amount of social insurance and housing provident fund as required, the local social insurance agencies may require us to pay the overdue amount within a certain stipulated period and may impose a fine equivalent to 0.05% of the overdue payment per day from the date on which the payment is payable, and the local housing provident fund management center shall order us to make the payment within a prescribed time limit. As of December 31, 2020, we had not received any notice from the relevant authorities and substantially all of our subsidiaries had obtained written confirmations from the relevant authorities confirming that we did not have any outstanding payment for the social security insurance and housing provident fund and/or there are no records of penalties imposed on us for failure to make adequate social security insurance and housing provident fund contributions, and the relevant companies stated and promised that once they were required by the relevant department to correct and repay the social insurance premium (including overdue payment) and the housing provident fund, the relevant company would correct or repay in full within the time limit.

Internal Control Measures to Ensure On-going Compliance

We started to make adequate social security insurance and housing provident fund contributions since August 1, 2018. Our internal policy and guidelines have been revised to include payment and the calculation of social security insurance and housing provident fund contribution. Under such guidelines, staff with sufficient experience in calculation of the relevant contributions will be responsible for relevant work. Such calculation of the relevant contributions must be reviewed by the manager of the human resource department at each city company, and subsequently by the general manager of the city company finance center. Relevant personnel at our city companies upload the payment details of security insurance and housing provident fund to our human resource management system every month. The manager of the compensation and performance department at our headquarters conducts random inspection on the payment details of security insurance and housing provident fund. We also held trainings to the human resource department personnel on relevant laws and regulations related to the payment of social security insurance and housing provident fund.

Other Non-Compliance Incidents

In 2018, 2019 and 2020, some of our Subsidiaries experienced several other types of non-compliance incidents, which include: (i) violation of laws and regulations on advertisement, such as commencing advertising before the completion of relevant administrative procedures, deviation of the demonstration model from actual locations of the properties, and inappropriate wordings contained in advertising materials; (ii) failure to comply with tax filing procedures; and (iii) failure to complete requisite administrative filings in relations to completion certificate.

We have enhanced our internal procedures aiming to ensure that our Subsidiaries will comply with requisite procedures in the future. We will also seek closer cooperation and more frequent communications with our contractors to ensure that they understand the requirements under relevant laws, regulations and administrative procedures.

In addition, certain leases that we entered into as tenant for offices to be used by our city companies had not been registered because the registration of lease is subject to the cooperation of landlords which is not within our control. See "— Properties for Self-Use" and "Risk Factors — Risks Relating to Our Business — We may be subject to fines due to the lack of registration of our leases" of this offering memorandum. We have been taking proactive steps to established internal procedures to ensure the compliance of the laws in relation to lease registration.

Certain Other Material Non-Compliance Incident before 2018

We encountered a material non-compliance incident prior to 2018 which resulted in a large penalty to us.

Description of the Incident

On December 25, 2014, we received a notice from the local government in Huizhou City identifying a non-compliance incident related to one of our subsidiaries, Huizhou Hengyue Real Estate Development Co., Ltd. ("**Huizhou Hengyue**"). According to the notice, Huizhou Hengyue failed to comply with the construction work planning permit by the violation of the requisite landmark heights during the construction of certain lots of Helen Huxi Garden (海倫湖溪花園).

Legal Consequences

On September 22, 2016, Huizhou Hengyue received a notice from the local government imposing a penalty of approximately RMB47.2 million and ordering Huizhou Hengyue to rectify the non-compliance within three months from the date of the penalty notice. The amount of penalty was later reviewed and adjusted to approximately RMB37.7 million.

Reasons for Non-Compliance

We believe such non-compliance occurred primarily because (i) the employees at the project company level were not adequately trained to execute our internal control policies to supervise the construction process; and (iii) our internal control staff did not provide sufficient supervision on the construction work on a timely basis.

Rectification and Enhanced Internal Control Measures

Please see "— Non-Compliance Incidents Related to Construction — Internal Control Measures to Ensure On-going Compliance."

Set below is the summary of the PRC laws and regulations in relation to the business and operation of our Company, including the establishment of real estate development enterprises, acquisition of land use rights, property development, sales/pre-sales of commodity buildings, and environment protection, etc.

ESTABLISHMENT OF REAL ESTATE DEVELOPMENT ENTERPRISES

General Provisions

In accordance with the Law of the People's Republic of China on the Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) (the "Urban Real Estate Law") (promulgated on July 5, 1994 and last amended on August 26, 2019), real estate development enterprises are defined as the enterprises that engage in real estate development and operation for the purpose of seeking profits. In accordance with the Regulations on Administration of Development and Operation of Urban Real Estate (《城市房地產開發經營管理條例》) (the "Development Regulations") (promulgated and implemented on July 20, 1998 by the State Council and last amended on November 29, 2020), the establishment of a real estate development enterprise shall, in addition to the conditions for the enterprise establishment prescribed by relevant laws and administrative regulations, fulfill the following conditions: (i) The registered capital shall be RMB1 million or above; (ii) The enterprise shall employ no less than 4 full-time technical personnel with certificates of qualifications of real estate specialty and construction engineering specialty and no less than 2 full-time accountants with certificates of qualifications.

Pursuant to the Regulations on Real Estate Development in Guangdong Province (《廣東省房地產開發經營條例》), which were last revised by the Standing Committee of the Guangdong Provincial People's Congress on November 27, 2020, the self-owned current capital of a real estate development enterprise in Guangdong Province shall be at least RMB3 million, and real estate development enterprises with different qualification classifications should adhere to the appropriate requirements regarding full-time professional technicians.

Foreign Investment in Real Estate Development

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

According to the Foreign Investment Law, foreign investment refers to any investment activity directly or indirectly carried out by foreign natural persons, enterprises or other organizations, including the following circumstances: (i) a foreign investor establishes a foreign-funded enterprise within the territory of China, either alone or together with any other investor; (ii) a foreign investor acquires shares, equities, property shares or any other similar rights and interests of an enterprise within the territory of China; (iii) a foreign investor invests in any new project within the territory of China, either alone or together with any other investor; and (iv) a foreign investor invests in any other way stipulated under laws, administrative regulations or provisions of the State Council. And a foreign-funded enterprise refers to an enterprise incorporated under Chinese laws within the territory of China and with all or part of its investment from a foreign investor.

The Foreign Investment Law further prescribes that the State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council. If more preferential treatment for access of foreign investors is provided under international treaties or agreements governing foreign investment that the PRC concludes or accedes, such provisions may apply.

On December 26, 2019, the State Council issued Implementation Regulations for the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法實施條例》) (the "Implementation Rules") which came into effect on January 1, 2020 and replaced the Implementing Rules of the Sino-Foreign Equity Joint Venture Enterprise Law of the People's Republic of China (《中華人民共和國中外合資經營企業法實施條例》), the Implementing Rules of the Sino-Foreign Cooperative Joint Venture Enterprise Law of the People's Republic of China (《中華人民共和國中外合作經營企業法實施細則》) and the Implementing Rules of the Wholly Foreign- Invested Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法實施細則》). According to the Implementation Rules, in the event of any discrepancy between the Foreign Investment Law, the Implementation Rules and the relevant provisions on foreign investment promulgated prior to January 1, 2020, the Foreign Investment Law and the Implementation Rules shall prevail.

Under the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) (the "Catalogue") (promulgated by MOFCOM and NDRC on March 10, 2015 and became effective on April 10, 2015), the construction of large-scale theme park falls within the category of industries in which foreign investment is restricted; the construction of golf courses and villas falls within the category of industries in which foreign investment is prohibited; and other real estate development falls within the category of industries in which foreign investment is permitted. Pursuant to the amended Catalogue (the "Catalogue (Edition 2017)") which was promulgated by MOFCOM and NDRC on June 28, 2017 and became effective on July 28, 2017, the real estate development does not fall within the Negative List for Access of Foreign Investments and the restrictive measures for construction of large-scale theme park, golf courses and villas are equally applicable to domestic and foreign investment. The real estate development does not fall within Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2018) (《外商投資准入特別管理措施(負面清單)(2018年版)》) promulgated by MOFCOM and NDRC on June 28, 2018 and became effective on July 28, 2018. On June 30, 2019, MOFCOM and NDRC promulgated the Catalog of Industries for Encouraging Foreign Investment (2019 version) (鼓勵外商投資產業目錄(2019年版)) and the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2019) (外商投資準入特別管理措施(負面清單)(2019年版)), both of which became effective on July 30, 2019 and superseded the Catalogue (Edition 2017) and the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2018), while the policy for the real estate development remains the same. The Negative List (Edition 2019) was superseded by the Special Measures (Negative List) for the Access of Foreign Investment (Edition 2020) (《外商投資准入特別管理措施(負面清單) (2020年版)》) (the "Negative List (Edition 2020)" promulgated by NDRC and MOFCOM on June 23, 2020 and became effective on July 23, 2020. The Negative List (Edition 2020) has no further implication in respect of the real estate development policy.

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

On August 19, 2015, MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly promulgated the Circular on Amending the Policies Concerning Access and Administration of Foreign Investment in the Real Estate Market (《關於調整房地產市場外資准入和管理有關政策的通知》) (the "Circular"), which amended certain policies on foreign-invested real estate enterprises and property purchased by overseas organizations and individuals as stated in the Opinions on Regulating the Access and Administration of Foreign Investment in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》) as follows. The requirements for the registered capital of foreign-invested real estate enterprises shall follow the provisions in the Provisional Regulations of the State Administration for Industry and Commerce on the Ratio between the Registered Capital and Total Investment of Sino-foreign Equity Joint Ventures (《關於中外合資經營企業註冊資本與投資總額比例的暫行規定》) promulgated and became effective on March 1, 1987: where the total amount of investment of a Sino-foreign equity joint venture is from USD10 million to USD30 million (including USD30 million), the registered capital shall be at least 2/5 of the total amount of investment; thereinto, where the total amount of investment is less than USD12.5 million, the registered capital shall be no less than USD5 million; where the total amount of investment of a Sino-foreign equity joint venture is more than USD30 million, the registered capital shall be at least 1/3 of the total amount of investment; thereinto, where the total amount of investment is less than USD36 million, the registered capital shall be no less than USD12 million. Furthermore, the requirement on full payment of registered capital of the foreign-invested real estate enterprises before applying for domestic or foreign loans or foreign exchange loan settlement is cancelled.

QUALIFICATIONS OF REAL ESTATE DEVELOPERS

In accordance with the Development Regulations, a real estate development enterprise shall, within 30 days starting from the date of obtainment of the business license, file the relevant documents with the competent bureau of real estate development where registration authority is located. The competent bureau of real estate development shall, on the basis of the assets, specialized technical personnel and development and management achievements, verify the class of qualification of the real estate development enterprise in question. The real estate development enterprise shall undertake real estate development projects in compliance with the verified class of qualification. Relevant detailed rules shall be formulated by the department of the construction administrative of the State Council.

Pursuant to the Regulations on Administration of Qualification of Real Estate Development Enterprises (《房地產開發企業資質管理規定》) (the "**Circular 77**") which was promulgated on March 29, 2000 and respectively amended on May 4, 2015 and December 22, 2018, an enterprise engaged in real estate development shall be approved in accordance with the provisions of application for the enterprise qualification classification. Enterprises that fail to obtain certificates of real estate investments shall not engage in the real estate development business. Enterprises engaged in real estate development are classified into four qualification classes: Class I, Class II, Class III and Class IV on the basis of their financial conditions, experience of real estate development business, construction quality, the professional personnel and quality control system etc. There is no limitation on the construction scale for an enterprise who holds a Class I qualification and the gross floor area of each project developed by an enterprise who holds a Class II or lower qualification shall not exceed 250,000 sq.m. For a newly established real estate developer, after it reports its establishment to the real estate development authority, the latter shall issue the Provisional Qualification Certificate (《暫定資質證書》) to the eligible developer within 30 days.

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

LAND USE RIGHTS FOR REAL ESTATE DEVELOPMENT

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

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

Land Grants

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

On May 19, 1990, the State Council enacted the Provisional Regulations of the People's Republic of China Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》). These regulations, generally referred to as the Urban Land Regulations, formalized the process of the grant and transfer of land use rights for value. Upon paying in full the land premium pursuant to the terms of the contract, a land-grantee may apply to the relevant land bureau for the land use rights certificate. In accordance with the Civil Code of the PRC (《中華人民共和國民法典》 (the "Civil Code", which came into effect on January 1, 2021 and replaced the Property Law of the PRC (《中華人民共和國物權法》) and several other basic civil laws on the same day), the term of land use rights for land of residential use will automatically be renewed upon expiry. The renewal of the term of land use rights for other uses shall be dealt with according to the then-current relevant laws. In addition, if the State resumes the possession of land for public interest during the term of the relevant land use rights, compensation shall be paid to the owners of residential properties and other real estate on the land and the relevant land premium shall be refunded to them by the State.

In November 28, 2008, the standing committee of people's congress of Guangdong Province promulgated Measures of Guangdong Province for the Implementation of the law of the PRC on Land Management (《廣東省實施<中華人民共和國土地管理法>辦法》) (which became effective on January 1, 2009). This Measures stipulated the concrete and special requirements regarding process of the grant and transfer of land use right in Guangdong Province.

Measures relating to non-agricultural construction on supplementary cultivated land in Guangdong Province (《廣東省非農業建設補充耕地管理辦法》) became effective on September 1, 2010. The People's Government of Guangdong Province set forth detailed provisions on managing non-agricultural construction on supplementary cultivated land to protect cultivated land and control the conversion of cultivated land to non-agricultural construction land.

The Department of Land and Resources of Guangdong Province issued the Notice on the Guangdong Province Land Requisition Compensation and Protection Standards, which was revised and adjusted in 2016 (《廣東省徵地補償保護標準(2016年修訂調整)》) and became effective on September 23, 2016. This notice sets new standards for land requisition compensation and protection for different regions in Guangdong Province.

Urban Redevelopment

To improve the efficiency of land use, on August 25, 2009, the People's Government of Guangdong Province issued the Opinions on Promoting the Urban Redevelopment to Advance the Conservation of Land (《廣東省人民政府關於推進「三舊」改造促進節約集約用地的若干意見》) (the "**Urban Redevelopment Opinions**") to promote the reformation of the three "olds," namely, "old towns" (舊城鎮), "old factories" (舊廠房) and "old villages" (舊村莊). The following types of land fall into the scope of the Urban Redevelopment:

- Land in urban areas under the policy of "leave the second industry for the third industry" (which refers to adjusting the structure of industry by diverting industrial land for use in the service industry);

- Land used for factories belonging to industries that have been "prohibited" or "eliminated" pursuant to national industrial policy;

- Land used for factories that does not comply with safety production and environmental protection requirements;

- Towns and villages that are poorly organized and fall behind the times, and that have been selected for urban renewal; and

- Villages listed as example projects of the "Ten-Thousand-Village Restoration."

Within the scope of old-town reformation and in compliance with urban and rural planning, certain entities (for example, land developers) may purchase several adjacent parcels of land, and apply for collective reformation based on the Urban Redevelopment planning and annual implementation schedule. The land regulation departments at the city and county levels may assemble the scattered parcels of land in accordance with these applications and register the resultant alteration of land for the applicants. A reformation plan shall be made for such purchase reformations and be reported to the government at the city and county levels for implementation approval after they have been approved by the land regulation departments and the planning department.

Ways of Land Grant

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

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

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

On June 11, 2003, the Ministry of Land and Resources promulgated the Regulations on Grant of State-Owned Land Use Rights by Agreement (《協議出讓國有土地使用權規定》) (the "**2003 Regulations**") which became effective on August 1, 2003, to regulate granting of land use rights by agreement when there is only one applicant interested in the land and the designated uses of which are other than for commercial purposes as described above.

On September 24, 2003, the Ministry of Land and Resources promulgated the Notice on Strengthening the Land Supply Management and Facilitating the Continuous and Healthy Development of Property Market (關於加強土地供應管理促進房地產市場持續健康發展的通知), as amended on December 3, 2010, which provides that land supply for luxury commodity housing shall be strictly controlled.

According to the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (《關於印發<限制用地項目目錄(2012年本)>和<禁止用地項目目錄(2012年本)>的通知》) promulgated by the Ministry of Land and Resources and NDRC in May 2012, the granted area of the residential housing projects shall not exceed (i) 7 hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, or (iii) and 20 hectares for large cities and plot ratio which shall not be lower than 1.0.

Land Transfer from Current Land Users

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

The assignment contract or joint-development agreement must be registered with the relevant local land bureau at the municipal or county level for land use rights title change purposes. Upon a transfer of land use rights, all rights and obligations contained in the land grant contract are deemed to be incorporated as part of the terms and conditions of such transfer.

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

DEVELOPMENT OF REAL ESTATE PROJECTS

Commencement of Real Estate Development Projects

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

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

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

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

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

Planning of Real Estate Projects

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

Construction Work Commencement Permit

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

Acceptance and Examination Upon Completion of Real Estate Projects

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

INSURANCE OF REAL ESTATE PROJECTS

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

According to the Rules of Guangdong Province for Implementing the PRC Fire Control Law (《廣東省實施<中華人民共和國消防法>辦法》) revised on July 23, 2010 by the Standing Committee of the Guangdong Provincial People's Government, public gathering places must carry public liability insurance for fire accidents.

REAL ESTATE TRANSACTIONS

Sale of Commodity Properties

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

Pre-sale of Commodity Properties

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

Under the Pre-sales Measures and the Urban Real Estate Law (《城市商品房預售管理辦法》), the pre-sales proceeds of commodity buildings may only be used to fund the property development costs of the relevant projects.

Set out below are the implementation rules promulgated by the local real estate administrative authorities on the provincial or city level.

According to the Administration of the Pre-sale of Commodity Premises Regulations of Guangdong Province (《廣東省商品房預售管理條例》) promulgated by the Standing Committee of the Guangdong Provincial People's Congress on July 29, 1998 and last revised on September 25, 2014, the following preconditions must be fulfilled for the pre-sale of commodity premises in Guangdong Province:

- the pre-seller has obtained a real estate development qualification certificate and a business license;
- the land premium has been paid in accordance with the relevant provisions of the land administration department and land use rights certificate has been obtained;

- a construction planning license and construction execution license have been obtained and the procedures for monitoring construction quality and safety have been carried out;

- the construction schedule, time of completion and time of delivery for use have been set;

- the foundation and structure of commodity premises of three stories or less have been completed. In the case of commodity premises of four or more stories that have a basement, the foundation and the first story of the structure have been completed; if such premises do not have a basement, the foundation and structure of four stories have been completed;

- a special property pre-sale account has been opened with a commercial bank where the project is located;

- the commodity premises pre-sale project and its land use rights are free from third party rights; and

- any other conditions stipulated in laws and regulations have been met.

Huizhou

Pursuant to the Measures for the Supervision of Pre-Sale Proceeds of Commodity Properties of Huizhou (《惠州市商品房預售資金監督管理辦法》) issued by the Office of Huizhou Municipal People's Government, which became effective since March 26, 2021, pre-sale proceeds of commodity properties shall be deposited into the escrow account. Before the completion of the project, the funds in the escrow account shall not be used for other purposes but can only be used to purchase the necessary building materials and equipment, to pay taxes, progress payment, or the construction costs for supervision, design, testing, etc.

Zhongshan

On October 23, 2019, the Zhongshan Municipal People's Government issued the "Measures for Regulation of Pre-sale Funds of Constructed Commodity Property in Zhongshan" (《中山市商品房預售款監管辦法》) (hereinafter referred to as the "Regulating Measures"), which became effective since November 23, 2019.

- The commercial housing pre-seller shall maintain pre-sale fund regulation accounts. In principle, no more than three pre-sale fund regulation accounts can be maintained with one commercial housing pre-sale permit.

- Before the pre-seller first applies for the pre-sale of commodity property, it shall make clear the construction cost and statutory tax of the pre-sale project, and prepare the "commodity property pre-sale project plan for use of capital" according to the project construction plan and construction schedule.

- The plan for use of capital shall set forth the use of capital in four segments, namely obtaining pre-sale permit, completion of structural roof-sealing, acceptance of inspection, and completion of initial registration.

Kunming

Yunnan Housing and Urban-Rural Construction Committee, the Kunming Center Branch of the People's Bank of China and the Yunnan Administration of China Banking Regulatory Commission jointly promulgated the "Measures for the Supervision and Administration of Pre-Sale Capital for Commercial Housing in Yunnan (《雲南省商品房預售款監管辦法》) (hereinafter referred to as "Measures") on September 11, 2009, which was effective as of October 1, 2009. Regulatory rules for pre-sale capital under Measures are as follows:

- The pre-seller shall open a special account for pre-sale capital with the entrusted bank for the commercial housing pre-sale project proposed to be approved, the commodity housing pre-sale capital shall in principle be used in a closed-end management manner. For a project without a special account for pre-sale capital, the regulatory authorities shall not issue the "Commercial Housing Pre-sale License". Where an enterprise has several pre-sale projects, the respective designated accounts for pre-sale monies shall be established.

- The pre-seller shall deposit all the funds from pre-sale into the regulatory account and, prior to the completion and record filing of the project, such funds may only be used for the engineering costs, construction materials, supporting facilities and equipment of the project, statutory taxes and fees and due bank loans.

- The pre-seller shall report on schedule to the regulatory authority the progress of the construction project and the bank statements on the collection and expenditure of pre-sale funds. The competent regulatory department shall supervise and administer the information on the pre-sale of commercial housing and account entry of pre-sale payments, progress of construction projects and use of construction funds.

Wuhan

On August 26, 2017, the Wuhan Municipal People's Government issued the "Measures for Regulation of Pre-sale Funds of Newly Constructed Commodity Property in Wuhan" (《武漢市新建商品房預售資金監管辦法》) (hereinafter referred to as the "Regulating Measures"), which became effective since August 26, 2017. The Regulating Measures provides that:

- The regulating period of pre-sale funds of newly constructed commodity property shall commence upon the issuance of a commodity property sale permit and end upon the initial registration of the property.

- Prior to the application of any commodity property sale permit, a real estate development enterprise shall choose one commercial bank for opening of a designated account for newly constructed commodity property pre-sale funds (hereinafter referred to as the "Regulation Account") under the principle of one account for one permit application for commodity property sale. A newly constructed commodity property pre-sale fund regulation agreement shall be entered into by the regulatory authorities, the commercial bank with which the accounts are opened and the real estate development enterprise.

- After the pre-sale funds in the regulatory account exceed the level of key regulatory funds, the real estate development enterprise may apply for the use of the key regulatory funds and make them available for the purchase of construction materials, equipment and payment of building progress, statutory taxes and other related expenses necessary for the construction of the project.

Chengdu

On December 4, 2020, the Chengdu Municipal People's Government General Office issued the "Measures for Regulation of Pre-sale Payments of Commodity Property in Chengdu" (《成都市商品房預售款監管辦法》) (hereinafter referred to as the "Regulating Measures"), which became effective since January 7, 2021.

- The regulating period of pre-sale funds shall commence upon the issuance of a pre-sale permit and end upon the delivery of the property after passing the acceptance inspection.

- Prior to the application of any commodity property pre-sale permit, a real estate development enterprise shall choose one commercial bank for opening of a pre-sale fund regulatory account under the principle of one account for one re-sale permit. A pre-sale fund regulation agreement shall be entered into by the regulatory authorities, the commercial bank with which the accounts are opened and the real estate development enterprise.

- The regulatory authorities shall determine the regulated amount in consideration of the total construction costs and clarify it in the pre-sale fund regulation agreement. All the funds from pre-sale shall be deposited into the regulatory accounts. The balance in the regulatory account shall be no less than certain percent of the regulated amount in accordance with the project stages.

The places where the Group's other construction projects are located, such as Shaanxi Province, Zhejiang Province, Nanjing, Zhuhai, Dongguan, Qingyuan, Foshan and Hefei, currently have also promulgated local implementation rules for the regulation of commercial housing pre-sale funds. The specific requirements in these places are also largely similar to those provisions listed above.

Sales after Completion of Commodity Properties

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

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

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

Mortgage of Properties

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

Lease of Properties

Both the Urban Land Regulations and the Urban Real Estate Law permit the leasing of granted land use rights and of the buildings or houses erected on the land. On December 1, 2010, MOHURD promulgated the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) (the "**New Lease Measures**"), which became effective on February 1, 2011, and replaces the Administrative Measures for Urban House Leasing (《城市房屋租賃管理辦法》). Pursuant to the New Lease Measures, parties thereto shall register and file with the local property administration authority within thirty days after entering into the lease contract. Non-compliance with such registration and filing requirements shall be subject to fines up to RMB10,000. According to the Urban Real Estate Law, rental income derived from any building situated on allocated land where the land use rights have been obtained through allocation, shall be turned over to the State.

Under the Civil Code, the term of a leasing contract shall not exceed 20 years.

REAL ESTATE REGISTRATION

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

REAL ESTATE FINANCING

Loans to Real Estate Development Enterprises

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

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

- restricts from granting loans to property developers for the purpose of paying land grant premiums;

- provides that, for secured loans for land reserve, legal land use rights certificates shall be obtained and the loan on mortgage shall not exceed 70% of the appraised value of the collateral, and the term of loan shall be no more than two years in principle;

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

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

- prohibits taking idle land as a security for loans.

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

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) is 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.

Trust Financing

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

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

On April 27, 2018, the Opinions on Regulating Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》) jointly issued by the PBOC, CBIRC, CSRC and SAFE, require that, financial institutions including Trust Companies, banks, fund management companies and financial asset management companies should comply with applicable regulations regarding the types of asset management business and issuance of asset management products. In addition, such financial institutions should adhere to the fundamental objective of serving the real economy, prevent funds from leaving the real economy for the virtual economy to circulate within the financial system, prevent excessively complicated products from intensifying the transmission of the risks among industries, markets, and regions, and develop unified standards and rules directed in priority at problems in asset management business, such as multi-layered nesting, unclear leverage, serious arbitrage, and frequent speculation.

On May 8, 2019, the CBIRC issued the Circular on Carrying out the Work of Consolidating the Achievements on Rectification of Chaos and Promoting Compliance Construction (《中國銀保監會關於開展「鞏固治亂像成果促進合規建設」工作的通知》), which emphasizes that trust company shall not directly provide financing to real estate development projects which have incomplete "Four Certificates", whose developers or their controlling shareholders are unqualified and whose capital funds are not fully paid, or provide financing in disguised form through equity investment plus shareholder borrowing, equity investment plus inferior debt subscription, account receivable, specific asset income rights, etc.; provide financing directly or in disguised form for the payment of land-transferring fees by real estate enterprises, and issuance of working capital loans to real estate enterprises directly or in disguised form; provide financing to local governments; require or accept all kinds of guarantees provided by local governments or their affiliated departments; directly or indirectly invest on-and off-balance sheet funds to the "Two-high and One excess" (i.e. high energy consumption, high pollution and excess capacity) industries or other restrictive or prohibited fields.

Housing Loans to Individual Buyers

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

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

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

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

ENVIRONMENTAL PROTECTION

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

CIVIL AIR DEFENSE PROPERTY

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

MEASURES ON STABILIZING HOUSING PRICES

The Provisional Measures on Administration of Levying and Collection of VAT on Transfer of Immovables by Taxpayers (《國家稅務總局關於公佈<納稅人轉讓不動產增值稅徵收管理暫行辦法>的公告》) promulgated by the State Administration of Taxation on March 31, 2016 and became effective on May 01, 2016 provides that General taxpayers who transfer immovables obtained by them shall pay VAT. The taxpayer shall make declaration and tax prepayment in accordance with different tax computation method to the tax authorities in charge at the location of the immovable.

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

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

Pursuant to Notice of Launching Special Actions in Some Cities to Fight Activities Undermining People's Interests and Disrupting the Property Market (《關於在部分城市先行開展打擊侵害群眾利益違法違規行為治理房地產市場亂象專項行動的通知》) jointly issued on June 25, 2018 by the Ministry of Housing and Urban-Rural Development, the Publicity Department of the CPC Central Committee, the Ministry of Public Security, the Ministry of Justice, the State Administration of Taxation, the State Administration for Market Regulation and China Banking and Insurance Regulatory Commission, special actions will be taken in some cities, including Guangzhou, Foshan and Wuhan, from July to December, 2018. The key issues to be regulated include: (i) speculative purchase of housing, including monopolizing housing resource, manipulating property prices or rental; (ii) illegal or violating behaviors conducted by real estate developers, including selling commodity housing at price different than that filed with the government or increasing price in disguise by imposing additional conditions to limit the legal rights of home buyers (such as bundling parking space or decorating), and violating the provisions on transparent pricing such as not stating sales status or price of housing resource. The Ministry of Housing and Urban-Rural Development has already circulated two lists of law-breaking real estate developers and intermediary agencies. Except for Dongguan, Zhongshan, Zhaoqing, Zhuhai and Jiangmen, the competent authorities of other cities where the project is located have forwarded the "Notice" and issued corresponding special work plans. The project companies located in Guangfo, Wuhan and Xi'an had been inspected by the competent authorities, but no violations were found.

FOREIGN CURRENCY EXCHANGE

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

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular No. 37**"), promulgated by SAFE and which became effective on July 4, 2014, (i) a PRC resident (the "**PRC Resident**") shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle ("**Overseas SPV**"), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (ii) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV's registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

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

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (issued by the State Administration of Foreign Exchange on June 9, 2016 and came into effect on the same day), the settlement of foreign exchange receipts under the capital account (including but not limited to foreign currency capital and foreign debts) may convert from foreign currency into RMB on self-discretionary basis. The RMB funds obtained by a domestic entity from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The Notice No 16 reiterates the principle that RMB converted from foreign currency capital may not directly or indirectly used for purpose beyond its business scope and investments in securities with the exception of bank financial products that guarantee the relevant PRC regulations. The ratio of the discretionary exchange rate of foreign exchange receipts under domestic capital account is tentatively set at 100%. The State Administration of Foreign Exchange may adjust the above ratio in due time according to the balance of payment status.

On October 23, 2019, the State Administration of Foreign Exchange promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same day (except of Article 8.2, which became effective on January 1, 2020). The notice cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

TAXES

PRC Deed Tax

Pursuant to the Deed Tax Law of the People's Republic of China (《中華人民共和國契稅法》) promulgate by the Standing Committee of the National People's Congress on August 11, 2020, which became effective on September 1, 2021 and replaces Provisional Regulations of the PRC on Deed Tax (《中華人民共和國契稅暫行條例》):

- the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax; and

- the rate of deed tax is 3% to 5%. The specific applicable deed tax rate shall be proposed by the people's government of a province, autonomous region or directly administered municipality within the range stipulated above, submitted to the Standing Committee of the National People's Congress at the same level for decision and filed with the Standing Committee of the National People's Congress and the State Council for the record.

Corporate Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or PRC EIT Law, which was promulgated on March 16, 2007 and last amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), or the implementation rules of the PRC EIT Law, which was promulgated on December 6, 2007 and revised on April 23, 2019, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

Under the implementation rules of the PRC EIT Law, a withholding tax of 10% will be applicable to dividends paid by foreign-invested enterprises to foreign investors, unless otherwise stipulated in tax treaties concluded between Chinese government and other jurisdictions. However, due to Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對

所得避免雙重徵稅和防止偷漏稅的安排》) on August 21, 2006, a company incorporated in Hong Kong will be subject to a withholding tax at a rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% interest or more in the PRC company.

The Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》), or Announcement of Beneficial Owner, was issued by the PRC State Administration of Taxation on February 3, 2018 and came into effect on April 1, 2018. The Announcement of Beneficial Owner provided that the "beneficial owner" shall mean a person who has ownership and control over the income and the rights and property from which the income is derived. The Announcement of Beneficial Owner also specifies that if the business activities carried out by the applicant do not constitute substantive business activities, it will be treated unfavorably in determining whether an applicant has the status as a "beneficial owner".

According to the implementation rules of the PRC EIT Law, if an enterprise incorporated outside the PRC has its "de facto management body" located within the PRC, such an enterprise may be recognized as a PRC tax resident enterprise and subject to EIT at the rate of 25%. According to the PRC EIT Law, dividends received by a qualified PRC tax resident enterprise from another qualified PRC tax resident enterprises are exempted from EIT.

On March 6, 2009, the State Administration of Taxation promulgated the Measures for the Treatment of Enterprise Income Tax on Real Estate Development and Operation Businesses (《房地產開發經營業務企業所得稅處理辦法》), which regulates the revenue, cost of sales, fees deduction, accounting of costs and tax treatment of specific matters of enterprises engaging in the real estate business in the PRC in relation to the imposition of corporate income tax.

Value-added Tax

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

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

The Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), promulgated by Ministry of Finance and State Administration of Taxation on March 23, 2016, effective on May 1, 2016 and amended by Notice on Pilot Policies of Levying Value-added Tax in Lieu of Business Tax for Construction Services and Other Sectors (《關於建築服務等營改增試點政策的通知》) on July 11, 2017 and Announcement on Policies to Deepen VAT Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019, provides that upon approval by the State Council, the pilot program of replacing business tax with value-added tax shall be implemented nationwide effective from May 1, 2016 and all business tax payers in construction industry, real estate industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax. According to the appendix of this notice, entities and individuals engaging in the sale of services, intangible assets or real property within the territory of the People's Republic of China shall be the taxpayers of value-added tax and shall, instead of business tax, pay value-added tax. The sale of real property and the secondhand housing transaction shall adopt this notice as well. Under the Decision of State Council on Abolition of the Provisional Regulations of the People's Republic of China on Business Tax and Revision of the Provisional

Regulations of the People's Republic of China on Value-added Tax (《國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》) which was promulgated on November 19, 2017 and came into effect on the same day, business tax is officially replaced by value-added tax.

Land Appreciation Tax (LAT)

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

Urban Land-use Tax

Pursuant to the Provisional Regulation Governing Land-Use Tax in Cities and Towns of the People's Republic of China (《中華人民共和國城鎮土地使用稅暫行條例》) enacted by the State Council on September 27, 1988 and revised on December 31, 2006, on January 8, 2011, on December 7, 2013 and on March 2, 2019, land-use taxes in respect of urban land is to be levied according to the area of relevant land. According to the Approval on Land-Use Tax Exemption of Foreign Investment Enterprises (《關於外商投資企業徵免土地使用稅問題的批覆》) issued by the State Administration of Taxation on March 27, 1997, land-use fees instead of land-use taxes were to be collected from foreign-invested enterprises. However, the Provisional Regulation Governing Land-Use Tax in Cities and Towns of the People's Republic of China (《中華人民共和國城鎮土地使用稅暫行條例》) was revised by the State Council on March 2, 2019. As of January 1, 2007, land-use taxes are to be collected from foreign-invested enterprise. The annual tax is between RMB0.6 and RMB30.0 per sq.m. of urban land. On June 1, 2007, the State Administration of Taxation promulgated the Approval on Levy of Urban Land-Use Tax of Foreign Investment Enterprises and Foreign Enterprise (《國家稅務總局關於外商投資企業和外國企業徵收城鎮土地使用稅問題的批覆》) restated the above points.

Real Estate Tax

Before January 1, 2009, there are two parallel tax systems in China for enterprises engaged in real estate development and investment in China. Such tax applicable for domestic enterprises, organizations and individuals is real estate tax which is calculated on the remaining original book value of the real estate after 10% to 30% deduction of the original book value depending on where the real estate is located, at a rate of 1.2%, or on the rental income derived by the real estate at a rate of 12% according to the Provisional Rules on Real Estate Tax of the People's Republic of China (《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. While foreign invested enterprises, foreign enterprises and foreign individuals are required to pay urban real estate tax on land and buildings owned by them in the urban areas of China. According to the Provisional Rules on Urban Real Estate Tax of the People's Republic of China (《中華人民共和國城市房地產稅暫行條例》) promulgated by the State Council on August 8, 1951, the urban real estate tax is charged at a rate of 1.5% annually based on standard prices for property or 15% annually based on rental income.

By issuance of PRC State Council Order 546 (中華人民共和國國務院令2008第546號) on December 31, 2008, the State Council unifies the two parallel real estate tax systems by abolishing the urban real estate tax. Starting from January 1, 2009, all enterprises, organizations and individuals that own or use real estate in China shall subject to real estate tax by using the calculation method as mentioned in the Provisional Rules on Real Estate Tax of the People's Republic of China.

Labor Protection

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) which were separately with effect from January 1, 1995 (amended on August 27, 2009 and December 29, 2018) and January 1, 2008 (amended on December 28, 2012), respectively, labor contracts shall be concluded if labor relationships are to be established between the employer and the employees.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on October 28, 2010 and last amended on December 29, 2018, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. An employer shall make registration with the local social insurance agency in accordance with the provisions of the Social Insurance Law of PRC. Moreover, an employer shall declare and make social insurance contributions in full and on time. Pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) which was promulgated on April 3, 1999, amended on March 24, 2002 and March 24, 2019, employers shall undertake registration at the competent administrative center of housing provident fund and undergo the procedures of opening the account of housing provident fund for their employees. Enterprises are also obliged to timely pay and deposit housing provident fund for their employees in full amount.

PRC MERGER & ACQUISITION

Pursuant to Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") which was promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the State Administration for Industry and Commerce, China Securities Regulatory Commission (the "**CSRC**") and the SAFE on August 8, 2006, and subsequently amended by the MOFCOM on June 22, 2009, which provided that the scenarios qualify as an acquisition of a domestic enterprise by a foreign investor.

On October 8, 2016, Ministry of Commerce issued the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (the "**Circular 3**") (《外商投資企業設立及變更備案管理暫行辦法》) which took effect on the same day and amended on July 30, 2017 and June 30, 2018. According to the Circular 3, where a non-foreign-invested enterprise changes into a foreign-invested enterprise due to acquisition, consolidation by a merger or otherwise, which is subject to record-filing as stipulated in the Measures, it shall complete the record-filing formalities for incorporation and submit the Incorporation Application in accordance with the Measures. On December 30, 2019, the Ministry of Commerce and the State Administration of Market Regulation issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced Circular 3. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

MANAGEMENT

GENERAL

Directors

Name	Age	Position
Huang Chiheng (黃熾恒)	60	Chairman, executive Director and chief executive officer
Ye Jun (葉峻)	47	Executive Director
Wang Meng (王猛)	43	Executive Director
Shek Lai Him Abraham (石禮謙)	75	Non-executive Director
Yang Luning (楊魯寧)	46	Non-executive Director
Lu Yongren (盧永仁)	60	Independent Non-executive Director
Low Chian Sin (劉建新)	49	Independent Non-executive Director
Lam Yiu Por (林曉波)	44	Independent Non-executive Director
Ng Yi Kum, Estella (伍綺琴)	63	Independent Non-executive Director
Tam Chi Choi (譚志才)	56	Independent Non-executive Director

Senior Management

Name	Age	Position
Chen Jianfei (陳劍飛)	40	Vice president
Dong Chunxia (董春霞)	41	General manager of legal affairs management center
Lin Dexiang (林德祥)	41	Vice president
Ge Xi (葛曦)	43	General manager of financial management center
Zhang Hong (張弘)	42	Vice president and one of the joint company secretaries

BOARD OF DIRECTORS

Our Board comprises eight Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors are elected to serve a term of three years, which is renewable upon re-election and/or re-appointment.

Executive and Non-Executive Directors

Mr. Huang Chiheng (黃熾恒), aged 60, was appointed as the chairman, executive Director and chief executive officer of the Company on September 21, 2018. Mr. Huang Chiheng ("**Mr. Huang**") is our founder who established the Group in April 2005. Mr. Huang is primarily responsible for constituting the development strategies, medium and long term plans of the Group and investment tactics. He has over 20 years of experience in the Chinese real estate industry. Mr. Huang is deeply involved in Chinese real estate development industry, applying artisanship to every detail of real estate products and integrating such spirit into all aspects of company operations and corporate management.

Prior to founding the Group, in June 1998, Mr. Huang was engaged in his first residential real estate development project, Huajing New City (華景新城) in Guangzhou, and he gradually developed the real estate development business. Mr. Huang was the general manager of Panyu Huajing from June 1998 to July 2002. From July 2002 to April 2005, Mr. Huang served as the general manager of Guangzhou Weixin Real Estate Co., Ltd. (廣州維信房地產有限公司) and started developing another residential property development project Panyu Blossom Age (番禺花樣年華). In April 2005, Mr. Huang established Guangdong Helenbergh and began to expand the property development business nationwide. Since the establishment of Guangdong Helenbergh, Mr. Huang has served as its chairman and chief executive officer, formulating the Group's development strategies and leading the Company's business operations.

Mr. Huang serves as the vice president of Guangdong Real Estate Industry Association (廣東省房地產行業協會). He also served as a member of the Committee of the CPPCC for Panyu District, Guangzhou, Guangdong Province from October 2006 to October 2016. In addition, Mr. Huang received the 20-Year Special Contribution Award of the Real Estate Industry in Guangdong Province (廣東房地產20年特別貢獻獎) in 2011. He has served as the director of Helenbergh philanthropic foundations. Under the leadership of Mr. Huang and thanks to the concerted effort of a group of professionals experienced in the real estate industry, the Group has achieved many milestones: in 2010, it was selected by China Index Academy (中國指數研究院) as China Real Estate Top 100 Enterprises (中國房地產百強企業); in 2013, it broke RMB10 billion in sales and was selected as 2013 China Real Estate Excellence Top 100 (2013年中國房地產卓越100榜) by Guandian, a new real estate media; from 2014 to 2017, it was consecutively awarded as China Real Estate Enterprises Top 100 (中國房地產百強企業) (32nd in 2014, 37th in 2015, 36th in 2016 and 36th in 2017) by the China Real Estate Research Group Top 10 (中國房地產Top 10研究組) jointly formed by Enterprise Research Institute of the Development Research Center of the State Council (國務院發展中心企業研究所), Tsinghua University Real Estate Research Institute (清華大學房地產研究所) and the China Index Academy (中國指數研究院).

Mr. Huang graduated from Panyu Secondary Vocational and Technical School (番禺縣職業中等專業學校) in 1987 and majored in machine manufacturing.

Ms. Ye Jun (葉峻), aged 47, was appointed as our executive Director on September 21, 2018. Ms. Ye is mainly responsible for participating in constituting the development strategies of the Group and overseeing the overall strategic objectives and regular management of the Group. She also currently serves a number of positions in our Subsidiaries, including director, vice chairman and executive vice president of Guangdong Helenbergh, chairman of Helenbergh Commercial Administration (Shanghai) Corp (海倫堡商業管理(上海)股份有限公司), director of Shanghai Zhengde Corporation Administration Co., Ltd. (上海政德企業管理有限公司) and director of Shanghai Runyu Corporation Administration Co., Ltd. (上海潤裕企業管理有限公司).

Ms. Ye joined our Group in March 2001. Ms. Ye served as assistant to general manager of Guangdong Helenbergh from March 2001 to April 2009, vice president of Guangdong Helenbergh from April 2009 to December 2012, she served as president of Huizhou Hengyue Real Estate Development Co., Ltd. (惠州市恆岳房地產開發有限公司), vice president of operations of Guangdong Helenbergh from December 2012 to March 2016. She has served as executive vice president of Guangdong Helenbergh since March 2016.

Ms. Ye graduated from network college of Sun Yat-sen University (中山大學) in China in January 2011. She later obtained her MBA degree from Sun Yat-sen University in June 2015. She is currently enrolled in an Executive Master of Business Administration ("**EMBA**") program of Cheung Kong Graduate School of Business (長江商學院) in China.

Mr. Wang Meng (王猛**)**, aged 43, was appointed as our non-executive Director on September 21, 2018 and re-designated as our executive Director on May 18, 2020. Mr. Wang is mainly responsible for participating in the formulation of development strategy, overseeing the overall business is conducted in compliance with laws and regulations, and providing strategic advice for the Group's management and control. He also currently serves several positions in our Subsidiaries, including supervisor and vice president of Guangdong Helenbergh and the director of Helenbergh Commercial Administration (Shanghai) Co., Ltd. (海倫堡商業管理(上海)股份有限公司).

Mr. Wang joined our Group in June 2008. He served as director of the human resources administration center from June 2008 to January 2011, where he was mainly responsible for human resources and administrative management; from January 2011 to April 2013, he served as the assistant to the president; from April 2012 to April 2013, he served as the chairman of Zhongshan Hongze Real Estate Development Co., Ltd. (中山市宏澤房地產開發有限公司); from April 2013, he has been served as the vice president of Guangdong Helenbergh, mainly responsible for human resources administration center, audit and supervision center.

Prior to joining our Group, Mr. Wang served as director of human resource of China Finance & Investment Holding Co., Ltd (中融華銀控股有限公司), a company which principally engaged in equity investment in real estate development from January 2008 to June 2008. Mr. Wang served as senior manager of organizational planning department of Telling Communication Holdings Co., Ltd. (天音通訊控股股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 000829). He also served as senior human resources manager of Yingtai Group Co., Ltd. (鷹泰集團有限公司) from October 2004 to January 2007.

Mr. Wang obtained his bachelor's degree in agriculture from South China Agricultural University (華南農業大學) in China in July 2000. He attended a set of EMBA courses held by Sun Yat-sen University (中山大學) from April 2011 to March 2012. He is currently enrolled in an EMBA program of Cheung Kong Graduate School of Business in China (長江商學院).

Mr. Shek Lai Him Abraham (石禮謙) G.B.S., S.B.S., J.P., aged 75, was appointed as our non-executive Director on September 21, 2018. Mr. Shek is mainly responsible for providing strategic advice on the operation and management of the Group.

Mr. Shek has served as a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption since January 2017, a non-executive director of the Mandatory Provident Fund Schemes Authority since March 2015, a current member of the Court of the Hong Kong University of Science and Technology, a current member of the Council of the University of Hong Kong, a member of the Court of the University of Hong Kong since November 2004, an independent member of the English Schools Foundation since May 2015, the chairman of the Board of Governors of the English Schools Foundation since May 2015 and the council member of St. Stephen's Girls' College, since March 2015.

Mr. Shek graduated from University of Sydney in Australia with a bachelor degree in arts in May 1969 and a diploma in education from the same university in March 1970.

In addition, Mr. Shek currently holds directorship in other companies listed on the Stock Exchange.

Mr. Yang Luning (楊魯寧), aged 46, was appointed as our non-executive Director on May 18, 2020. Mr. Yang is mainly responsible for the management of design management center and product research and development center. Mr. Yang has also been the vice president of Guangdong Helenbergh since March 2016. Mr. Yang joined our Group in June 2014. He was assistant to president of Guangdong Helenbergh from June 2014 to March 2016, responsible for product's designation.

Prior to joining the Group, Mr. Yang served as a director of the department of urban renew research of Beijing Tsinghua Municipal Institute of City Planning of Design (北京清華城市規劃設計研究院). Mr. Yang served as an executive vice president of Autren Real Estate (Group) Co., Ltd. (奧辰地產(集團)有限公司), a company which principally engaged in real estate development from August 2011 to May 2014.

Mr. Yang obtained his bachelor's degree in architecture from Zhejiang University (浙江大學) in China in June 1997 and obtained his master's degree in architecture and theory from Tsinghua University (清華大學) in China in July 2003.

SENIOR MANAGEMENT

Mr. Chen Jianfei (陳劍飛), aged 40, was appointed as our vice president on May 13, 2021. Mr. Chen is mainly responsible for the management of financing management center. Mr. Chen joined our Group in November 2007. Since then, he has served various positions in our Group, including the manager of financing management center, assistant to the director of financing management center and the director of financing management center.

Mr. Chen obtained his bachelor's degree in accounting from Ji Mei University (集美大學) in China in July 2003.

Ms. Dong Chunxia (董春霞), aged 41, was appointed as our general manager of the legal affairs management center on September 21, 2018. Ms. Dong is mainly responsible for handling legal affairs related to merge and acquisition, legal disputes of the Group. Ms. Dong joined our Group in May 2013 and had served as manager for legal affairs for investment center from May 2013 to March 2017, the assistant to general manager of the legal affairs management center from March 2017 to August 2018, and she served as the general manager of the legal affairs management center since September 2018.

Prior to joining our Group, Ms. Dong served as senior legal manager of Shenzhen Xiangjiang Holdings Limited (深圳香江控股股份有限公司) from August 2005 to May 2013, associate of Guangzhou Zhengjia Limited (廣州市正佳企業有限公司) from October 2004 to August 2005 and assistant associate of Riyueming Law Firm Guangzhou Branch (山西日月明律師事務所廣州分所) from July 2002 to July 2004.

Ms. Dong obtained her bachelor's degree in economic law from Zhongnan University of Economics and Law (中南財經政法大學) in China in June 2002 and is currently holding a PRC practicing certificate.

JOINT COMPANY SECRETARIES

Mr. Zhang Hong (張弘), aged 42, was appointed as our vice president and one of the joint company secretaries of our Company on May 13, 2021. Mr. Zhang is mainly responsible for projects financing and capital markets financing of the Group. Mr. Zhang is responsible for the office of the Board of Directors.

Mr. Zhang joined our Group in September 2017. Prior to joining our Group, Mr. Zhang served as director of the annuity department of Yinhua Fund Management Co., Ltd. (銀華基金管理有限公司), a company which principally engaged in asset management; vice president of the investment banking department of Credit Prosperity Fund Co., Ltd. (信業股權投資管理有限公司), a company which principally engaged in private fund management and vice general director of the fund management department of China South City Co., Ltd. (華南城控股有限公司) (a company listed on the Stock Exchange, stock code: 1668).

Mr. Zhang obtained his bachelor's degree in economics from University of International Business and Economics (對外經濟貿易大學) in China in July 2001 and his master's degree in science from State University of New York in the United States of America in December 2002.

Ms. SO Shuk Yi Betty (蘇淑儀) was appointed as one of the joint company secretaries of our Company on September 21, 2018. Ms. SO has over 20 years of experience in the corporate secretarial field. She is a vice president of SWCS Corporate Services Group (Hong Kong) Limited, a company focusing on the provision of listing secretarial and compliance services.

Ms. SO received a Master of Business Administration degree from the University of Leicester in the United Kingdom and a Master of Law degree from the City University of Hong Kong in 1999 and 2004 respectively. She has been an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom since 1997.

BOARD COMMITTEES

Our Company has established three committees under the Board pursuant to the laws and regulations of the PRC and corporate governance practice requirements under the Listing Rules, including the audit committee, remuneration committee and nomination committee.

Audit committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions oversee the audit process, oversee the risk management of our Group, provide advise to our Board and perform other duties and responsibilities as may be assigned by our Board. The audit committee comprises two independent non-executive Directors and a non-executive Director, namely Mr. Low Chian Sin, Mr. Lu Yongren and Mr. Yang Luning. Mr. Low Chian Sin, being the chairman of its committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The remuneration committee comprises two independent non-executive Directors and an executive Director, namely Mr. Lu Yongren, Mr. Lam Yiu Por and Ms. Ye Jun. Mr. Lu Yongren is the chairman of this committee.

Nomination committee

We have established a nomination committee in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The nomination committee comprises two independent non-executive Directors and an executive Director, namely Ms. Ng Yi Kum, Estella, Mr. Low Chian Sin and Mr. Huang Chiheng. Mr. Huang Chiheng is the chairman of this committee.

DIRECTORS' REMUNERATION

For the years ended December 31, 2018, 2019 and 2020, the total amount paid by us for payments of emoluments, salaries, allowances, discretionary bonus, pension scheme contributions and other benefits in kind (if applicable) to our Directors were approximately RMB4.2 million, RMB16.1 million and RMB14.3 million (US$2.2 million), respectively.

The remuneration of our Directors has been determined with reference to the salaries of comparable companies and their experience, duties and performance.

Save as disclosed above, as of December 31, 2020, no other amounts shall be paid or payable by us or any of our Subsidiaries to the directors or the five highest remuneration individuals.

Save as disclosed above, no Director is entitled to receive other special benefits from the Company.

SHARE OPTION SCHEME

We have not adopted any share option scheme as of December 31, 2020.

So far as our Directors are aware, the following persons have an interest or a short position in shares or underlying shares of our Company:

Name	Nature of Interests[1]	Number	Percentage
Mr. Huang Chiheng[2]	Interest in controlled corporation	10,001	98.99%
Blue Antrix[2]	Beneficial owner	9,698	95.99%
	Interest in controlled corporation	303	3%
Ms. Qin Aihua (秦爱華)[3]	Interest of spouse	10,001	98.99%
Platinum Harvest Investments Limited	Beneficial owner	303	3%
Pentamount Global SPC	Beneficial owner	102	1.01%

Notes:

(1) All interests stated are long positions.

(2) Platinum Harvest Investments Limited is wholly owned by Blue Antrix, which is in turn wholly owned by Mr. Huang Chiheng. By virtue of the SFO, Blue Antrix is deemed to be interested in the shares held by Platinum Harvest Investments Limited and Mr. Huang Chiheng is deemed to be interested in the shares held by Blue Antrix.

(3) Ms. Qin Aihua is the spouse of Mr. Huang Chiheng. Under Part XV of the SFO, Mrs. Qin Aihua is deemed to be interested in the same number of shares in which Mr. Huang Chiheng is interested.

Save as disclosed above, our Directors are not aware of any person who has an interest or a short position in the shares or underlying shares of our Company.

RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties for the periods indicated[1]:

	Year ended December 31,			
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	US$'000 (unaudited)
Advance from Controlling Shareholder	45	—	—	—
Advances from related companies	11,997,943	370,715	852,008	130,576
Repayment of advance from Controlling Shareholder	345	—	—	—
Repayment of advances from related companies	7,971,073	277,895	91,224	13,981
Advances to related companies	7,415,234	183,212	767,026	117,552
Repayment of advances to related companies	2,879,279	15,880	291,165	44,623
Property management services fee paid/payable to	69,527	128,660	185,276	28,395
Lease of properties income	639	—	—	—
Hotel services fee	67	54	—	—
Consulting Services income	—	6,430	14,216	2,179

Note:

(1) These transactions were carried out with terms and conditions mutually agreed by the parties involved.

We have pledged equity interests of certain subsidiaries as securities for certain of our borrowings as of December 31, 2019 and 2020. We have pledged certain rent assignments in respect of the investment properties held by us as securities for certain of our borrowings as of December 31, 2020.

Helenbergh Holding provided certain guarantees to our bank and other borrowings up to RMB193,400,000, RMB520,000,000 and nil as of December 31, 2018, 2019 and 2020, respectively. Helenbergh Holding pledged 100,000,000 shares of Sunshine Insurance Group Corporation Limited (陽光保險集團股份有限公司) or certain of the our other borrowings up to RMB396,000,000 as of December 31, 2018. The controlling shareholder and a close family member of the Controlling Shareholder have provided personal guarantees to certain of our bank and other borrowings up to RMB11,687,776,000, RMB7,878,647,000, and RMB11,697,333,000 as of December 31, 2018, 2019 and 2020, respectively. Helenbergh Holding and Mr. Huang have jointly guaranteed certain of our bank loans of up to RMB1,689,739,000, RMB240,000,000 and nil as of December 31, 2018, 2019 and 2020, respectively.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions. As of December 31, 2020, the total balance of interest-bearing bank and other borrowings amounted to RMB44,650.0 million (US$6,842.9 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

Bank Loans

Certain of our PRC subsidiaries have entered into bank loan agreements with various PRC banks, including, but not limited to Bohai Bank Co., Ltd., Zhuhai Branch, China Minsheng Banking Co., Ltd., Kunming Branch, China Guangfa Bank, Taizhou Branch and Hua Xia Bank Co., Ltd., Wuhan Hanxi Branch. The proceeds from these loans are primarily used to finance the construction of our projects, acquire new subsidiaries and for general corporate purposes. As of December 31, 2020, the total closing balance under these bank loans totaled RMB19,915.3 million (US$3,052.2 million), of which RMB6,094.9 million (US$934.1 million) was due within one year, RMB6,462.4 million (US$990.4 million) was due between one and two years, RMB5,480.3 million (US$839.9 million) was due between two and five years and RMB1,877.7 million (US$287.8 million) was due over five years. Our bank loans are typically secured by land use rights and properties as well as guaranteed by certain of our PRC subsidiaries.

Interest

The principal amounts outstanding under the bank loans bear interest at either fixed rates or floating rates calculated by reference to the PBOC's benchmark interest rate per annum. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2020, the weighted average interest rate on the aggregate outstanding amount of our bank loans was 7.3% per annum.

Covenants

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

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

Events of Default

The bank loans contain certain customary events of default, including insolvency, material adverse change in the collateral and breaches of the terms of the loan agreements. The financial institutions are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Our Company and certain of our PRC subsidiaries have entered into guarantee agreements with the PRC financial institutions in connection with some of the bank loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these bank loans. Further, as of December 31, 2020, some of the bank loans were secured by our assets, including completed properties held for sale, properties under development, property, prepaid land lease payments, investment properties and equity interests in certain of our PRC subsidiaries.

Dividend Restrictions

Pursuant to the loan agreements and corporate guarantees with certain PRC banks, several of our important PRC subsidiaries also agreed not to distribute any dividend until the borrower fully repays the principal and interest of the loan. In addition, under a corporate guarantee by our subsidiary Guangdong Helenbergh, any dividend distribution that exceeds 30% of its net profit or 20% of its distributable reserves in any fiscal year will need to be notified to the lending bank in advance, and if the lending bank considers that such proposed distribution will have a material adverse impact on Guangdong Helenbergh's guarantee obligations, Guangdong Helenbergh must obtain the lending bank's consent before distributing such dividends. See "Risk Factors — Risks Relating to the New Notes — the Subsidiary Guarantees and the JV Subsidiary Guarantees — Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of inter-company loans or advances to us and our subsidiaries."

Trust and Asset Management Financing Arrangement

As with many other property developers in the PRC, we also enter into financing arrangements with trust companies, asset management companies and their financing vehicles, in the ordinary course of business to finance our property development and other related operations. Compared with bank borrowings, such financing arrangements usually offer greater flexibility in terms of availability, approval schedule and repayment requirements, which constitute an effective alternative source of funding for some of our project developments, particularly during the tightened banking credit environments. These financing arrangements include trust financing arrangements, which refer to the financing arrangements with trust companies, asset management companies and their financing vehicles. As of December 31, 2020, the total balance of trust and asset management financing amounted to RMB17,715.9 million (US$2,715.1 million), accounted for 39.7% of the total balance of interest-bearing bank and other borrowings as of the same date.

These trust companies, asset management companies and their financing vehicles we have cooperated with are reputable and well-established institutions in the PRC and are Independent Third Parties to us. The terms and covenants of our trust financing vary, largely depending on, among others, whether there is any equity interest held by us or our Controlling Shareholders that has been pledged or transferred to a financial institution.

Our loan agreements with trust companies, asset management companies and their financing vehicles contain a number of customary affirmative and/or negative covenants. To ensure the loans for which the agreed uses are properly applied, such lenders normally stipulate certain monitoring measures in their loan agreements. For example, we are required to provide interim financial statements, property development and sales schedules to the relevant lenders upon their request. Under certain trust financing agreements, we are required to report to the relevant lenders as to the use of proceeds on a regular basis. In addition, we are subject to restrictive covenants under certain loan agreements with such lenders. For example, we are not permitted to transfer or assign our rights and obligations under the loan agreements to any third-party without the prior consent from the relevant lenders. 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 lenders.

Corporate Bonds

In June 2018, we issued the first tranche of private corporate bonds in the total amount of RMB1,000.0 million, which have a two-year term and bear interest at the rate of 7.9% per annum. In December 2018, we issued the second tranche of private corporate bonds in the total amount of RMB1,000.0 million, which have a two-year term and bear interest at the rate of 7.8% per annum. In October 2019, we issued the first tranche of senior notes in the total principal amount of US$300,000.0 million, which have a two-year term and bear interest at the rate of 12.88% per annum. In February 2020, we issued the second tranche of senior notes in the total principal amount of US$250,000.0 million, which have a two-year term and bear interest at the rate of 12.88% per annum. As of December 31, 2020, the closing balance of our corporate bonds included in interest-bearing bank and other borrowings was RMB4,970.2 million (US$761.7 million).

2019 Notes

On October 4, 2019, we entered into an indenture (as amended or supplemented from time to time, the "2019 Indenture"). Pursuant to the 2019 Indenture, we issued an aggregate principal amount of US$300.0 million of the 2019 Notes on October 4, 2019 and an additional aggregate principal amount of US$250.0 million of the 2019 Notes on January 21, 2020. The aggregate principal amount of the 2019 Notes is US$550.0 million. The 2019 Notes are unsecured. As of the date of this offering memorandum, the entire principal amount of the 2019 Notes is outstanding.

Guarantee

The obligations pursuant to the 2019 Notes are guaranteed by our existing subsidiaries (the "2019 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the 2019 Indenture. Each of the 2019 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the 2019 Notes.

Interest

The 2019 Notes bear interests at 12.875% per annum, payable semi-annually in arrears on April 14 and October 14 of each year, commencing April 14, 2020.

Covenants

Subject to certain conditions and exceptions, the 2019 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing disqualified or preferred stock;
- incur or guarantee certain additional indebtedness and issue disqualified or preferred stock;
- declare dividends on 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 the Company or 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.

Events of Default

The 2019 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the 2019 Notes when such payments become due, and payable at maturity, upon acceleration, redemption or otherwise; default in payment of interest which continues for 30 consecutive days; and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2019 Indenture or the holders of at least 25% of the outstanding 2019 Notes may declare the principal of the 2019 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Maturity and Redemption

The maturity date of the 2019 Notes is October 14, 2021.

At any time prior to maturity, we may at our option redeem up to 35% of the aggregate principal amount of the 2019 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 112.875% of the principal amount of the 2019 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may at our option redeem the 2019 Notes, in whole but not in part, at any time prior to October 14, 2021 at a redemption price equal to 100% of the principal amount of the 2019 Notes plus (i) any accrued and unpaid interest to (but not including) the redemption date and (ii) certain premium.

Upon the occurrence of a Change of Control Triggering Event (as defined in the 2019 Indenture), we must make an offer to repurchase all 2019 Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

March 2021 Notes

On March 24, 2021, we entered into an indenture (as amended or supplemented from time to time, the "2021 Indenture"). Pursuant to the 2021 Indenture, we issued an aggregate principal amount of US$200.0 million of the March 2021 Notes on March 24, 2021 and the US$150.0 million of the March 2021 Notes on June 29, 2021. The March 2021 Notes are unsecured. As of the date of this offering memorandum, the entire principal amount of the March 2021 Notes is outstanding.

Guarantee

The obligations pursuant to the March 2021 Notes are guaranteed by our existing subsidiaries (the "March 2021 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the March 2021 Indenture. Each of the March 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the March 2021 Notes.

Interest

The March 2021 Notes bear interests at 11.0% per annum, payable semi-annually in arrears on March 24 and September 24 of each year, commencing September 24, 2021.

Covenants

Subject to certain conditions and exceptions, the March 2021 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing disqualified or preferred stock;
- incur or guarantee certain additional indebtedness and issue disqualified or preferred stock;
- declare dividends on 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 the Company or 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.

Events of Default

The March 2021 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the March 2021 Notes when such payments become due, and payable at maturity, upon acceleration, redemption or otherwise; default in payment of interest which continues for 30 consecutive days; and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the March 2021 Indenture or the holders of at least 25% of the outstanding March 2021 Notes may declare the principal of the March 2021 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Maturity and Redemption

The maturity date of the March 2021 Notes is March 24, 2023.

At any time prior to March 24, 2023, we may at our option redeem up to 35% of the aggregate principal amount of the March 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 111.0% of the principal amount of the March 2021 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may at our option redeem the March 2021 Notes, in whole but not in part, at any time prior to March 24, 2023 at a redemption price equal to 100% of the principal amount of the March 2021 Notes plus (i) any accrued and unpaid interest to (but not including) the redemption date and (ii) certain premium.

Upon the occurrence of a Change of Control Triggering Event (as defined in the March 2021 Indenture), we must make an offer to repurchase all March 2021 Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

DESCRIPTION OF THE NEW NOTES

For purposes of this "Description of the New Notes," the term "Company" refers only to Helenbergh China Holdings Limited 海倫堡中國控股有限公司, a company incorporated in the Cayman Islands with limited liability, any successor obligor on the Notes, and not to any of its Subsidiaries, and the term "Notes" only refers to the New Notes issued by the Company. Each Subsidiary of the Company that in the future 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" and each such guarantee is referred to as a "JV Subsidiary Guarantee."

The New Notes are to be issued under an indenture (the "Indenture"), to be dated as of October 8, 2021, among the Company and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司), as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. It does not restate those documents 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. We urge you to read the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees, because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture will be available for inspection following prior written request and satisfactory proof of holding and identity, during usual business hours on or after the Original Issue Date at the corporate trust office of the Trustee at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- 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, if any, and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption "— The Subsidiary Guarantees and the JV Subsidiary Guarantees" and in "Replacement of the Subsidiary Guarantees with the JV Subsidiary Guarantees";
- effectively subordinated to the secured obligations, if any, of the Company, the Subsidiary Guarantors, if any, and the JV Subsidiary Guarantors, if any, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on October 8, 2023, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 11.0% 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 April 8 and October 8 of each year (each an "Interest Payment Date"), commencing April 8, 2022. Interest on the Notes will be paid to Holders of record at the close of business on March 24 or September 23 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held on behalf of Euroclear and Clearstream or any other clearing system, each payment in respect of the Notes will be made to the person shown as the holder in the register of the Notes at the close of business of the relevant clearing system on the Clearing System Business Date before the due date for such payments, where "Clearing System Business Date" means a weekday (Monday to Friday, inclusive) except for December 25 and January 1.

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 (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium, if any, on or interest on the Notes is not a Business Day in the relevant place of payment, then payment of such principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the New Notes" include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company, the Transfer Agent or the Registrar may require indemnity or payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made by wire transfer in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong), and the Notes may be presented for registration of transfer or exchange at such office or agency. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees and the JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company's Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries") and the Existing Offshore Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors are holding companies that do not have significant operations. The initial Subsidiary Guarantors will be Noble Pursuit Holdings Limited, Leap Elite Holdings Limited, Key Advantage Global Limited and Broad Pleasant Limited.

Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside the PRC as of the Original Issue Date (collectively, the "Existing Offshore Non-Guarantor Subsidiaries") or any existing or future PRC Non-Guarantor Subsidiary or any Exempted Subsidiary or Listed Subsidiary will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC or any Exempted Subsidiaries or any Listed Subsidiaries), as soon as practicable and in any event within 30 days after becoming a Restricted 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. The Company will cause (x) each of its Restricted Subsidiaries that is an Exempted Subsidiary, as soon as practicable after ceasing to be an Exempted Subsidiary, and (y) each of its Restricted Subsidiaries that is a Listed Subsidiary, as soon as practicable after ceasing to be a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, (A) the Company may elect to have (x) any future Restricted Subsidiary organized outside the PRC, or (y) as soon as practicable after an Exempted Subsidiary ceases to be an Exempted Subsidiary, such Exempted Subsidiary, or (z) as soon as practicable after a Listed Subsidiary ceases to be a Listed Subsidiary, such Listed Subsidiary, not provide a Subsidiary Guarantee or JV Subsidiary Guarantee and (B) the Company may elect to release the Subsidiary Guarantee of a Subsidiary Guarantor or the JV Subsidiary Guarantee of a JV Subsidiary Guarantor (each of the Restricted Subsidiaries under clauses (A) and (B), a "New Non-Guarantor Subsidiary" and, together with the Existing Offshore Non-Guarantor Subsidiaries, the "Other Non-Guarantor Subsidiaries"), *provided that*, after giving effect to the Consolidated Assets of such Non-Guarantor Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Exempted Subsidiaries and the Listed Subsidiaries) do not account for more than 20% of the Total Assets of the Company.

The Other Non-Guarantor Subsidiaries, together with the PRC Non-Guarantor Subsidiaries, are referred to herein as the "Non-Guarantor Subsidiaries."

In the case of a Restricted Subsidiary (other than Exempted Subsidiaries and Listed Subsidiaries) (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established or acquired after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary to, or (y) 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 the provision of a JV Subsidiary Guarantee instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary (the "JV Subsidiary Guarantor") and (b) the Restricted Subsidiaries (other than Exempted Subsidiaries and the Listed Subsidiaries) of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions, in the case of both (x) and (y), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, 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 providing such JV Subsidiary Guarantee or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;

- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than Exempted Subsidiaries and the Listed Subsidiaries), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV

Subsidiary Guarantor and each of its Restricted Subsidiaries that is not organized under the laws of the PRC (other than Exempted Subsidiaries and the Listed Subsidiaries) will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee and the Holders under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

(ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

(iii) an Opinion of Counsel addressed to the Trustee confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantor and its Restricted Subsidiaries providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

As of December 31, 2020, the total balance of interest-bearing bank and other borrowings of the Company and its subsidiaries amounted to RMB44,650.1 million (US$6,842.9 million), of which RMB35,799.0 million (US$5,486.4 million) was secured.

As of December 31, 2020, the Non-Guarantor Subsidiaries had total debts of approximately RMB44,650.1 (US$6,842.9) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB48,288.4 (US$7,400.5) and contingent liabilities of approximately RMB33,919.6 (US$5,198.4).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law).

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

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

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."

Although the Indenture contains limitations on the amount of additional Indebtedness that the Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary 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 JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors, if any, and the JV Subsidiary Guarantor, 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 and the Indenture; provided that, any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors, if any, and the JV Subsidiary Guarantors, if any, will (1) agree that their respective obligations under the Subsidiary Guarantees, if any, and the JV Subsidiary Guarantees, if any, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. Each JV Subsidiary Guarantee provided by any JV Subsidiary Guarantor will, together with all the JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be limited to an amount which is the lower of (i) the applicable JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered void or 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 or JV Subsidiary Guarantor's liability on its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. The guarantee of a Subsidiary Guarantor or a JV Subsidiary Guarantor may be voided or subject to review under applicable insolvency or fraudulent transfer laws, or subject to a lawsuit by or on behalf of creditors of such Subsidiary Guarantor or JV Subsidiary Guarantor. See "Risk Factors — Risks Relating to the Notes and the Guarantees — The Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Guarantees."

Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor or 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 or satisfaction and discharge as described under "— Defeasance" and "— Satisfaction and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, merger or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee;
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, that becomes an Exempted Subsidiary or Listed Subsidiary;
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, that becomes a Non-Guarantor Subsidiary, in compliance with the terms of the Indenture; or
- as described under "— Amendments and Waiver."

The Company may request the Trustee to release the Subsidiary Guarantees provided by any Subsidiary Guarantor and each of its Restricted Subsidiaries organized under laws outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized under laws outside the PRC will become Other Non-Guarantor Subsidiaries (such that each Other Non-Guarantor Subsidiary will no longer Guarantee the Notes), 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 Restricted Subsidiaries organized under laws outside the PRC (other than the Company, the Exempted Subsidiaries and the Listed Subsidiaries) that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors do not account for more than 20% 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 (x) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (y) 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. The Trustee shall be entitled to rely without liability upon such Officers' Certificate as sufficient evidence thereof in which event it shall be conclusive and binding on the Holders.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee (i) by the Company if the Company so elects, or (ii) following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case, and, in the case of (ii) above, as a result of such sale or issuance, immediately after the release and replacement of the Subsidiary Guarantee, no less than 50.1% and no more than 80% of the issued Capital Stock of such Subsidiary Guarantor is owned by the Company and/or other Subsidiary Guarantors, provided that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or 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, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing a JV Subsidiary Guarantee, or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;

- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than Exempted Subsidiaries and the Listed Subsidiaries), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor and each of its Restricted Subsidiaries that is not organized under the laws of the PRC (other than Exempted Subsidiaries and the Listed Subsidiaries) will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantees has been approved by a majority of the disinterested members of the Board of Directors; and

  (iii) an Opinion of Counsel addressed to the Trustee confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantor and its Restricted Subsidiaries providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale or issuance of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

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.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue additional notes (the "Additional Notes") having the same terms and conditions as the Notes (including the benefit of Subsidiary Guarantees, if any, and the JV Subsidiary Guarantees, if any) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single series with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of any such Additional Notes shall then be permitted under the "Limitation on Indebtedness and Preferred Stock" covenant described below. In connection with any such issuance of Additional Notes, the Company shall deliver an Officers' Certificate to the Trustee directing the Trustee to authenticate and deliver Additional Notes in an aggregate principal amount specified therein and the Trustee, in accordance with such Officers' Certificate, shall authenticate and deliver such Additional Notes.

Optional Redemption

At any time prior to October 8, 2023, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

At any time and from time to time prior to October 8, 2023, 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 the Common Stock of the Company in an Equity Offering at a redemption price of 111.0% 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 65.0% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Any redemption of Notes and notice of redemption may, at the Company's discretion, be subject to the satisfaction (or waiver by the Company in its sole discretion) of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering and in the case of a Change of Control Triggering Event, the occurrence of such Change of Control Triggering Event).

If the optional redemption date is on or after a Record Date and on or before the related Interest Payment Date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such Record Date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Company.

Selection and Notice

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any recognized securities exchange and/or held through a clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed and/or the requirement of the clearing system; or

(2) if the Notes are not listed on any recognized securities exchange or held through a clearing system, on a pro rata basis, by lot or by such method as the Trustee in its sole and absolute discretion deems fair and appropriate, unless otherwise required by applicable law.

No Note of U.S.$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. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

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

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company and its Subsidiaries may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's, the Subsidiary Guarantors' and the JV Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group may be uncertain and will depend 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 within the same time frame 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 the Company to purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Neither the Trustee nor the Agents shall be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to a Change of Control Triggering Event has occurred or may occur and shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Company. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders or any other person for any loss arising from any failure by it to do so.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium, if any, and interest on the Notes or under the Subsidiary Guarantees, if any, or the JV Subsidiary Guarantees, if any, will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, or a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") 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 or any political subdivision or taxing authority thereof or therein (each, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law.

In the event that any such withholding or deduction is so required, the Company or, as the case may be, such Subsidiary Guarantor or JV Subsidiary Guarantor, or Surviving Person 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:

(a) for or on account of:

  (i) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

    (A) the existence of any present or former connection between the Holder or beneficial owner of such Note, Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, and the Relevant Jurisdiction (other than merely acquiring or holding such

Note or the receipt of payments or enforcement of rights thereunder or under the 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;

(B) 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, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(C) 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 or beneficial owner, as the case may be, to provide information concerning such Holder's or 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

(D) 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;

(ii) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge; or

(iii) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a) and (b); or

(b) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

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.

Each Holder, by accepting the Notes agrees, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the offering of the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Notwithstanding any other provision of the Indenture, any amounts to be paid on the Notes by or on behalf of the Company will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United

States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "FATCA Withholding"). Neither the Company nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

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, at any time upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (or in the case of an official position, is announced) (i) with respect to the Company, on or after the date of the final Offering Memorandum relating to the issue of the Notes, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company or a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company or a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change, amendment, or stating 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, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment, or stating of an official position referred to in the prior paragraph.

The Trustee shall and is entitled to accept and rely upon such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders. The Trustee will not be responsible for any loss occasioned by acting in reliance on such Officers' Certificate and/or Opinion of Counsel.

Any Notes that are redeemed for tax reasons 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), provided that the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness), and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.25 to 1.0.

Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee and each JV Subsidiary Guarantee;

(b) any Pari Passu Guarantee;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (2)(d) of this covenant; provided that such Indebtedness of Restricted Subsidiaries other than Subsidiary Guarantors or JV Subsidiary Guarantors shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g) and (l) below);

(d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; provided that (i) any event which results in any such Restricted Subsidiary to whom such Indebtedness is owed ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness and none of the Subsidiary Guarantors and JV Subsidiary Guarantors is an obligee, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is the obligor on such Indebtedness and none of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors is an obligee, 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;

(e) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, 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), (c), (e), (m), (n), (p), (q), (s), (t), (u), (x) or (y) 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, a Subsidiary Guarantee or JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes, a Subsidiary Guarantee or 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, such Subsidiary Guarantee or 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, a Subsidiary Guarantee or 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, such Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes, such Subsidiary Guarantee or 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 (e) by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or JV Subsidiary Guarantor; and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause (e) by means of any Indebtedness of any JV Subsidiary Guarantor (provided that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture); *provided further* that the repayment, redemption or discharge of an old Project Debt may be classified as being "refinanced" within the meaning of this clause (e) by a new Project Debt Incurred within 180 days after the repayment, redemption or discharge of such old Project Debt;

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the exposure of the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities;

(g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary 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 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(j) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted

Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(k) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided that such Indebtedness is extinguished within five Business Days of Incurrence;

(l) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject in each case to the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant;

(m) Indebtedness of the Company or any Restricted Subsidiary:

  (i) representing Capitalized Lease Obligations incurred in the ordinary course of business; or

  (ii) constituting Indebtedness incurred to finance (x) all or any part of the purchase price of equipment, property or assets to be used in the ordinary course of a Permitted Business of the Company or any Restricted Subsidiary (including, without limitation, the purchase of Capital Stock of any Person holding such equipment, property or assets) or (y) the cost of development, construction or improvement of equipment, property or assets to be used in the ordinary course of a Permitted Business by the Company or a Restricted Subsidiary;

provided that, (A) in the case of clause (ii), such Indebtedness shall not exceed such purchase price or cost, (B) in the case of clause (ii), such Indebtedness shall be Incurred no later than 180 days after the acquisition of such equipment, property or assets and (C) on the date of the Incurrence of any Indebtedness permitted by this clause, and after giving effect thereto, the sum of (a) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (m) (together with any refinancings thereof, but excluding any guarantee Incurred under such clause to the extent the amount of such guarantee is otherwise reflected in such aggregated principal amount) plus (b) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (p), (q), (r), (s), (t), (x) and (y) of this paragraph (2) (together with any refinancings thereof, but excluding any guarantee Incurred under such clauses to the extent the amount of such guarantee is otherwise reflected in such aggregated principal amount) does not exceed an amount equal to 30% of Total Assets;

(n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used for working capital purposes; provided that, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (n) (together with any refinancings thereof) does not exceed U.S.$50 million (or the Dollar Equivalent thereof);

(o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement and becomes obligated to pay such deferred purchase price;

(p) Indebtedness Incurred or Preferred Stock or Disqualified Stock issued by any Restricted Subsidiary arising from any Investment made by a Financial Company Investor in a Restricted Subsidiary, and Indebtedness of the Company or a Restricted Subsidiary constituting a Guarantee by, or grant of a Lien on the assets of, the Company or a Restricted Subsidiary in favor of a Financial Company Investor with respect to the obligation to pay a guaranteed or preferred return to such Financial Company Investor on Capital Stock of a Restricted Subsidiary held by such Financial Company Investor, provided that on the date of the Incurrence of any Indebtedness permitted by this clause, and after giving effect thereto, the sum of (1) aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (p) (together with any refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clause, to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (m), (q), (r), (s), (t), (x) and (y) of this paragraph (2) (together, in each case, with any refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses 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 30% of Total Assets;

(q) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries; provided that, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (together with any refinancings thereof, but excluding any Guarantee Incurred under such clause to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (m), (p), (r), (s), (t), (x) and (y) of this paragraph (2) (together, in each case, with any refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses 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 30% of Total Assets;

(r) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of any Indebtedness of any Person; provided that, on the date of the Incurrence of any 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 any refinancings thereof, but excluding any Guarantee Incurred under such clause to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (m), (p), (q), (s), (t), (x) and (y) of this paragraph (2) (together, in each case, with any refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses 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 30% of Total Assets;

(s) Indebtedness Incurred by any Restricted Subsidiary which is secured by Investment Properties; 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 (s) (together with any refinancings thereof, but excluding any Guarantee Incurred under such clause to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (m), (p), (q), (r), (t), (x) and (y) of this paragraph (2) (together, in each case, with any refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses 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 30% of Total Asset;

(t) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided that*, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the sum of (i) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (t) (together with any refinancings thereof, but excluding any Guarantee Incurred under such clause to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (m), (p), (q), (r), (s), (x) and (y) of this paragraph (2) (together, in each case, with any refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses 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 30% of Total Asset;

(u) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$30 million (or the Dollar Equivalent thereof);

(v) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement and becomes obligated to pay such deferred purchase price;

(w) Indebtedness constituting a Subordinated Shareholder Loan;

(x) 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 (x) (together with any refinancings thereof, but excluding any Guarantee Incurred under such clause to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (m), (p), (q), (r), (s), (t) and (y) of this paragraph (2) (together, in each case, with any refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses 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 30% of Total Asset; and

(y) Indebtedness Incurred or Preferred Stock or Disqualified Stock issued by any Development Contract Company; 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 (y) (together with any refinancings thereof, but excluding any Guarantee Incurred under such clause to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (m), (p), (q), (r), (s), (t) and (x) of this paragraph (2) (together, in each case, with any refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses 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 30% of Total Asset.

(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 the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.

(4) 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 provided that such Indebtedness was permitted to be incurred at the time of such Incurrence. 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-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. 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 currency in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

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 of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid in shares of the Company's Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary or any direct or indirect parent of the Company (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Company or any Restricted Subsidiary;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Subordinated Indebtedness (excluding any intercompany Indebtedness between or among the Company and any of its Wholly Owned Restricted Subsidiaries); 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 U.S.$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock;" or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of (without duplication):

(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 January 1, 2019 and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries 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), provided, however, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Company or any of its Restricted Subsidiaries from the Incurrence of such Indebtedness; plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) 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 or (E) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person was a Restricted Payment made to the extent permitted under this paragraph (c); plus

(v) U.S.$50 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within three months 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 substantially concurrent sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor or 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 the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

(5) the declaration and payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company or another Restricted Subsidiary, as the case may be, to all holders of any class of Capital Stock of such Restricted Subsidiary, *provided that*, with respect to a Restricted Subsidiary of which less than a majority of the Voting Stock is directly or indirectly owned by the Company, such dividend or distribution shall be declared, paid or made on a pro rata basis or on a basis more favorable to the Company, as determined by the ownership of the voting power of the Voting Stock;

(6) dividends or other distributions paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Financial Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(p) of the "Limitation on Indebtedness and Preferred Stock" covenant;

(7) dividends or other distributions paid to, or the purchase of Capital Stock of any Development Contract Company held by, any shareholders of a Development Contract Company that are not the Company or another Restricted Subsidiary, in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(y) of the "Limitation on Indebtedness and Preferred Stock" covenant;

(8) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; provided that, any such cash payment shall not be for the purpose of evading the limitation of this "Limitation on Restricted Payments" covenant (as determined in good faith by the Board of Directors of the Company);

(9) 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;

(10) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed US$5 million (or the Dollar Equivalent thereof) in the aggregate in any calendar year;

(11) the purchase of Capital Stock of a Person, and payments made, pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;

(12) 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;

(13) the payment of any dividend or distribution payable or paid in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;

(14) the distributions or payments of Securitization Fees in connection with Receivable Financing permitted under the Indenture;

(15) the redemption, repurchase or other acquisition of Capital Stock of any Restricted Subsidiary (not exceeding 50% of the total Capital Stock in such Restricted Subsidiary) from an Independent Third Party;

(16) payments, including declaration and payment of distributions, made under or in connection with any Perpetual Securities Obligation pursuant to the terms thereof; or

(17) the redemption, repurchase or other acquisition of or the declaration and payment of dividends on the Common Stock of the Company by the Company in an aggregate amount not to exceed 25.0% of profit for year based on the consolidated financial statements of the Company for any fiscal year;

provided that, in the case of clause (2), (3), (4) or (5) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1) of the preceding paragraph after the Original Issue Date shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "— Limitation on Restricted Payments" covenant have been met 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 must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized standing if the Fair Market Value exceeds U.S.$10 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in an amount in excess of U.S.$10 million (or the Dollar Equivalent thereof) (other than any Restricted Payment set forth in clauses (5) to (17)), 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 (19) 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 them.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees, the Indenture, any Pari Passu Guarantee or any Indebtedness Guaranteed by 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) arising or existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, 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 the property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Limitation on Indebtedness and Preferred Stock" and "— Limitation on Asset Sales" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or Preferred Stock of the type described under clauses (2)(e), (2)(l), (2)(m), (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u), (2)(v), (2)(x) and (2)(y) of the "— Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes, any Subsidiary Guarantor to make required payment on its Subsidiary Guarantee or any JV Subsidiary Guarantor to make required payment on its JV Subsidiary Guarantee, as the case may be, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(g) any encumbrance or restriction existing by reason of any Lien permitted under the "— Limitation on Liens" covenant;

(h) existing with respect to Hedging Obligation permitted to be Incurred under clause (2)(f) of the covenant described under the "— Limitation on Indebtedness and Preferred Stock" covenant solely to the extent that such restriction or encumbrance is only encumbering customary initial deposits or margin deposits or is otherwise within the general parameters customary in the industry with respect to such Hedging Obligations;

(i) existing in customary provisions in leases, licenses, 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 (as determined in good faith by the Board of Directors) and (i) the encumbrances or restrictions are customary for a lease, license, 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 to make required payments under its Subsidiary Guarantee; and

(j) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, 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.

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 issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, 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 issuance or sale and provided that the Company complies with the "— Limitation on Asset Sales" covenant; or

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); provided that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor Incurred outside the PRC, 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 Subsidiary Guarantor) or

JV Subsidiary Guarantee (in the case of 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 (in the case of Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of JV Subsidiary Guarantor) until the Notes have been paid in full or (2) such guarantee and such Guaranteed Indebtedness are permitted by clauses (2)(c) or (2)(d) or 2(q) (in the case of clause (2)(q), with respect to the Guarantee provided by any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor through the creation of Liens on cash deposits, bank accounts 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 of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor), 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 JV Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or JV Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or 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 JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other 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 other 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 an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

   (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.$10 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 U.S.$30 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate

Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Company issued by an accounting, appraisal or investment banking firm of recognized standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular 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 above 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) transactions between or among the Company and any of its Restricted Subsidiaries on the one hand and any Development Contract Company on the other hand;

(6) any purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement, and any purchase of Capital Stock of a Restricted Subsidiary held by a Financial Company Investor each, to the extent permitted under the "— Limitation on Restricted Payments" covenant;

(7) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme or other incentive scheme, so long as the Common Stock of the Company becomes and remains listed on The Stock Exchange of Hong Kong Limited and such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited; and

(8) 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 (including Permitted Investments that are permitted under clause (19) or clause (22) of the definition of "Permitted Investments" but otherwise excluding any other Permitted Investments) not prohibited by the "— Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among (A) the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, or (B) the Company or a Restricted Subsidiary on the one hand and any Minority Joint Venture or Unrestricted Subsidiary on the other hand; provided that in the case of clause (iii), (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, Minority Joint Venture or Unrestricted Subsidiary, as the case may be, is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, or by reason of being a Subsidiary or Minority Joint Venture of the Company) and (iv) for as long as the Common Stock of the Company becomes and remains listed on The Stock Exchange of Hong Kong Limited, any Affiliate Transaction which is conducted in compliance with the applicable listing rules of The Stock Exchange of Hong Kong Limited.

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are (or, in respect of any Lien on any Subsidiary Guarantor's or JV Subsidiary Guarantor's property or assets, any Subsidiary Guarantee or JV Subsidiary Guarantee of such Restricted Subsidiary is) 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.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes, the Subsidiary Guarantees, or JV Subsidiary Guarantees (as contemplated under the preceding paragraph) with regards to Indebtedness proposed to be or previously Incurred by the Company, any Subsidiary Guarantor, or any JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture, the Company may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require) without the consent of any Holders and in accordance with the Indenture, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Indebtedness on a pari passu basis or on a basis more favorable to Holders of the Notes and (b) facilitate the completion by other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under "— Limitation on Indebtedness and Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "— Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that 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 that Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption "— Limitation on Asset Sales."

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(3) at least 75.0% 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 with Fair Market Value in excess of U.S.$10 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 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, set-off, 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, any Subsidiary Guarantor or any JV Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor or a JV 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 Replacement Assets.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than U.S.$10 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds U.S.$10 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes plus accrued and unpaid interest to but excluding the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other *pari passu* Indebtedness) to be purchased will be selected on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; provided, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption "— Limitation on Restricted Payments".

Use of Proceeds

To the extent an offering document is used for the sale of the Notes and the use of proceeds from the sale of the relevant Notes is stated in such offering document or the use of proceeds is otherwise required by applicable laws or regulations, the Company shall and shall procure its Restricted Subsidiaries to, use the net proceeds from the sale of the Notes in the approximate amounts and for the purposes specified, as contemplated under the caption "Use of Proceeds" in such offering memorandum or such laws or regulations (or, in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes). Pending the application of all of such net proceeds in such manner, the Company and the Restricted Subsidiaries may 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 (other than the Company) to be an Unrestricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary (other than any Guarantee in compliance with clause (6) below); (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "— Limitation on Liens;" (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "— Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock;" (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption "— Limitation on Liens;" (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary (other than an Exempted Subsidiary or Listed Subsidiary) is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under "— The Subsidiary Guarantees and the JV Subsidiary Guarantees."

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply with 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, or any Subsidiary Guarantor or JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable Subsidiary Guarantee or JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from two of the three Rating Agencies and no Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from at least two of the three Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(2) "— Certain Covenants — Limitation on Restricted Payments";

(3) "— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "— Certain Covenants — Limitation on the Company's Business Activities";

(7) "— Certain Covenants — Limitation on Sale and Leaseback Transactions";

(8) "— Certain Covenants — Limitation on Asset Sales"; and

(9) clauses (3), (4) and (5)(x) of the first and second paragraphs of "— Consolidation, Merger and Sale of Assets".

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under "— Certain Covenants — Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding and the Common Stock of the Company becomes and remains listed on The Stock Exchange of Hong Kong Limited or any other securities exchange, 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 securities exchange on which the Company's ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided that*, if at any time the ordinary shares of the Company are not, or cease 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 150 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a recognized firm of independent accountants, in each case in the English language or accompanied with an English translation thereof;

(b) as soon as they are available, but in any event within 110 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (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 recognized firm of independent accountants, in each case in the English language or accompanied with an English translation thereof; and

(c) as soon as they are available, but in any event within 75 calendar days after the end of each of the first and third financial quarters of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income and balance sheet, 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, in each case in the English language or accompanied with an English translation thereof.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 150 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods 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 certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after

the Company becomes aware or should reasonably become aware of the occurrence of a Default and/or a Event of Default, an Officers' Certificate setting forth the details of the Default and/or the Event of Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) (a) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets" or (b) the failure by the Company to make or consummate an offer to purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "— 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 25.0% or more in aggregate principal amount of the Notes then outstanding;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of U.S.$20 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed U.S.$20 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for any substantial part of the property and assets of the Company or any Significant Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Subsidiary or (c)

effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company); or

(9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25.0% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders shall (subject to being indemnified and/or secured and/or pre-funded 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, 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.

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, and shall upon request of Holders of at least 25.0% in aggregate principal amount of outstanding Notes, 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 premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that is unclear, conflicting or equivocal, conflicts with law or the Indenture, 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 expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security and/or pre-funding 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 25.0% 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 and/or pre-funding 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 request within 60 days after receipt of the written request and the offer of indemnity and/or security and/or pre-funding; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the written request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, 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 fees, costs and expenses incurred in connection with the acceptance and administration of its duties under the Indenture, the collection or distribution of such amounts held or realized and any fees and expenses incurred in connection with the performance of their duties and carrying out their respective functions under the Indenture (including legal fees and expenses and indemnity payments);

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.

Officers of the Company shall certify to the Trustee in writing, on or before a date not more than 150 days after the end of each fiscal year ending after the Original Issue Date, 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 that the Company and its Restricted Subsidiaries have fulfilled all of their respective obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any Default or Defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports."

None of the Trustee or any Agent is obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and each of the Trustee and the Agents may assume that no such event has occurred and that the Company and the Subsidiary Guarantors, if any, and the JV Subsidiary Guarantors, if any, are performing all of their respective obligations under the Indenture, the Notes and the Guarantees, unless the Trustee or the Agent, as the case may be, has received written notice of the occurrence of such event or facts establishing that a Default or an Event of Default has occurred or that the Company and the Subsidiary Guarantors, if any, and the JV Subsidiary Guarantors, if any, as the case may be, are not performing all of their respective obligations under the Indenture, the Notes, the Subsidiary Guarantees, if any, and the JV Subsidiary Guarantee, if any, as the case may be. The Trustee and the Agents are entitled to conclusively rely, without liability, on any Officers' Certificate regarding whether or not a Default or an Event of Default has occurred and is continuing.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and 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 is 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 Bermuda, the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any Relevant Jurisdiction, and the Indenture and the Notes shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, could Incur at least U.S.$1.00 of Indebtedness under the first paragraph of part (1) of the covenant under the caption "— 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 or JV Subsidiary Guarantor, as the case may be, unless such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, 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 the case may be, shall apply to the obligations of the Company in accordance with the Notes and the Indenture 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 JV 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 such Subsidiary Guarantor or JV Subsidiary Guarantor is consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or JV Subsidiary Guarantor or shall become a Subsidiary Guarantor or JV Subsidiary Guarantor concurrently with the transaction; and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture and the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, including the obligation to pay Additional Amounts with respect to any Relevant Jurisdiction, and the Indenture, the Subsidiary Guarantee or JV Subsidiary Guarantee, 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 U.S.$1.00 of Indebtedness under the first paragraph of part (1) of the covenant under the caption "— 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) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the "— 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 "— Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees."

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing requirements shall not apply to (i) a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or another Subsidiary Guarantor or another JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company, the Subsidiary Guarantors, if any, and the JV Subsidiary Guarantors, if any, that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or any Subsidiary Guarantee or JV Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, the Company and its Subsidiaries shall be permitted, 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, the Notes, Subsidiary Guarantees (if any) and JV Subsidiary Guarantees (if any), to exclude Holders in any jurisdiction where (a) (i) the solicitation of such consent, waiver or amendment in the manner deemed appropriate by the Company, (ii) the payment of the consideration therefor or (iii) the conduct or completion of a related offer to purchase or exchange the Notes for cash or other securities in the manner deemed appropriate by the Company would be prohibited or would require the Company or any of its Subsidiaries to (A) file a registration statement, prospectus or similar document or subject the Company or any of its Subsidiaries to ongoing periodic reporting or similar requirements under any securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), or conduct a bondholder identification exercise to establish the availability of an exemption from registration under Rule 802 under the Securities Act, in each case which the Company in its sole discretion determines would be burdensome, (B) qualify as a foreign corporation or other entity or as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (C) generally consent to service of process in any such jurisdiction or (D) subject the Company or any of its Subsidiaries to taxation in any such jurisdiction if it is not otherwise so subject; or (b) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

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:

(a) either:

  (1) 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

  (2) all Notes not theretofore delivered to the Paying Agent for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor has irrevocably deposited or caused to be deposited with the Trustee funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Paying Agent for cancellation, for principal of, premium, if any, and interest on the Notes to the date of such redemption or maturity, as the case may be, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment thereof at such redemption or maturity, as the case may be;

(b) the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor has paid all other sums payable under the Indenture by the Company; and

(c) no Default or Event of Default will have occurred and be continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instruments to which the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor is a party or by which the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor is bound.

The Trustee will acknowledge the satisfaction and discharge of the Indenture if the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with. The Trustee shall be entitled to conclusively rely (without liability) on such Officers' Certificate without any liability or responsibility to any person.

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 will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

(1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations or any combination thereof that through the payment of interest and principal, premium (if any) 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 for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

(2) the Company has delivered to the Trustee an Opinion of Counsel from a firm of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees, if any, and the JV Subsidiary Guarantees, if any, will terminate.

Defeasance of Certain Covenants

The Indenture will provide that (i) the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants," other than as described under "— Certain Covenants-Government

Approvals and Licenses; Compliance with Law" and "— Certain Covenants — Anti-Layering," and (ii) clause (3) under "Events of Default" with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in the above clause (i), clause (4) under "Events of Default" with respect to such other covenants and clauses (5) and (6) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest 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, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee (or its agent) will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes, Subsidiary Guarantees, if any, or the JV Subsidiary Guarantees, if any, may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Subsidiary Guarantees, if any, or the JV Subsidiary Guarantees, if any;

(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;

(4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) 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;

(7) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable securities depositary or clearing system;

(8) make any other change that does not materially and adversely affect the rights of any Holder;

(9) conform the text of the Indenture, the Notes, the Subsidiary Guarantees, if any, or the JV Subsidiary Guarantees, if any, to any provision of this "Description of the New 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 New Notes, the Subsidiary Guarantees, if any, or the JV Subsidiary Guarantees, if any; or

(10) add collateral to secure the Notes, Subsidiary Guarantees (if any), JV Subsidiary Guarantees (if any) and create or register Liens on such collateral or enter into any intercreditor agreement to share the collateral on a *pari passu* basis or on a basis more favorable to Holders of the Notes in accordance with the Indenture.

Amendments With Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees, if any, or the JV Subsidiary Guarantees, if any, may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in aggregate principal amount of the outstanding Notes may amend or waive future compliance by the Company or any of its Restricted Subsidiaries with any provision thereof; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, the Subsidiary Guarantees, if any, and the JV Subsidiary Guarantees, if any;

(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) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(9) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders except as provided in the Indenture;

(10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, unless such modification, amendment or waiver 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 the covenant "— Limitations on Asset Sales;"

(11) change the redemption date or the redemption price of the Notes from that stated under the caption "— Optional Redemption" or "— Redemption for Taxation Reasons;"

(12) amend, change or modify the obligation of the Company, the Subsidiary Guarantors or the JV Subsidiary Guarantors to pay Additional Amounts; or

(13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees in a manner which adversely affects the interests or rights of Holders.

Unclaimed Money

Claims against the Company, the Subsidiary Guarantors or the JV Subsidiary Guarantors for the payment of principal of, premium, if any, or interest, on the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees 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 or any of the Subsidiary Guarantors or the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or the JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Concerning the Trustee and the Agents

China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) has been appointed as Trustee under the Indenture. China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) has been appointed as registrar (the "Registrar"), as paying agent (the "Paying Agent") and as transfer agent (the "Transfer Agent" and together with the Paying Agent and the Registrar, the "Agents") with regard to the Notes. Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and the Notes, as the case may be, and no implied covenant or obligation shall be read into the Indenture or the Notes (as the case may be) 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 powers under the Indenture at the request of any Holder, unless holders of at least 25% or more in aggregate principal amount of the then outstanding Notes shall have instructed in writing and offered to the Trustee indemnity and/or security and/or pre-funding satisfactory to it against any loss, liability or expense.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company, any of the Subsidiary Guarantors, if any, and the JV Subsidiary Guarantors, if any, 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 banking and trustee relationships, with the Company and any of the Subsidiary Guarantors, if any, and the JV Subsidiary Guarantors, if any, and their respective Affiliates; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the "Global Note"). On the Original Issue Date, 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 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, if any, and 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 Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors, if any, 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 and as described under "— Additional Amounts."

Under the terms of the Indenture, the Company, the Subsidiary Guarantors, if any, and the JV Subsidiary Guarantors, if any, the Agents 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, if any, and the JV Subsidiary Guarantors, if any, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- any action or failure to take action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the 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 Notes 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 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, if any, and the JV Subsidiary Guarantors, if any, 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 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 Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Trustee 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, the Subsidiary Guarantors, if any, and the JV Subsidiary Guarantors, if any) addressed at Building No. 2, Creative City, YuShan West Road No. 329, Panyu District, Guangzhou, Guangdong Province, China, Attention: Zhang Hong (張弘); Facsimile number: +86 20 8488 8538; (if intended for the Trustee), at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the register for the Notes.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be, and no separate notice to the Holders will be required under the above paragraph. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company, each of the Subsidiary Guarantors, if any, and the JV Subsidiary Guarantors, if any, will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees, if any, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. at 10 E. 40th Street, 10th floor, New York, NY 10016 for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees, if any, and the JV Subsidiary Guarantees, if any, and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the New Notes" for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after October 8, 2023, 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 annum 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.

"Applicable Premium" means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the principal amount of such Note on the maturity date of the Notes, plus (y) all required remaining scheduled interest payments due on such Note through the maturity date of the Notes (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 of its Restricted Subsidiaries 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 of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries 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 of its Restricted Subsidiaries (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 of its Restricted Subsidiaries.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; provided that "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "— Limitation on Restricted Payments" covenant;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of U.S.$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the covenant under the caption "— Consolidation, Merger and Sale of Assets;" and

(7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, 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 any Person that will become a Restricted Subsidiary upon the consummation of such sale, transfer or disposition.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, 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 or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchange of foreign currencies or remit money onshore or offshore.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person, provided that Capitalized Lease shall not include any lease which would have been classified as an "operating lease" before the adoption of GAAP 16.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible or exchangeable into such equity.

"Change of Control" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);

(2) the Permitted Holders are collectively the beneficial owners of less than 40% of the total voting power of the Voting Stock of the Company;

(3) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the U.S. Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the U.S. Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(4) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election to the board of directors was approved by a vote of at least a majority of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Company.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and, provided that the Notes are rated by at least one Rating Agency, a Rating Decline.

"Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

"Clearstream" means Clearstream Banking S.A.

"Commodity Hedging Agreement" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and 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 October 8, 2023 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a comparable maturity to October 8, 2023.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the definition of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Company acting in good faith) 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 that 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 best efforts to compile on 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, including for the avoidance of doubt, capitalized interest included in cost of sales,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets) and land appreciation taxes, and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business and gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; provided that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"Consolidated Fixed Charges" means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock (or similar securities) of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

"Consolidated Interest Expense" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (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 and Liens on any Capital Stock of a Person that is not a Restricted Subsidiary), only to the extent such interest has become due and payable by the Company or any Restricted Subsidiary, and (7) any capitalized interest, provided that Consolidated Interest Expense shall not include (x) interest expense attributable to leases which would have been classified as "operating leases" before the adoption of GAAP 16 and (y) interest expense accruing on pre-sale receipts in advance from customers; and provided further that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period and, for the avoidance of doubt, distributions 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 (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

(a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains.

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries prepared in accordance with GAAP, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"Contractor Guarantees" means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of assets, real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"Credit Facilities" means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables 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 or (4) otherwise altering the terms and conditions thereof.

"Currency Agreement" means any foreign exchange forward contract, currency swap agreement, currency hedge agreement, currency option agreement or other similar agreement or arrangement designed to reduce or manage the exposure to foreign exchange rates.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Development Contract Company" means any Minority Joint Venture or any corporation, association or business entity engaged in property development, of which the Company or a Restricted Subsidiary, through contractual agreements, directly or indirectly, controls and manages the property development, operations, such as the property planning, development, sales and management of the relevant property project, and subsidiaries of such Minority Joint Venture, corporation association or business entity.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— 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 made by the Company or another Restricted Subsidiary to the lending bank as security for such borrowings, provided that such borrowings are not reflected 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 Person controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; provided that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US$20 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank SA/NV.

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation from providing a Subsidiary Guarantee or a JV Subsidiary Guarantee; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or JV Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“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 standing appointed by the Company.

“Financial Company Investor” means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that invests in any Capital Stock of a Restricted Subsidiary.

“Fitch” means Fitch Ratings Ltd. and its successors.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness, 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;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"GAAP" means generally accepted accounting principles in PRC 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.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"Holder" means the Person in whose name a Note is registered in the 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, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all obligations of such Person evidenced by a Lien on any asset of such Person to secure Indebtedness of other Persons, whether or not such Indebtedness is assumed by such Person; provided that the amount of such obligations 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 Guarantees by such Person to Guarantee Indebtedness of other Persons to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations;

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and

(10) any Preferred Stock issued by (a) such Person if such Person is a Restricted Subsidiary or (b) any Restricted Subsidiary of such Person, valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (i) any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business, (ii) Entrusted Loans or (iii) any Perpetual Securities Obligation; provided that such Indebtedness is not reflected as borrowings or indebtedness on the consolidated balance sheet of the Company (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

(1) that 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) that 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) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the "Limitation on Indebtedness and Preferred Stock" covenant, or (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at that time due to default by such Person if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Company.

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company's proportional interest in the Fair Market Value of the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, (2) if the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Capital Stock of such Person not sold or disposed of and (3) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "—" indication, or an equivalent rating representing one of the four highest Rating Categories, by S&P or any of its successors or assigns, a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody's, or any of its successors or assigns, or a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "—" indication, or an equivalent rating representing one of the four highest Rating Categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody's or Fitch or two or three of them, as the case may be.

"Investment Property" means any property that is owned and held by the Company or any Restricted Subsidiary for long-term rental yield or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

"JV Entitlement Amount" means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

"Lease-Related Arrangements" means arrangements where the Company or any Restricted Subsidiary handles lease-related matters, for and on behalf of a customer, with respect to any property the Company or any Restricted Subsidiary sold to such customer.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Listed Subsidiary" means any Restricted Subsidiary any class of the Capital Stock of which is listed on a Qualified Exchange or quoted on the National Equities Exchange and Quotation System in the PRC and any Subsidiary of a Listed Subsidiary.

"Measurement Date" means October 14, 2019.

"Minority Joint Venture" means any corporation, association or other business entity which 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, including such Minority Joint Venture's Subsidiaries.

"Minority Interest Staged Acquisition Agreement" means an agreement between the Company and/or any Restricted Subsidiary on the one hand and an Independent Third Party on the other (x) pursuant to which the Company and/or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock at the time the Company and/or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one instalment over a period of time.

"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; and

   (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.

(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 assigned to such term under the caption "— The Subsidiary Guarantees."

"Note Register" means the register of Noteholders which the Company will procure to be kept by the Registrar.

"Offer to Purchase" means an offer to purchase Notes by the Company from the Holders commenced by the Company, mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the register of the Notes stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the paying agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the paying agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the paying agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted for payment. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The paying agent shall as soon as reasonably practicable make payment by wire transfer to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall as soon as reasonably practicable authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Offering Memorandum" means the Company's offering memorandum for the offer and sale of Notes dated October 4, 2021.

"Officer" means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor.

"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 under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

"Original Issue Date" means, the date on which the Notes were originally issued under the Indenture.

"Pari Passu Guarantee" means a guarantee by the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes), a Subsidiary Guarantor or a JV Subsidiary Guarantor; provided that (1) the Company, such Subsidiary Guarantor or JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption "— 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 JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

"Permitted Businesses" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

"Permitted Holders" means any or all of the following:

(1) Mr. Huang Chiheng (黃熾恒), his spouse and his children and any family trust established by any of these persons;

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1);

(3) the estate, trust and any immediate family member of the Persons listed in (1) or the legal representative of any of the foregoing; and

(4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1), (2) and (3).

"Permitted Investment" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged 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 designed to reduce or manage the exposure of the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption "— 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 "— 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, unemployment insurance or other types of social security and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(15) repurchases of the Notes;

(16) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;

(17) advances, prepayments or extension of credits to government authorities or government-affiliated entities, collective economic organizations, existing land or building owners, holders, occupants or lessees, or related agents in the PRC in connection with the financing of primary land development or urban redevelopment plans in the ordinary course of business that are recorded as assets in the Company's balance sheet;

(18) Guarantees permitted under "— Limitation on Indebtedness and Preferred Stock";

(19) any Investment by the Company or any Restricted Subsidiary (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) in any Person; provided that:

(i) the aggregate of all Investments made under this clause (19) since the Original Issue Date shall not exceed in aggregate an amount equal to 15% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause since the Original Issue Date resulting from:

(A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (19), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

(B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,

(C) to the extent that an Investment made after the Original Issue Date under this clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment,

(D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, or

(E) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment"), not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (19),

(ii) the Person into which such Investment is made is primarily engaged in a Permitted Business:

(iii) if any of the other shareholders or partners (other than the Company or any Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause (19) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption "— Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be, or by reason of being a Minority Joint Venture, a Restricted Subsidiary or an Unrestricted Subsidiary), such Investment shall comply with the requirements set forth under the "— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates" covenant;

(iv) no Default has occurred and is continuing or would occur as a result of such Investment; and

(v) notwithstanding the requirements under this clause (19), paragraph (ii) and/or paragraph (iii) under this clause (19) shall not apply if such Investment would otherwise have been permitted under this clause (19) and such Investment, together with the aggregate amount of all other Investments made in reliance on this paragraph (v) since the Original Issue

Date, shall not exceed in aggregate an amount equal to 5% of Total Assets, (such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made in reliance on this paragraph (v) since the Original Issue Date resulting from the events set forth in paragraphs (i)(A) through (i)(E) of this clause (19), where references in such clauses to "under this clause (19)" shall be substituted with "in reliance on paragraph (v) of this clause (19)").

For the avoidance of doubt, the value of each Investment made pursuant to this clause shall be valued at the time such Investment is made;

(20) 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, are necessary or advisable to effect such Receivable Financing; and

(21) any Investment in a Development Contract Company (including, among others, any deemed Investment in a Person that was a Restricted Subsidiary but becomes a Development Contract Company after the issuance or sale of Capital Stock of such Person); *provided that*:

(i) if any of the other shareholders or partners (other than the Company or any Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause (21) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption "— Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be, or by reason of being a Minority Joint Venture, a Restricted Subsidiary or an Unrestricted Subsidiary), such Investment shall comply with the requirements set forth under the "— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates" covenant;

(ii) no Default has occurred and is continuing or would occur as a result of such Investment.

"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 attachment or 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, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption "— 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 (e) of part (2) of the covenant described under the caption entitled "— Limitation on Indebtedness and Preferred Stock"; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) any interest or title of a lessor in the property subject to any operating lease;

(14) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock;"

(15) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(16) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing any Capitalized Lease Obligation or purchase money Indebtedness of the type described under clause (2)(l) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock"; provided, however, that (i) the Liens do not extend to any property or assets which is not subject to such Capitalized Lease Obligation or purchase money Indebtedness and cover only the equipment, property or assets acquired, developed, constructed or improved with such Indebtedness, *provided* that, such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (16) does not exceed 200% of the aggregate principal amount of Indebtedness secured by such Liens and (ii) is created prior to, at the time of or within 180 days of such acquisition, development, construction or improvement;

(17) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims, unemployment insurance or other types of social security and other purposes specified by statute or regulations made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(19) Liens granted by the Company or a Restricted Subsidiary in favor of a Financial Company Investor in respect of, and to secure, the Indebtedness permitted under clause 2(p) of the covenant described under the "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant;

(20) Liens on assets securing Indebtedness which is permitted to be Incurred under clauses (o), (q), (s), (t), (u), (v), (x) and (y) of the second paragraph under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock;"

(21) Liens on deposits securing letters of credit (and reimbursement obligations relating thereto) incurred in the ordinary course;

(22) Bankers' liens, rights of setoff and other similar Liens existing with respect to cash and Temporary Cash Investments on deposit in one or more accounts in favor of such bank or financial institution with which such accounts are maintained, securing (a) amounts owing to such bank or financial institution with respect to cash management and operating account arrangements, including those involving pooled accounts, netting arrangements or sweep accounts and (b) Indebtedness owing to such bank or financial institution;

(23) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(24) Liens Incurred on deposits made to secure Entrusted Loans;

(25) Liens arising from joint bank accounts established for a Development Contract Company;

(26) Liens provided that the maximum amount of obligations secured in the aggregate at any one time pursuant to this clause (26) does not exceed U.S.$30 million; and

(27) Liens securing Guarantees by or the Indebtedness Guaranteed by the Company or any Restricted Subsidiary permitted under clause 2(r) of the covenant described under "— Limitation on Indebtedness and Preferred Stock."

"Permitted Subsidiary Indebtedness" means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries taken as a whole; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness(excluding any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses (2)(a), (b), (d) and (f) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 20% of the Total Assets.

"Perpetual Securities Obligation" means perpetual securities (other than any Capital Stock) that are accounted for as equity in accordance with the relevant generally accepted accounting principles issued by the Company or any Restricted Subsidiary.

"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, the Macau Special Administrative Region of the People's Republic of China and Taiwan.

"PRC CJV" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as 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.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Public Indebtedness" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement in the PRC to institutional investors.

"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.

"Project Debt" means Indebtedness by the Company or a Restricted Subsidiary for the purposes of financing the acquisition, development, construction, operation or maintenance of a real estate project.

"Qualified Exchange" means (1) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), or (2) the Shenzhen Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Singapore Exchange Securities Trading Limited or the Nasdaq Stock Market.

"Rating Agencies" means (1) S&P, (2) Moody's and (3) Fitch, provided that if S&P, Moody's or Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's or Fitch, two of any of the three or all three of them, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's; "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets", that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets", the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of such two Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(d) in the event the Notes are rated by three or less than three Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Receivable Financing" means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any receivables, mortgages, royalty, other revenue streams, assets or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions).

"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.

"Replacement Assets" means, on any date, (1) properties or assets that replace the properties and assets that were the subject of such Asset Sale that are used in a Permitted Business or (2) property or assets (other than current assets) that are used in a Permitted Business, including the Capital Stock of any Person holding such property or assets that is primarily engaged in a Permitted Business and is or will become, upon the acquisition by the Company or any of its Restricted Subsidiaries of such Capital Stock, a Restricted Subsidiary.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Services and its affiliates.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person, which for the avoidance of doubt shall not include any Lease-Related Arrangements.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Securitization Fees" means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Assets or participation in interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

"Senior Indebtedness" of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes or (b) in respect of any of the Subsidiary Guarantors, if any, or the JV Subsidiary Guarantors, if any, its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be; provided that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

"Significant Subsidiary" means a Restricted Subsidiary that would be a "significant subsidiary" within the meaning of the definition of "significant subsidiary" in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; provided that in each instance in such definition in which the term "10 percent" is used, the term "5 percent" shall be substituted therefor.

"Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time, provided that such Person is either a Restricted Subsidiary or will become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, which is contractually subordinated or junior in right of payment to the Notes, the Subsidiary Guarantee and the JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subordinated Shareholder Loan" means any unsecured Indebtedness for borrowed money Incurred by the Company or any Restricted Subsidiary from but only so long as such Indebtedness is owed to any Permitted Holder which (i) is expressly made subordinate to the prior payment in full of the Notes, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued, created or remains outstanding, with respect to the payment of principal and any other payment obligations in respect of such Indebtedness, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, redeemed, repurchased or otherwise retired, pursuant to a sinking fund obligation, event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) by its terms, does not provide for any cash payment of interest (or premium, if any).

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity (1) 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 (2) 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 which is "controlled" and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (2) the occurrence of any event as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity, which shall be made in compliance with the covenant under the caption "— Limitation on Restricted Payments."

"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 Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; provided that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or any JV Subsidiary Guarantor.

"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 United Kingdom, 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 People's Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, 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 U.S.$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, Moody's or Fitch;

(6) any money market fund that has at least 95.0% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank, trust company or other financial institutions organized under the laws of the PRC, Hong Kong or any other jurisdiction where the Company or any Restricted Subsidiary has operations; and

(8) investment products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or any other jurisdiction where the Company or any Restricted Subsidiary has 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 fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that,

(1) only with respect to clause (2)(l) of "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant and the definition of "Permitted Subsidiary Indebtedness," Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;

(2) only with respect to clause (2)(t) of "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and

(3) only with respect to any Person becoming an Other Non-Guarantor Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such Other Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming an Other Non-Guarantor Subsidiary).

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services, including, without limitation, any payable, indebtedness or monetary obligation arising from any factoring or receivable financing arrangements entered into by such trade creditors with respect to such account payable, indebtedness of monetary obligation.

"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.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95.0% or more of the economic benefits distributable by such Subsidiary.

The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of New Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the New Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of New Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of New Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands

The following is a discussion of certain Cayman Islands tax consequences of an investment in the New Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstance, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest, principal or premium on the New Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the New Notes, as the case may be, nor will gains derived from the disposal of the New Notes be subject to any capital gains, income or corporation tax in the Cayman Islands. The Cayman Islands currently have no exchange control restrictions and are not party to any double taxation treaties that are applicable to any payments made to or by the Company. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the New Notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands, in which case stamp duty of 0.25% of the face amount thereof may be payable on each Note (up to a maximum of 250 Cayman Islands dollars ("CI$")) unless stamp duty of CI$500 has been paid in respect of the entire issue of New Notes.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands in the following form:

The Tax Concessions Act (As Revised)
Undertaking as to Tax Concessions

In accordance with the provision of section 6 of The Tax Concessions Act (As Revised), the Financial Secretary undertakes with Helenbergh China Holdings Limited ("**the Company**").

1 That no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

2 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:

2.1 On or in respect of the shares, debentures or other obligations of the Company; or

2.2 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 Revised).

British Virgin Islands

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) pursuant to the Subsidiary Guarantees or JV Subsidiary Guarantees (if any).

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the New Notes or in respect of any capital gains arising from the sale of the New Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the New Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the New Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the New Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the New Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the New Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of New Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of New Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of New Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the New Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of New Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the New Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of New Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of New Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains. Under the PRC Income Tax Law and the PRC EIT Law and their implementation regulations issued by the State Council, PRC income tax at the rate of 10% (or lower treaty rate, if any) must be withheld from interest payable to investors that are "non-resident enterprises" and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, or 20% for "non-resident individuals" investors (or lower treaty rate, if any), if we are deemed to be a PRC "resident enterprise" and the interest is deemed as PRC-source income. Any gain realized on the transfer of the New Notes by such "non-resident enterprises" investors would be subject to a 10%, or 20% for "non-resident individuals" investors (or lower treaty rate, if any) PRC income tax if such gain is regarded as income derived from sources within the PRC in the case that we are treated as a PRC "resident enterprise". As advised by Commerce & Finance Law Offices, our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. See "Risk Factors — Risks Relating to the New Notes — Under the EIT Law we may be classified as a "resident enterprise" of the PRC, which could result in unfavorable tax consequences to us and our non-PRC holders of the New Notes." If we are treated as a PRC "resident enterprise," the interest we pay in respect of the New Notes, and the gain any investor may realize from the transfer of the New Notes, might be treated as income derived from sources within the PRC and be subject to PRC income tax.

Stamp Duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the New Notes is maintained outside the PRC) of a Note.

PLAN OF DISTRIBUTION

Haitong International Securities Company Limited, CCB International Capital Limited, ICBC International Securities Limited and YONXI Securities Limited are acting as the Joint Lead Managers and the Initial Purchasers of the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, the Initial Purchasers named below has severally agreed to purchase, and we have agreed to sell to the Initial Purchasers, the principal amount of the New Notes as set forth opposite the Initial Purchasers' name.

Initial Purchasers	Principal Amount of New Notes
Haitong International Securities Company Limited	US$40,000,000
CCB International Capital Limited.	US$40,000,000
ICBC International Securities Limited	US$11,000,000
YONXI Securities Limited	US$11,000,000
Total	US$102,000,000

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

The Initial Purchasers propose to resell the New Notes at the offering price set forth on the cover page of this offering memorandum in reliance on Regulation S. We will pay the Initial Purchasers customary fees and commissions in connection with the offering and will reimburse the Initial Purchasers for certain expenses incurred in connection with the offering. In addition, we have agreed with the Initial Purchasers that we will pay a commission to private banks in connection with the purchase of the New Notes by their private bank clients, which commission will be deducted from the purchase price for the New Notes payable by such private banks upon settlement.

The New Notes will constitute a new issue of securities with no established trading market. Application will be made to the Hong Kong Stock Exchange for the listing of the New Notes by way of debt issues to Professional Investors only as described in this offering memorandum. However, we cannot assure you that we will ultimately obtain such listing or that we will be able to maintain such listing or that the prices at which the New Notes will sell in the market after this offering will not be lower than the initial offering price. Accordingly, we cannot assure you that a liquid trading market will develop for the New Notes, that you will be able to sell your New Notes at a particular time or that the prices that you receive when you sell will be favorable. The Initial Purchasers have advised us that they currently intend to make a market in the New Notes. However, the Initial Purchasers are not obligated to do so and they may discontinue any market-making activities with respect to the New Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the New Notes.

In connection with the offering, the Initial Purchasers (as "Stabilizing Managers") (or any person acting for it) may directly, purchase and sell the New Notes in the open market. These transactions may, to the extent permitted by applicable laws and regulations, include short sales, purchases on the open market to cover positions created by short sales and stabilizing purchases. Short sales involve the sale by the Stabilizing Managers of a greater principal amount of the New Notes than they are required to purchase in the offering. The Stabilizing Managers must close out any short position by purchasing the New Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the New Notes in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions involve bids to purchase the New Notes so long as the stabilizing bids do not exceed a specified maximum.

Similar to other purchase transactions, the Stabilizing Managers' purchases to cover the syndicate short sales and stabilizing purchasers may have the effect of raising or maintaining the market price of the New Notes or preventing or retarding a decline in the market price of the New Notes. As a result, the price of the New Notes may be higher than the price that might otherwise exist in the open market.

Neither the Company nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the New Notes. In addition, neither the Company nor the Initial Purchasers make any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice at any time. No assurance can be given as to the liquidity of, or the trading market for, the New Notes.

We expect to deliver the New Notes free of payment for the New Notes on or about the date specified on the cover page of this offering memorandum, which will be the fourth business day following the date of the pricing of the New Notes.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("Banking Services or Transactions"). The Initial Purchasers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with us and/or our subsidiaries and affiliates for which they have received, or will receive, fees and expenses. In connection with the offering of the New Notes, the Initial Purchasers or any of their respective affiliates may purchase the New Notes for their own accounts and enter into transactions, including repackaging and other transactions.

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

SELLING RESTRICTIONS

General

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 New Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the New Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the New Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The New Notes and the Guarantees have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The New Notes and the Guarantees are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the New Notes and the Guarantees, an offer or sale of the New Notes or Guarantees within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

The Initial Purchasers have represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any New Notes to any retail investor in the EEA. For the purposes of this provision;

(a) 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 MiFID II; or

    (ii) a customer within the meaning of Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.;

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the New Notes to be offered so as to enable an investor to decide to purchase or subscribe for the New Notes.

Prohibition of Sales to UK Retail Investors

The Initial Purchasers have represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any New Notes to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA;

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the New Notes to be offered so as to enable an investor to decide to purchase or subscribe for the New Notes.

United Kingdom

The Initial Purchasers have represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of the New Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any New Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Initial Purchasers have represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any the New 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 the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the New Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New 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 New 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 "**Financial Instruments and Exchange Act**"). Accordingly, the Initial Purchasers have represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any New Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

The Initial Purchasers have acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore ("**MAS**") under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, the Initial Purchasers have represented and agreed that it has not offered or sold any New Notes or caused the New Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any New Notes or cause the New Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New 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 New Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

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

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

securities or securities-based derivatives contracts (each 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 New 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 New Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRC

The Initial Purchasers have represented and agreed that the New Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by applicable laws of the People's Republic of China.

British Virgin Islands

No invitation whether directly or indirectly may be made to the public in the British Virgin Islands to subscribe for the New Notes.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the New Notes unless the Issuer is listed on the Cayman Islands Stock Exchange.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the New Notes.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to another exemption from the registration requirements of the Securities Act. Accordingly, the New Notes are being offered and sold only outside the United in offshore transactions in reliance on Regulation S under the Securities Act. As used herein, the term "United States" has the meaning given to them in Regulation S.

By its purchase of the New Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), each purchaser will be deemed to have:

1. represented that it is purchasing the New Notes in an offshore transaction in accordance with Regulation S;

2. represented that it is purchasing the New Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is outside the United States;

3. acknowledged that the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and that the New Notes may not be offered or sold within the United States except in accordance with Regulation S, pursuant to registration under the Securities Act, or pursuant to an available exemption from registration;

4. acknowledged that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the New Notes, other than the information contained in this offering memorandum. You represented that you are relying only on this offering memorandum in making your investment decision with respect to the New Notes. You agreed that you have had access to such financial and other information concerning us and the New Notes as you have deemed necessary in connection with your decision to purchase the New Notes including an opportunity to ask questions of and request information from us;

5. represented that you are purchasing the New 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 New Notes in violation of the Securities Act;

6. acknowledged that the New Notes will be represented by the Global Note; and

7. acknowledged that each Note will contain a legend substantially to the following effect:

   THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

You also acknowledge that the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Transfer Agent, the Registrar, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. You agree that if any of the acknowledgements, representations or agreements you are deemed to have made by your purchase of the New Notes is no longer accurate, you will promptly notify the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Transfer Agent, the Registrar and the Initial Purchasers. If you are acquiring any New Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

RATINGS

The New Notes are expected to be rated "B3" by Moody's Investors Services. The rating reflects the rating agency's assessment of the likelihood of timely payment of the principal of and interest on the New Notes. The rating does not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the New Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the New Notes, on other securities of ours, or on us. Additionally, we have been assigned a corporate credit of "B2" with a negative outlook by Moody's Investors Service and "B+" with a stable outlook by Fitch Ratings. We cannot assure you that the ratings on the New Notes or our corporate credit rating will remain in effect for any given period or that the ratings will not be lowered, put on negative outlook or CreditWatch negative, or otherwise revised or withdrawn entirely by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the New Notes will be passed upon for us by Sidley Austin as to matters of Hong Kong, United States federal and New York law and Maples and Calder (Hong Kong) LLP as to matters of Cayman Islands laws and BVI laws. Certain legal matters will be passed upon for the Initial Purchasers by Linklaters as to matters of United States federal and New York law and Global Law Office as to matters of PRC law.

INDEPENDENT AUDITOR

The auditor's report on the financial information as of and for the years ended December 31, 2018, 2019 and 2020 included in this offering memorandum have been issued and audited by Ernst & Young, certified public accountants, as stated in their reports appearing herein.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the BVI and Hong Kong in connection with the issue and performance of the New Notes and the Subsidiary Guarantees. The issue of the New Notes has been authorized by a resolution of our board of directors dated September 17, 2021.

Litigation

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

No Material Adverse Change

Except as otherwise disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2020 that is material in the context of the issue of the New Notes.

Documents Available

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

For so long as any of the New Notes is outstanding, copies of the independent auditor's reports and/or review report and/or our published financial statements, if any, including the independent auditor's reports and/or review report set out in the section entitled "Index to Financial Information" in this offering memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the principal office of the Company.

Clearing Systems and Settlement

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

ISIN	XS2376908344
Common Code	237690834

Listing of the New Notes

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

INDEX TO FINANCIAL INFORMATION

Audited financial statements as of and for the year ended December 31, 2020[(1)]

Audited financial statement as of and for the year ended December 31, 2019[(2)]

Notes:

(1) Our audited consolidated financial statements as of and for the years ended December 31, 2020 set forth herein have been reproduced from the auditor's report on the financial information as of and for the years ended December 31, 2019 and 2020 included in this offering memorandum have been issued and audited by Ernst & Young, certified public accountants.

(2) Our audited consolidated financial statements as of and for the years ended December 31, 2019 set forth herein have been reproduced from the auditor's report on the financial information as of and for the years ended December 31, 2018 and 2019 included in this offering memorandum have been issued and audited by Ernst & Young, certified public accountants.

Helenbergh China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Report of the Audited Financial Statements

For the year ended 31 December 2020

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Independent auditor's report
To the directors of Helenbergh China Holdings Limited
(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Helenbergh China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 4 to 128, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors of the Company 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.

Ernst & Young

Certified Public Accountants
Hong Kong
31 May 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000
REVENUE	5	26,774,069	20,966,231
Cost of sales		(20,803,094)	(14,877,378)
Gross profit		5,970,975	6,088,853
Other income and gains	5	527,333	184,137
Selling and distribution expenses		(1,556,685)	(1,097,160)
Administrative expenses		(1,078,534)	(955,787)
Other expenses		(113,411)	(63,817)
Impairment losses on trade and other receivables		(29,672)	(15,724)
Fair value gains on investment properties	10	614,877	733,575
Share of profits and losses of joint ventures and associates	13	(1,832)	(32,349)
Finance costs	7	(474,801)	(425,074)
PROFIT BEFORE TAX	6	3,858,250	4,416,654
Income tax expense	8	(1,639,887)	(1,894,803)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,218,363	2,521,851
Attributable to:			
Owners of the Company		2,178,920	2,579,595
Non-controlling interests		39,443	(57,744)
		2,218,363	2,521,851

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	244,154	256,930
Investment properties	10	19,373,600	16,126,500
Right-of-use assets	11	24,553	12,989
Goodwill	15	87,445	87,445
Other intangible assets	12	45,249	17,986
Investments in joint ventures	13(a)	637,732	840,365
Investments in associates	13(b)	1,594,405	1,250,170
Deferred tax assets	14	2,104,645	1,455,421
Other non-current assets	20	1,994,050	914,442
Total non-current assets		26,105,833	20,962,248
CURRENT ASSETS			
Properties under development	16	74,675,153	59,026,192
Completed properties held for sale	17	15,613,812	15,387,053
Trade receivables	18	15,858	100,916
Prepayments, deposits and other receivables	19	12,330,224	11,107,812
Amount due from associates	34(3)	-	189,601
Amounts due from joint ventures	34(3)	659,073	41
Tax recoverable	8	983,173	774,721
Restricted cash	21	6,150,386	7,128,689
Pledged deposits	21	195,340	265,691
Cash and cash equivalents	21	14,878,153	10,522,176
Total current assets		125,501,172	104,502,892
CURRENT LIABILITIES			
Trade and bills payables	22	16,488,788	17,489,624
Other payables, deposits received and accruals	23	10,683,304	8,766,656
Contract liabilities	24	44,618,456	38,863,951
Interest-bearing bank and other borrowings	25(a)	17,588,392	13,297,738
Convertible bonds	25(b)	2,046,670	-
Amounts due to associates	34(3)	966,175	370,715
Amounts due to joint ventures	34(3)	165,324	-
Amounts due to related parties	34(3)	28,985	62,592
Tax payable	8	2,595,456	1,984,108
Total current liabilities		95,181,550	80,835,384
NET CURRENT ASSETS		30,319,622	23,667,508

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		56,425,455	44,629,756
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25(a)	24,338,127	24,116,062
Convertible bonds	25(b)	676,882	-
Deferred tax liabilities	14	3,985,434	3,693,941
Lease liabilities	11	4,847	4,711
Total non-current liabilities		29,005,290	27,814,714
NET ASSETS		27,420,165	16,815,042
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	-	-
Reserves	27	17,699,500	15,329,038
		17,699,500	15,329,038
Non-controlling interests		9,720,665	1,486,004
TOTAL EQUITY		27,420,165	16,815,042

Huang Chiheng
Director

Wang Meng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital	Capital reserves	Merger reserves	Statutory surplus reserves	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 26	*Note 27(b)*	*Note 27(c)*	*Note 27(a)*				
At 1 January 2019	-	(67,790)	1,834,544	762,187	10,219,303	12,748,244	365,444	13,113,688
Profit and total comprehensive income for the year	-	-	-	-	2,579,595	2,579,595	(57,744)	2,521,851
Appropriations to statutory surplus reserves	-	-	-	220,209	(220,209)	-	-	-
Capital contribution from non-controlling shareholders	-	1,199	-	-	-	1,199	547,938	549,137
Capital contribution	-	-	-	-	-	-	-	-
Acquisitions of subsidiaries (note 29)	-	-	-	-	-	-	630,366	630,366
At 31 December 2019	-	(66,591)*	1,834,544*	982,396*	12,578,689*	15,329,038	1,486,004	16,815,042

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to owners of the Company							
	Share capital RMB'000 *Note 26*	Capital reserves RMB'000 *Note 27(b)*	Merger reserves RMB'000 *Note 27(c)*	Statutory surplus reserves RMB'000 *Note 27(a)*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	-	(66,591)	1,834,544	982,396	12,578,689	15,329,038	1,486,004	16,815,042
Profit and total comprehensive income for the year	-	-	-	-	2,178,920	2,178,920	39,443	2,218,363
Acquisitions of subsidiaries (note 29)	-	-	-	-	-	-	585,743	585,743
Capital contribution from non-controlling shareholders	-	196,587	-	-	-	196,587	5,351,496	5,548,083
Appropriations to statutory surplus reserves	-	-	-	299,313	(299,313)	-	-	-
Establishment of non-wholly-owned subsidiaries	-	-	-	-	-	-	2,384,939	2,384,939
Disposal of subsidiaries (note 30)	-	-	-	-	-	-	(105,505)	(105,505)
Acquisition of non-controlling interests	-	(5,045)	-	-	-	(5,045)	(21,455)	(26,500)
At 31 December 2020	-	124,951*	1,834,544*	1,281,709*	14,458,296 *	17,699,500	9,720,665	27,420,165

* These reserve accounts represent the total consolidated reserves of RMB17,699,500,000 (2019: RMB15,329,038,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,858,250	4,416,654
Adjustments for:			
Finance costs	7	474,801	425,074
Interest income	5	(79,276)	(66,099)
Depreciation of property, plant and equipment	6,9	31,022	32,899
Depreciation of right-of-use assets	6	15,205	5,488
Amortisation of other intangible assets	6,12	2,598	3,370
Fair value gains on investment properties	10	(614,877)	(733,575)
Share of results of joint ventures and associates		1,832	32,349
Impairment of trade and other receivables, net	6	29,672	15,724
(Gain)/loss on disposal of investment properties	6	20,584	(15,696)
Gain on disposal of subsidiaries	5	(61,894)	(20)
Gain on disposal of associates and joint ventures	6	(23,322)	-
		3,654,595	4,116,168
Increase in properties under development and completed properties held for sale		(6,586,703)	(8,146,408)
Decrease in trade receivables		85,259	220,178
Increase in prepayments, deposits and other receivables		(3,745,482)	(3,043,442)
(Decrease)/increase in trade and bills payables		(1,728,699)	7,129,521
(Decrease)/increase in balance with related parties, net		(33,607)	22,154
Decrease/(increase) in amounts due from an associate		6,430	(6,430)
Decrease in amounts due to associates		-	(26,612)
Increase in other payables, deposits received and accruals		3,477,404	1,244,158
Increase in contract liabilities		4,155,414	9,932,073
Decrease/(increase) in restricted bank deposits relating to operating activities		978,303	(1,655,497)
Cash generated from operations		262,914	9,785,863

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash generated from operations		262,914	9,785,863
Interest received		79,276	66,099
Interest paid		(4,110,220)	(3,468,038)
Tax paid		(1,393,447)	(1,861,492)
Net cash flows from (used in)/from operating activities		(5,161,477)	4,522,432
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	9	(19,190)	(34,718)
Purchase of other intangible assets	12	(14,470)	(4,031)
Acquisition of investment properties		(2,121,469)	(1,900,861)
Purchase of financial asset at fair value through profit or loss		(118,000)	-
Proceeds from sale of financial asset at fair value through profit or loss		118,000	-
Proceeds from disposal of items of property, plant and equipment		1,070	4,934
Proceeds from disposal of certain investment properties		165,080	841,832
Acquisition of joint ventures		(505,459)	(41,740)
Acquisition of associates		(499,000)	(162,500)
Outstanding considerations paid for acquisitions of subsidiaries in prior years		(522,877)	(1,007,784)
Net outflow of cash and cash equivalents in respect of the acquisitions of subsidiaries		(769,215)	(2,984,456)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	30	(84,031)	(33)
Prepayment and deposit for acquisitions of equity investments of subsidiaries	20	(304,320)	-
Receipt of prepayment and deposit for acquisition of equity investments		-	80,000
Outstanding considerations paid for acquisition of joint ventures in prior years		(83,217)	-
Net cash flows used in investing activities		(4,757,098)	(5,209,357)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling shareholder of subsidiaries		7,667,948	549,137
New interest-bearing bank and other borrowings		25,038,068	23,167,032
Repayment of interest-bearing bank and other borrowings		(21,459,821)	(17,478,938)
Proceeds from issue of convertible bonds	25(b)	2,715,000	-
Acquisitions of non-controlling interests		(26,500)	-
Advance from associates, joint ventures and other related parties		1,143,173	386,596
Repayment to associates, joint ventures and other related parties		(858,250)	(461,106)
Decrease in pledged deposits		70,351	257,473
Principal portion of lease liabilities		(16,418)	(8,225)
Net cash flows from financing activities		14,273,551	6,411,969
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,354,976	5,725,044
Cash and cash equivalents at beginning of year		10,522,176	4,778,218
Effect of foreign exchange rate changes, net		1,001	18,914
CASH AND CASH EQUIVALENTS AT END OF YEAR		14,878,153	10,522,176
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	21,223,879	17,916,556
Less: Restricted cash	21	(6,150,386)	(7,128,689)
Pledged deposits	21	(195,340)	(265,691)
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		14,878,153	10,522,176

NOTES TO FINANCIALSTATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the property development and property leasing business in the People's Republic of China (the "PRC"). In the opinion of the Company's directors, the immediate holding company of the Company is Blue Antrix Holdings Limited. The controlling shareholder of the Group is Mr. Huang Chiheng (the "Controlling Shareholder").

As at the end of reporting period, of these consolidated financial statements, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Noble Pursuit Holdings Limited	British Virgin Islands/ 17 May 2018	United State Dollars ("US$") 50,000	100%	-	Investment holding
Leap Elite Holdings Limited	British Virgin Islands/ 12 June 2018	US$50,000	100%	-	Investment holding
Broad Pleasant Limited	Hong Kong/ 19 June 2018	Hong Kong Dollars ("HK$")1	-	100%	Investment holding
Key Advantage Global Limited	Hong Kong/ 05 June 2018	HK$1	-	100%	Investment holding
Honor Time Holdings Limited	British Virgin Islands/ 22 April 2020	US$50,000	-	100%	Investment holding
Warm Harbor Limited	Hong Kong/ 4 May 2020	HK$1	-	100%	Investment holding
Splendid Shining Holdings Limited	British Virgin Islands/ 22 April 2020	US$50,000	-	100%	Investment holding
Dream Oasis Limited	Hong Kong/ 4 May 2020	HK$1	-	100%	Investment holding

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Bright Summer Holdings Limited Bright Summer Holdings Limited	British Virgin Islands/ 11 August 2020	US$50,000		100%	Investment holding
Pretty Hope Holdings Limited Pretty Hope Holdings Limited	British Virgin Islands/ 11 August 2020	US$50,000		100%	Investment holding
廣東海倫堡地產集團有限公司 Guangdong Helenbergh Real Estate Group Co.,Ltd.	PRC/Mainland China/ 14 April 2005	RMB 9,200,000,000	-	100%	Property development
廣州市寶悅房地產開發有限公司 Guangzhou Baoyue Real Estate Development Co., Ltd.	PRC/Mainland China/ 05 November 2009	RMB 20,000,000	-	100%	Property investment
廣州市番禺金威泰房地產發展有限公司 Guangzhou Panyu Jinweitai Real Estate Development Co., Ltd.	PRC/Mainland China/ 22 June 2001	RMB 10,000,000	-	100%	Property development
廣州市華隆物業發展有限公司 Guangzhou Hualong Property Development Co., Ltd.	PRC/Mainland China/ 19 May 2003	RMB 15,000,000	-	63%	Property development
廣州市維信房地產有限公司 Guangzhou Weixin Real Estate Development Co., Ltd.	PRC/Mainland China/ 19 July 2002	RMB 20,000,000	-	100%	Property development
廣州金田地產開發有限公司 Guangzhou Jintian Real Estate Development Co., Ltd.	PRC/Mainland China/ 19 August 2011	RMB 10,000,000	-	100%	Property development
廣東海倫堡置業有限公司 Guangdong Helenbergh Real Estate Co., Ltd.	PRC/Mainland China/ 14 September 2016	RMB 1,450,000,000	-	100%	Property investment
廣州善暉投資有限公司 Guangzhou Shanhui Investment Co., Ltd.	PRC/Mainland China/ 08 November 2013	RMB 15,000,000	-	100%	Property investment
佛山市慧豐投資發展有限公司 Foshan Huifeng Investment Development Co., Ltd. ***	PRC/Mainland China/ 07 November 2007	RMB 10,000,000	-	100%	Property development

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
清遠市佳柏房產開發建設有限公司 Qingyuan Jiabo Real Estate Development and Construction Co., Ltd. *	PRC/Mainland China/ 27 June 2007	RMB 209,796,000	-	51%	Property development
清遠市海磊房地產開發有限公司 Qingyuan Hailei Real Estate Development Co., Ltd.	PRC/Mainland China/ 27 June 2017	RMB 20,000,000	-	100%	Property Investment
惠州市海倫堡房地產開發有限公司 Huizhou Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 22 October 2007	RMB 200,000,000	-	100%	Property development
惠州市俊光發展有限公司 Huizhou Junguang Real Estate Development Co., Ltd.	PRC/Mainland China/ 06 April 2005	RMB 50,000,000	-	100%	Property development
惠州市雅堡房地產開發有限公司 Huizhou Yabao Real Estate Development Co., Ltd.	PRC/Mainland China/ 19 March 2013	RMB 30,000,000	-	100%	Property development
惠州市振興投資實業有限公司 Huizhou Zhenxing Industrial Investment Co., Ltd.	PRC/Mainland China/ 26 November 1997	RMB 20,000,000	-	100%	Property development
惠州市廣潤房地產開發有限公司 Huizhou Guangrun Real Estate Development Co., Ltd.	PRC/Mainland China/ 16 November 2012	RMB 50,000,000	-	100%	Property development
惠州市恒岳房地產開發有限公司 Huizhou Hengyue Real Estate Development Co., Ltd.	PRC/Mainland China/ 05 June 2009	RMB 220,000,000	-	100%	Property development
惠州市宏信達房地產開發有限公司 Huizhou Hongxinda Real Estate Development Co., Ltd.	PRC/Mainland China/ 09 November 2007	RMB 30,000,000	-	100%	Property development
惠州市豐誠房地產開發有限公司 Huizhou Fengcheng Real Estate Development Co., Ltd.	PRC/Mainland China/ 17 February 2016	RMB 10,000,000	-	100%	Property development

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
惠州市佳澤房地產開發有限公司 Huizhou Jiaze Real Estate Development Co., Ltd.	PRC/Mainland China/ 12 June 2016	RMB 20,000,000	-	100%	Property development
惠州市萬盈實業有限公司 Huizhou Wanying Industrial Co., Ltd.	PRC/Mainland China/ 20 December 2011	RMB 30,000,000	-	100%	Property development
惠州市耀忠實業有限公司 Huizhou Yaozhong Real Estate Co.,Ltd. ***	PRC/Mainland China/ 26 February 2014	RMB 50,500,000	-	100%	Property development
惠州市千飾居裝飾工程有限公司 Huizhou Qianshiju Decoration Engineering Co., Ltd.	PRC/Mainland China/ 29 June 2010	RMB 10,000,000	-	100%	Property development
惠州科澤投資有限公司 Huizhou Keze Investment Co., Ltd.	PRC/Mainland China/ 27 December 2016	RMB 10,000,000	-	100%	Property investment
惠州市海倫堡置業有限公司 Huizhou Helenbergh Real Estate Co., Ltd.	PRC/Mainland China/ 05 December 2016	RMB 10,000,000	-	100%	Property investment
惠州市碩雄實業有限公司 Huizhou Shuoxiong Industrial Co., Ltd.	PRC/Mainland China/ 27 December 2016	RMB 10,000,000	-	100%	Property investment
惠州市華旭實業有限公司 Huizhou Huaxu Industrial Co., Ltd.	PRC/Mainland China/ 19 October 1992	RMB 8,000,000	-	100%	Property development
惠州大亞灣亞飛置業有限公司 Huizhou Dayawan Yafei Real Estate Co., Ltd.	PRC/Mainland China/ 22 February 2008	RMB 20,000,000	-	100%	Property development
惠州市天晨實業發展有限公司 Huizhou Tianchen Industrial Co., Ltd.	PRC/Mainland China/ 24 March 2011	RMB 1,000,000	-	100%	Property development
惠陽大林玻璃有限公司 Huiyang Dalin Glass Co., Ltd. ***	PRC/Mainland China/ 14 March 2000	HK$ 89,000,000	-	100%	Property development
鈺固金屬配件（惠陽）有限公司 Yugu Metal Accessories (Huiyang) Co., Ltd.	PRC/Mainland China/ 24 May 2001	RMB 15,085,795	-	100%	Property development

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
東莞市海倫堡房地產開發有限公司 Dongguan Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 16 September 2011	RMB 30,000,000	-	100%	Property development
東莞市源宏置業有限公司 Dongguan Yuanhong Real Estate Co., Ltd.	PRC/Mainland China/ 06 January 2016	RMB 20,000,000	-	100%	Property investment
東莞市禾潤房地產開發有限公司 Dongguan Herun Real Estate Development Co., Ltd.	PRC/Mainland China/ 09 April 2015	RMB 30,000,000	-	100%	Property development
東莞市東盈實業投資有限公司 Dongguan Dongying Industrial Investment Co., Ltd.	PRC/Mainland China/ 22 June 2009	RMB 1,000,000	-	100%	Property development
東莞海倫堡置業有限公司 Dongguan Helenbergh Real Estate Co., Ltd.	PRC/Mainland China/ 06 December 2016	RMB 10,000,000	-	100%	Property investment
東莞市海時企業管理有限公司 Dongguan Haishi Enterprise Management Co., Ltd.	PRC/Mainland China/ 23 December 2016	RMB 10,000,000	-	100%	Property investment
東莞聯投置業有限公司 Dongguan Liantou Real Estate Co., Ltd. *	PRC/Mainland China/ 14 March 2014	RMB 10,000,000	-	77%	Property development
昆明寶華房地產開發有限公司 Kuning Baohua Real Estate Development Co., Ltd.	PRC/Mainland China/ 29 March 2012	RMB 200,000,000	-	100%	Property development
昆明海典房地產開發有限公司 Kunming Haidian Real Estate Development Co., Ltd.	PRC/Mainland China/ 04 May 2014	RMB 20,000,000	-	100%	Property development
昆明市海倫堡房地產開發有限公司 Kunming Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 25 June 2009	RMB 50,000,000	-	100%	Property development
雲南天福房地產開發有限公司 Yunnan Tianfu Real Estate Development Co., Ltd.	PRC/Mainland China/ 19 September 2012	RMB 10,000,000	-	100%	Property development

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
上海金土木置業有限公司 Shanghai Jintumu Real Estate Co., Ltd.	PRC/Mainland China/ 24 December 2007	RMB 200,000,000	-	100%	Property development
上海松江國際醫藥城有限公司 Shanghai Songjiang International Pharmaceutical City Co., Ltd.	PRC/Mainland China/ 30 May 2003	RMB 378,000,000	-	100%	Property development
上海先盛房地產開發有限公司 Shanghai Xinsheng Real Estate Development Co., Ltd. ***	PRC/Mainland China/ 02 April 2003	RMB 60,000,000	-	100%	Property development
上海海倫堡經濟發展有限公司 Shanghai Helenbergh Economic Development Co., Ltd.	PRC/Mainland China/ 13 January 2017	RMB 10,000,000	-	100%	Property investment
武漢市海倫堡房地產開發有限公司 Wuhan Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 26 March 2012	RMB 50,000,000	-	100%	Property development
武漢澳興置業有限公司 Wuhan Aoxing Real Estate Co., Ltd. *	PRC/Mainland China/ 18 May 2006	RMB 30,000,000	-	90%	Property development
武漢市頤海房地產開發有限公司 Wuhan Yihai Real Estate Development Co., Ltd.	PRC/Mainland China/ 23 September 2015	RMB 50,000,000	-	100%	Property development
武漢市海頤房地產開發有限公司 Wuhan Haiyi Real Estate Development Co., Ltd.	PRC/Mainland China/ 09 December 2015	RMB 20,000,000	-	100%	Property development
武漢運源置業有限公司 Wuhan Yunyuan Real Estate Co., Ltd.	PRC/Mainland China/ 18 April 2008	RMB 10,000,000	-	100%	Property development
武漢聚誠再創置業有限公司 Wuhan Juchengzaichuang Real Estate Co., Ltd.	PRC/Mainland China/ 23 October 2013	RMB 10,000,000	-	100%	Property development
武漢碩浩房地產投資有限公司 Wuhan Shuohao Real Estate Investment Co., Ltd.	PRC/Mainland China/ 23 December 2016	RMB 10,000,000	-	100%	Property investment

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
西安德茂興房地產開發有限公司 Xi'an Demaoxing Real Estate Development Co., Ltd.	PRC/Mainland China/ 29 November 2007	RMB 50,000,000	-	100%	Property development
西安鑠振房地產開發有限公司 Xi'an Hengzhen Real Estate Development Co., Ltd. *	PRC/Mainland China/ 23 April 2010	RMB 8,000,000	-	95%	Property development
西安雅柏文置業有限公司 Xi'an Yabowen Real Estate Co., Ltd.	PRC/Mainland China/ 18 March 2010	RMB 10,000,000	-	100%	Property development
西安寶澤房地產開發有限公司 Xi'an Baoze Real Estate Development Co., Ltd.	PRC/Mainland China/ 01 April 2016	RMB 10,000,000	-	100%	Property development
陝西美豪瑞特置業有限公司 Shanxi Meihaoruite Real Estate Co., Ltd.	PRC/Mainland China/ 21 July 2011	RMB 12,000,000	-	100%	Property development/not yet commenced operation
肇慶市高誠房地產開發有限公司 Zhaoqing Gaocheng Real Estate Development Co., Ltd.	PRC/Mainland China/ 08 January 2007	RMB 20,000,000	-	100%	Property development
肇慶市佳澤置業有限公司 Zhaoqing Jiaze Real Estate Co., Ltd.	PRC/Mainland China/ 15 May 2017	RMB 20,000,000	-	100%	Property development/not yet commenced operation
肇慶市高澤企業管理有限公司 Zhaoqing Gaoze Enterprise Management Co., Ltd.	PRC/Mainland China/ 09 August 2017	RMB 10,000,000	-	100%	Property leasing
肇慶市昆隆房地產開發有限公司 Zhaoqing Kunlong Real Estate Development Co., Ltd.	PRC/Mainland China/ 25 September 2006	RMB 20,374,700	-	100%	Property development
肇慶市宏潤房地產開發有限公司 Zhaoqing Hongrun Real Estate Development Co., Ltd.	PRC/Mainland China/ 03 November 2017	RMB 20,000,000	-	100%	Property investment
四會市海倫堡房地產開發有限公司 Sihui Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 29 January 2008	RMB 20,000,000	-	100%	Property development

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
中山市海倫堡房地產開發有限公司 Zhongshan Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 9 May 2005	RMB 10,000,000	-	100%	Property development
中山市宏澤房地產開發有限公司 Zhongshan Hongze Real Estate Development Co., Ltd.	PRC/Mainland China/ 12 January 2010	RMB 30,000,000	-	100%	Property development
中山市金源房地產開發有限公司 Zhongshan Jinyuan Real Estate Development Co., Ltd.	PRC/Mainland China/ 16 March 2000	RMB 40,000,000	-	100%	Property development
中山市山河房地產開發有限公司 Zhongshan Shanhe Real Estate Development Co., Ltd.	PRC/Mainland China/ 29 September 2009	RMB 20,000,000	-	100%	Property development
中山市益泰房地產開發有限公司 Zhongshan Yitai Real Estate Development Co., Ltd.	PRC/Mainland China/ 25 August 2006	RMB 21,380,000	-	100%	Property development
中山市鴻業房地產開發有限公司 Zhongshan Hongye Real Estate Development Co., Ltd.	PRC/Mainland China/ 19 September 2007	RMB 30,000,000	-	100%	Property development
中山市恒泰商業投資有限公司 Zhongshan Hengtai Commercial Investment Co., Ltd.	PRC/Mainland China/ 11 August 2011	RMB 100,000,000	-	100%	Property leasing
中山市天鍵電子工業有限公司 Zhongshan Tianjian Electronics Industry Co., Ltd.	PRC/Mainland China/ 18 April 1997	RMB 129,000,000	-	100%	Property development
中山華信置業房產開發有限公司 Zhongshan Huaxin Real Estate Development Co., Ltd.	PRC/Mainland China/ 10 January 1994	RMB 20,000,000	-	100%	Property development
中山市浩運投資有限公司 Zhongshan Haoyun Investment Co., Ltd.	PRC/Mainland China/ 29 December 2016	RMB 10,000,000	-	100%	Property investment

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
中山市智建投資有限公司 Zhongshan Zhijian Investment Co., Ltd.	PRC/Mainland China/ 6 April 2010	RMB 1,000,000	-	100%	Property development/not yet commenced operation
中山浩和置業有限公司 Zhongshan Haohe Real Estate Co., Ltd.	PRC/Mainland China/ 02 July 2003	RMB 10,000,000	-	100%	Property development
江門市晟輝房地產開發有限公司 Jiangmen Shenghui Real Estate Development Co., Ltd.	PRC/Mainland China/ 12 December 2013	RMB 1,000,000	-	100%	Property development
江門市萬城房地產發展有限公司 Jiangmen Wancheng Real Estate Development Co., Ltd.	PRC/Mainland China/ 19 January 2007	RMB 20,000,000	-	100%	Property development
江門泰山房地產有限公司 Jiangmen Taishan Real Estate Co., Ltd.	PRC/Mainland China/ 19 January 2005	RMB 30,000,000	-	100%	Property development
開平市開屏海倫堡房地產開發有限公司 Kaiping Kaiping Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 18 November 2005	RMB 10,000,000	-	100%	Property development
珠海市廣匯房地產發展有限公司 Zhuhai Guanghui Real Estate Development Co., Ltd. **	PRC/Mainland China/ 19 October 2007	RMB 250,000,000	-	100%	Property development
珠海市星普科技有限公司 Zhuhai Xingpu Technology Co., Ltd. *	PRC/Mainland China/ 12 April 2013	RMB 204,000,000	-	51%	Property development
成都一方投資有限公司 Chengdu Yifang Investment Co., Ltd. ***	PRC/Mainland China/ 23 August 2011	RMB 50,000,000	-	100%	Property development
四川聯興房地產開發有限公司 Sichuan Lianxing Real Estate Development Co., Ltd.	PRC/Mainland China/ 07 November 1997	RMB 30,000,000	-	100%	Property development
成都太華置業有限公司 Chengdu Taihua Real Estate Co., Ltd.	PRC/Mainland China/ 24 January 2011	RMB 50,000,000	-	100%	Property development

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
成都杉友投資有限公司 Chengdu Shanyou Investment Co., Ltd.	PRC/Mainland China/ 22 February 2010	RMB 150,000,000	-	100%	Property development
成都碩浩企業管理有限公司 Chengdu Shuohao Enterprise Management Co., Ltd.	PRC/Mainland China/ 13 December 2016	RMB 10,000,000	-	100%	Property investment
成都誠浩企業管理有限公司 Chengdu Chenghao Enterprise Management Co., Ltd.	PRC/Mainland China/ 08 February 2017	RMB 10,000,000	-	100%	Property investment
南京綠都房地產開發有限公司 Nanjing Lvdu Real Estate Development Co., Ltd.	PRC/Mainland China/ 13 March 2014	RMB 100,000,000	-	100%	Property development
南京潤澤房地產投資有限公司 Nanjing Runze Real Estate Investment Co., Ltd.	PRC/Mainland China/ 23 December 2016	RMB 10,000,000	-	100%	Property investment
香河海倫堡房地產開發有限公司 Xianghe Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 01 June 2016	RMB 20,000,000	-	100%	Property investment
香河鑫國聯房地產開發有限責任公司 Xianghe Xinguolian Real Estate Development Co., Ltd. ***	PRC/Mainland China/ 14 May 2010	RMB 500,000,000	-	100%	Property development
杭州海倫堡置業有限公司 Hangzhou Helenbergh Real Estate Co., Ltd.	PRC/Mainland China/ 12 April 2017	RMB 10,000,000	-	100%	Property investment
杭州海磊實業有限公司 Hangzhou Hailei Industrial Co., Ltd.	PRC/Mainland China/ 03 May 2017	RMB 10,000,000	-	100%	Property investment
杭州海馨實業有限公司 Hangzhou Haixin Industrial Co., Ltd.	PRC/Mainland China/ 12 May 2017	RMB 10,000,000	-	100%	Property investment

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporated/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
杭州海融實業有限公司 Hangzhou Hairong Industrial Co., Ltd.	PRC/Mainland China/ 10 July 2017	RMB 10,000,000	-	100%	Property investment
杭州東田上庭置業有限公司 Hangzhou Dongtianshangting Real Estate Development Co., Ltd.	PRC/Mainland China/ 28 February 2008	RMB 70,000,000	-	100%	Property development
浙江豪都房地產開發有限公司 Zhejiang Haodu Real Estate Development Co., Ltd. ***	PRC/Mainland China/ 09 October 2006	RMB 50,000,000	-	100%	Property development
杭州蕭山創新科技園有限公司 Hangzhou Xiaoshan Creative Science Park Co., Ltd.	PRC/Mainland China/ 18 September 2009	RMB 120,000,000	-	100%	Property development
慈溪市海倫堡置業有限公司 Cixi Helenbergh Real Estate Co., Ltd	PRC/Mainland China/ 08 November 2017	RMB 276,000,000	-	100%	Property development
寧波滕頭謝家路置業有限公司 Ningbo Tengtou Xiejia Road Real Estate Co., Ltd	PRC/Mainland China/ 17 January 2013	RMB 41,425,926	-	100%	Property development
北京德翔企業管理有限公司 Beijing Dexiang Enterprise Management Co., Ltd.	PRC/Mainland China/ 30 December 2016	RMB 10,000,000	-	100%	Property investment
北京海磊企業管理有限公司 Beijing Hailei Enterprise Management Co., Ltd.	PRC/Mainland China/ 24 May 2017	RMB 10,000,000	-	100%	Property leasing
合肥粵港置業投資有限公司 Hefei Yuegang Real Estate Investment Co., Ltd.	PRC/Mainland China/ 12 September 2013	RMB 30,000,000	-	100%	Property development
富尚投資有限公司 Fushang Investment Co., Ltd.	Hong Kong/ 11 November 2013	HK$1	-	100%	Property investment
永清聚信房地產開發有限公司 Yongqing Real Estate Development Co., Ltd. **	PRC/Mainland China/ 28 October 2016	RMB 100,000,000	-	100%	Property development
諸暨市柏匯置業有限公司 Zhuji Bohui Real Estate Co., Ltd.	PRC/Mainland China/ 27 February 2014	RMB 100,000,000	-	100%	Property development

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
諸暨恒博房地產開發有限公司 Zhuji Hengbo Real Estate Development Co., Ltd.	PRC/Mainland China/ 25 February 2014	RMB 100,000,000	-	100%	Property development
霸州市冠城港益房地產開發有限公司 Bazhou Guanchenggangyi Real Estate Development Co., Ltd.	PRC/Mainland China/ 04 March 2008	RMB 50,000,000	-	100%	Property development
海寧紫金置業有限公司 Haining Zijin Real Estate Co., Ltd.	PRC/Mainland China/ 22 June 2017	RMB 20,000,000	-	51%	Property development
宜春市同力置業有限公司 Yichun Tongli Real Estate Co., Ltd.	PRC/Mainland China/ 12 January 2018	RMB 10,000,000	-	100%	Property development/not yet commenced operation
福州佳禾房地產開發有限公司 Fuzhou Jiahe Real Estate Development Co., Ltd.	PRC/Mainland China/ 29 December 2006	RMB 63,000,000	-	100%	Property development
龍岩市潤成房地產開發有限公司 Longyan Runcheng Real Estate Development Co., Ltd.	PRC/Mainland China/ 16 April 2018	RMB 20,000,000	-	100%	Property development
昆山碩浩房地產開發有限公司 Kunshan Shuohao Real Estate Development Co.,Ltd.	PRC/Mainland China/ 17 August 2018	RMB 20,000,000	-	100%	Property development
嘉興港區海诚房地產開發有限公司 Jiaxing Bay Haicheng Real Estate Development Co.,Ltd.	PRC/Mainland China/ 06 August 2018	RMB 360,000,000	-	100%	Property development
宜興潤澤房地產開發有限公司 Yixing Runze Real Estate Development Co.,Ltd.	PRC/Mainland China/ 05 July 2018	RMB 50,000,000	-	100%	Property development
南充固美建材有限公司 Nanchong Gumei Building Materials Co.Ltd.	PRC/Mainland China/ 11 April 2003	RMB 260,000,000	-	100%	Property development
惠州市深智房地產開發有限公司 Huizhou Shenzhi Real Estate Development Co.,Ltd.	PRC/Mainland China/ 05 February 2007	RMB5,000,000	-	100%	Property development

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
南通鑫乾置業有限公司 Nantong Xinqian Real Estate Co.,Ltd. *	PRC/Mainland China/ 15 September 2011	RMB 66,670,000	-	70%	Property development
紹興錦嘉置業有限公司 Shaoxing Jinjiao Real Estate Co.,Ltd. *	PRC/Mainland China/ 25 July 2018	RMB 20,408,163	-	51%	Property development
惠州聖大置業有限公司 Huizhou Shengda Real Estate Co.,Ltd.	PRC/Mainland China/ 14 October 2016	RMB 70,000,000	-	100%	Property development
中山市海粵房地產有限公司 Zhongshan Haiyue Real Estate Co., Ltd. ***	PRC/Mainland China/ 26 April 1993	RMB 300,000,000	-	100%	Property development
惠東縣弘誠實業發展有限公司 Huidong Hongcheng Properties Development Co., Ltd. *	PRC/Mainland China/ 02 September 2009	RMB 200,000,000	-	51%	Property development
惠東縣中毅房地產有限公司 Huidong Zhongyi Real Estate Development Co., Ltd. *	PRC/Mainland China/ 29 October 2007	RMB 25,000,000	-	51%	Property development
鎮江啟迪協信科技城發展有限公司 Zhenjiang Qidi Xiexin Science and Technology City Development Co., Ltd.	PRC/Mainland China/ 24 November 2017	RMB 150,000,000	-	100%	Property development
鎮江啟迪協信遠太房地產開發有限公司 Zhenjiang Qidi Xiexin Yuantai Real Estate Development Co., Ltd. *	PRC/Mainland China/ 12 December 2017	RMB 214,285,714	-	60%	Property development
東莞市新浩實業投資有限公司 Dongguan Xinhao Properties Investment Co., Ltd. *	PRC/Mainland China/ 07 August 2009	RMB 15,000,000	-	65%	Property investment
雲南錫合房地產開發有限公司 Yunnan Xihe Real Estate Development Co., Ltd.	PRC/Mainland China/23 August 2010	RMB 170,000,000	-	100%	Property development
啟迪協信博科科技園發展（蘇州）有限公司 Tus Union science and Technology Park Development (Suzhou) Co., Ltd. *	PRC/Mainland China/ 20 June 2017	RMB 50,000,000	-	50%	Property development

1、 CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
湖州遠輝房地產開發有限公司 Huzhou Yuanhui Real Estate Development Co., Ltd.***	PRC/Mainland China/ 19 January 2018	RMB 50,000,000	-	100%	Property development
山東哈工大機器人置業有限公司 Shandong Harbin University of technology robot real estate Co., Ltd. ***	PRC/Mainland China/ 27 March 2018	RMB 10,000,000	-	100%	Property development
北京哈工智能房地產開發有限公司Beijing hagong intelligent real estate development Co., Ltd. ***	PRC/Mainland China/ 7 March 2018	RMB 100,000,000	-	100%	Property investment
廣東嘉冠房地產開發有限公司 Guangdong Jiaguan Real Estate Development Co., Ltd	PRC/Mainland China/ 13 December 2016	RMB 100,000,000	-	100%	Property development
湖州協信房地產開發有限公司 Huzhou Xiexin Real Estate Development Co., Ltd. ***	PRC/Mainland China/ 20 December 2017	RMB 50,000,000	-	100%	Property development
廣州市頤海房地產開發有限公司 Guangzhou Yihai Real Estate Development Co., Ltd. *	PRC/Mainland China/ 21 July 2015	RMB 1,600,000,000	-	51%	Property investment
上海頤海置業有限公司 Shanghai Yihai Real Estate Co., Ltd.	PRC/Mainland China/ 6 February 2013	RMB 100,000,000	-	100%	Property development
清遠市豐泰置業發展有限公司 Qingyuan Fengtai Estate Development Co., Ltd. *	PRC/Mainland China/ 1 February 2008	RMB 39,114,000	-	95%	Property development
高要添林實業有限公司 Gaoyao Tianlin Properties Co., Ltd.	PRC/Mainland China/ 11 April 2003	RMB 95,717,806	-	100%	Property development
中山市海磊企業管理有限公司 Zhongshan Hailei Enterprise Management Co., Ltd. *	PRC/Mainland China/ 10 October 2017	RMB 1,600,000,000	-	51%	Property investment
寧波華惠通置業有限公司 Ningbo Huahuitong Real Estate Co., Ltd.	PRC/Mainland China/ 18 March 2010	RMB 10,000,000	-	100%	Property development

NOTES TO FINANCIALSTATEMENTS (continued)

1、 CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
江門市達利華管理顧問有限公司 Jiangmen Dalihua Management Consulting Co., Ltd.	PRC/Mainland China/ 31 October 2008	RMB 2,539,080	-	100%	Property development
宜興海磊房地產開發有限公司 Yixing Hailei Real Estate Development Co., Ltd.	PRC/Mainland China/ 26 June 2018	RMB 10,000,000	-	100%	Property development
清遠市盈瑞房地產開發有限公司 Qingyuan Yingrui Real Estate Development Co., Ltd.	PRC/Mainland China/ 6 July 2018	RMB 10,000,000	-	100%	Property development
太倉海磊房地產開發有限公司 Taicang Hailei Real Estate Developmemnt Co.,Ltd.	PRC/Mainland China/ 25 September 2018	RMB 300,000,000	-	100%	Property development
台州市德翔房地產開發有限公司 Taizhou Dexiang Real Estate Development Co.,Ltd.	PRC/Mainland China /25 September 2018	RMB 10,000,000	-	100%	Property development
南充海倫堡房地產開發有限公司 Nanchong Helenbergh Real Estate Development Co.,Ltd. **	PRC/Mainland China/ 6 September 2018	RMB 10,000,000	-	100%	Property development
廣州匯和置業有限公司 Guangzhou Huihe Real Estate Co., Ltd.	PRC/Mainland China/ 6 July 2018	RMB 1,031,000,000	-	100%	Property investment
武漢市碩雄房地產開發有限公司 Wuhan Shuoxiong Real Estate Development Co.,Ltd.	PRC/Mainland China/ 29 December 2018	RMB 20,000,000	-	100%	Property development
龍岩市潤元房地產開發有限公司 Longyan Runyuan Real Estate Development Co., Ltd.	PRC/Mainland China/ 28 May 2019	RMB 20,000,000	-	100%	Property development
荊州市海潤房地產開發有限公司 Jingzhou Hairun Real Estate Development Co., Ltd.	PRC/Mainland China/ 15 July 2019	RMB 100,000,000	-	100%	Property development
昆明乾輝房地產開發有限公司 Kunming Qianhui Real Estate Development Co.,Ltd. *	PRC/Mainland China/ 27 April 2013	RMB 1,000,000,000	-	50%	Property development

1、 CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
湖北旭鼎建設工程有限公司 Hubei Xuding Construction Engineering Co., Ltd.	PRC/Mainland China/ 8 June 2016	RMB 10,000,000	-	100%	Property development
揚州高澤房地產開發有限公司 Yangzhou Gaoze Real Estate Development Co., Ltd.	PRC/Mainland China/3 January 2020	US$ 40,816,300	-	100%	Property development
鎮江浩遠房地產開發有限公司 Zhenjiang haoyuan Real Estate Development Co., Ltd.	PRC/Mainland China/9 January 2020	RMB 10,000,000	-	100%	Property development
大鋒華微線科技（惠州）有限公司 Huizhou Dafeng Huaweixian Technology Co., Ltd.	PRC/Mainland China/2 March 2018	US$ 4,800,000	-	100%	Property development
台州市潤祥房地產開發有限公司 Taizhou Runxiang Real Estate Development Co., Ltd. *	PRC/Mainland China/29 October 2019	RMB 10,000,000	-	60%	Property development
武漢市頤磊房地產開發有限公司 Wuhan Yilei Real Estate Development Co., Ltd. *	PRC/Mainland China/12 August 2019	RMB 10,000,000	-	85%	Property development
佛山市高明區美樾房地產開發有限公司 Foshan Gaoming Meiyue Real Estate Development Co., Ltd. *	PRC/Mainland China/9 May 2020	RMB 300,000,000	-	50%	Property development
廣州歐賽思房地產開發有限公司 Guangzhou Ousaisi Real Estate Development Co.,Ltd.	PRC/Mainland China/ 22 August 2002	RMB 320,000,000	-	100%	Property development
廣州市海倫堡創意園商業管理有限公司 Guangzhou Helenbergh Creativity City Commercial Administration Co., Ltd.	PRC/Mainland China/ 28 May 2012	RMB 30,000,000	-	100%	Property leasing
廣州卓頓貿易有限公司 Guangzhou Zhuodun Trading Co., Ltd.	PRC/Mainland China/ 16 March 2016	RMB 150,000,000	-	100%	Construction materials sales
南京海倫堡商業管理有限公司 Nanjing Helenbergh Commercial Administration Co., Ltd.	PRC/Mainland China/ 5 August 2016	RMB 30,000,000	-	100%	Property leasing

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
新疆沃晟營銷策劃有限公司 Xinjiang Wocheng Marketing Planning Co., Ltd	PRC/Mainland China/ 6 December 2016	RMB 5,000,000	-	100%	Management Consulting services
新疆奧爾森工程設計服務有限公司 Xinjiang Aoersen Engineering Design Service Co., Ltd	PRC/Mainland China/ 6 December 2016	RMB 5,000,000	-	100%	Management Consulting services
西藏利雙貿易有限公司 Xizang Lishuang Trading Co., Ltd.	PRC/Mainland China/ 21 September 2016	RMB 90,000,000	-	100%	Construction materials sales
西藏日嘉貿易有限公司 Xizang Rijia Trading Co., Ltd.	PRC/Mainland China/ 23 September 2016	RMB 90,000,000	-	100%	Construction materials sales
惠州市盈居房地產開發有限公司 Huizhou Yingju Real Estate Development Co., Ltd.	PRC/Mainland China/ 16 November 2016	RMB 20,000,000	-	100%	Property development
惠州市萬瑞實業有限公司 Huizhou Wanrui Properties Co., Ltd.	PRC/Mainland China/ 2 September 2009	RMB 60,000,000	-	100%	Property development
昆明隆能商務服務有限公司 Kunming Longneng Commercial Service Co., Ltd.	PRC/Mainland China/ 9 August 2017	RMB 410,000,000	-	100%	Property development
新疆沃嘉營銷策劃有限公司 Xinjiang Wojia Marketing Planning Co., Ltd	PRC/Mainland China/ 14 July 2017	RMB 5,000,000	-	100%	Management Consulting services
西藏沃盈營銷策劃有限公司 Xizang Woying Marketing Planning Co., Ltd.	PRC/Mainland China/ 20 September 2017	RMB 10,000,000	-	100%	Management Consulting services
西藏沃雅營銷策劃有限公司 Xizang Woya Marketing Planning Co., Ltd.	PRC/Mainland China/ 11 October 2017	RMB 90,000,000	-	100%	Management Consulting services
安徽海瀚企業管理有限公司 Anhui Haihan Enterprise Administration Co., Ltd.	PRC/Mainland China/ 4 May 2018	RMB 5,000,000	-	100%	Services outsourcing
恩平金億房地產開發有限公司 Enping Jinyi Real Estate Development Co., Ltd.	PRC/Mainland China/ 14 August 2013	RMB 194,900,000	-	100%	Property development

NOTES TO FINANCIALSTATEMENTS (continued)

1 . CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
四川明科健康產業發展有限公司 Sichuan Mingke Health Industry Development Co., Ltd.***	PRC/Mainland China/ 25 April 2007	RMB 40,000,000	-	100%	Property development
漳州市漳浦潤江水岸房地產開發有限公司 Zhangzhou Zhangpu Runjiang Riverside Real Estate Development Co., Ltd.	PRC/Mainland China/ 4 June 2018	RMB 20,000,000	-	100%	Property development
惠州市佳勝貿易有限公司 Huizhou Jiasheng Trade Co.,Ltd.	PRC/Mainland China/ 29 November 2012	RMB 20,000,000	-	100%	Property development/ not yet commenced operation
惠州市天達實業發展有限公司 Huizhou Tianda Industrial Co.,Ltd.***	PRC/Mainland China/ 16 December 1992	RMB 3,000,000	-	100%	Property development/ not yet commenced operation
惠州大亞灣鵬鑫實業有限公司 Huizhou Dayawan Pengxin Properties Co.Ltd.	PRC/Mainland China/ 13 November 2002	RMB 20,000,000	-	100%	Property development
江西捷盈房地產有限公司 Jiangxi Jieying Real Estate Co.,Ltd.***	PRC/Mainland China/ 25 July 2018	RMB 50,000,000	-	35%	Property development
寧波市海誠房地產開發有限公司 Ningbo Haicheng Real Estate Development Co.,Ltd.	PRC/Mainland China/ 29 August 2018	RMB 10,000,000	-	100%	Property development
紹興市高澤房地產開發有限公司 Shaoxing Gaoze Real Estate Development Co.,Ltd.	PRC/Mainland China/ 13 September 2018	RMB 10,000,000	-	100%	Property development
安徽華旭工程設計服務有限公司 Anhui Huaxu Engінerring Design Service Co.,Ltd.	PRC/Mainland China/ 12 September 2018	RMB 90,000,000	-	100%	Engineering design
嘉興海尚房地產開發有限公司 Jiaxing Haishang Real Estate Development Co., Ltd	PRC/Mainland China/ 25 February 2019	RMB 10,000,000	-	100%	Property development
廣東合盛工程設計有限公司 Guangdong Hesheng Engineering Design Co., Ltd.	PRC/Mainland China/ 22 April 2019	RMB 90,000,000	-	100%	Engineering design
廣東睿著行銷策劃有限公司 Guangdong Ruizhu Marketing Planning Co., Ltd.	PRC/Mainland China/ 23 April 2019	RMB 90,000,000	-	100%	Management Consulting services

1 · CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
惠州市廣滙豐置業有限公司 Huizhou Guanghuifeng Real Estate Co., Ltd.	PRC/Mainland China/ 21 November 2017	RMB 285,000,000	-	100%	Property development
廊坊欣美房地產開發有限公司 Langfang Xinmei Real Estate Development Co., Ltd.***	PRC/Mainland China/ 10 April 2018	RMB 10,000,000	-	100%	Property development
廊坊嘉舒房地產開發有限公司 Langfang Jiashu Real Estate Development Co., Ltd.***	PRC/Mainland China/ 29 July 2016	RMB 12,000,000	-	100%	Property development
宜興宗旭房地產開發有限公司 Yixing Zongxu Real Estate Development Co., Ltd.	PRC/Mainland China/ 26 June 2019	RMB 20,000,000	-	100%	Property development
清遠市卓躍貿易有限公司 Qingyuan Zhuoyue Trading Co., Ltd.	PRC/Mainland China/ 19 July 2019	RMB 10,000,000	-	100%	Construction materials sales
南京海時房地產開發有限公司 Nanjing Haishi Real Estate Development Co., Ltd.	PRC/Mainland China/ 13 August 2019	RMB 100,000,000	-	100%	Property development
南京潤元房地產開發有限公司 Nanjing Runyuan Real Estate Development Co., Ltd.	PRC/Mainland China/ 13 August 2019	RMB 100,000,000	-	100%	Property development
九江海欣置業有限公司 Jiujiang Haixin Real Estate Co., Ltd.	PRC/Mainland China/ 20 August 2019	RMB 50,000,000	-	100%	Property development
應城市粵海貿易有限公司 Ying City Yuehai Trading Co., Ltd.	PRC/Mainland China/ 17 September 2019	RMB 10,000,000	-	100%	Construction materials sales
佛山市高明區萬誠企業管理有限公司 Foshan Gaoming Wancheng Enterprise Management Co., Ltd	PRC/Mainland China/ 24 September 2019	RMB 10,000,000	-	100%	Property development
宜興海恒房地產開發有限公司 Yixing Haiheng Real Estate Development Co., Ltd.	PRC/Mainland China/ 12 October 2019	RMB 20,000,000	-	100%	Property development

1、 CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
南通千翠湖健康發展有限公司 Nantong Qiancuihu Health Development Co., Ltd.	PRC/Mainland China/ 27 September 2012	RMB 27,500,000	-	100%	Property development
湖北瑞東置業有限公司 Hubei Ruidong Real Estate Co., Ltd.	PRC/Mainland China/ 11 January 2017	RMB 40,000,000	-	100%	Property development
南昌縣海旭置業有限公司 Nanchang Haixu Real Estate Co., Ltd.	PRC/Mainland China/ 26 December 2019	RMB 10,000,000	-	51%	Property development
清遠市頤升建築裝飾工程有限公司 Qingyuan Yisheng Decorative Engineering Co., Ltd.	PRC/Mainland China/ 20 June 2017	RMB 2,180,000	-	100%	Construction materials sales
海時投資有限公司 Sea Time Investment Limited	Hong Kong/ 26 January 2018	HK$1	-	100%	Property investment
鎮江海誠房地產開發有限公司 Zhenjiang Haicheng Real Estate Development Co., Ltd.	PRC/Mainland China/ 8 January 2020	RMB 10,000,000	-	100%	Property development
武漢釗啟房地產開發有限公司 Wuhan Zhaoqi Real Estate Development Co., Ltd.*	PRC/Mainland China/ 20 January 2020	RMB 50,000,000	-	50%	Property development
合肥海倫善築置業投資有限公司 Hefei Hailun Shanzhu Real Estate Investment Co., Ltd.	PRC/Mainland China/ 20 May 2020	RMB 20,000,000	-	100%	Property development
合肥海倫亮築置業有限公司 Hefei Hailun Liangzhu Real Estate Co., Ltd.	PRC/Mainland China/ 20 May 2020	RMB 20,000,000	-	100%	Property development
重慶廣海房地產開發有限公司 Chongqing Guanghai Real Estate Development Co., Ltd.	PRC/Mainland China/ 19 May 2020	RMB 10,000,000	-	100%	Property development
佛山市高明區嘉碩房地產開發有限公司 Foshan Gaoming Jiashuo Real Estate Development Co., Ltd.	PRC/Mainland China/ 2 June 2020	RMB 10,000,000	-	51%	Property development

NOTES TO FINANCIALSTATEMENTS (continued)

1、 CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
广州雅宏房地产开发有限公司 Guangzhou Yahong Real Estate Development Co.,Ltd.*	PRC/Mainland China/ 22 September 2020	RMB 1,930,000,000	-	51%	Property development/not yet commenced operation
佛山市润元房地产开发有限公司 Foshan Runyuan Real Estate Development Co.,Ltd.	PRC/Mainland China/ 8 July 2020	RMB 1,000,000,000	-	51%	Property development
襄阳金纶房地产开发有限公司 Xiangyang Jinlun Real Estate Development Co.,Ltd.	PRC/Mainland China/ 3 March 2020	RMB 1,001,202,405	-	50%	Property development
江门颐润房地产开发有限公司 Jiangmen Yirun Real Estate Development Co.,Ltd.	PRC/Mainland China/ 18 September 2020	RMB50,000,000	-	100%	Property development/not yet commenced operation
玉溪彰泰房地产开发有限公司 Yuxi Zhangtai Real Estate Development Co.,Ltd.	PRC/Mainland China/ 26 October 2020	RMB10,000,000	-	26.5%	Property development/not yet commenced operation
南京海乾房地产开发有限公司 Nanjing Haiqian Real Estate Development Co.,Ltd.	PRC/Mainland China/ 15 October 2020	RMB 810,000,000	-	100%	Property development/not yet commenced operation
惠州市润倍实业有限公司 Huizhou Runbei Properties Co., Ltd.	PRC/Mainland China/ 27 December 2016	RMB10,000,000	-	100%	Property development/ not yet commenced operation
金华鼎茂房地产开发有限公司 Jinhua Dingmao Real Estate Development Co.,Ltd.	PRC/Mainland China/ 10 Apirl 2020	RMB50,000,000	-	100%	Property development
贵阳海宇房地产开发有限公司 Guiyang Haiyu Real Estate Development Co.,Ltd.	PRC/Mainland China/ 14 May 2020	RMB10,000,000	-	100%	Property development/not yet commenced operation

1、 CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
南昌海霖置业有限公司 Nanchang Hailin Real Estate Co., Ltd.	PRC/Mainland China/ 10 July 2020	RMB50,000,000	-	100%	Property development
太仓市敏骏房地产开发有限公司 Taicang Minjun Real Estate Development Co.,Ltd.	PRC/Mainland China/ 10 June 2020	RMB 280,000,000	-	34%	Property development
湛江市颐润房地产开发有限公司 Zhanjiang Yirun Real Estate Development Co.,Ltd.	PRC/Mainland China/ 25 September 2020	RMB20,000,000	-	100%	Property development/not yet commenced operation
南京海坤房地产开发有限公司 Nanjing Haikun Real Estate Development Co.,Ltd.	PRC/Mainland China/ 6 August 2020	RMB 142,857,100	-	100%	Property development/not yet commenced operation
上海海迪置业有限公司 Shanghai Haidi Real Estate Co., Ltd.	PRC/Mainland China/ 29 June 2020	RMB42,000,000	-	100%	Property development/not yet commenced operation
武汉市藩秀房地产开发有限公司 Wuhan Fanxiu Real Estate Development Co.,Ltd.	PRC/Mainland China/ 20 July 2020	RMB 500,000,000	-	50%	Property development
邛崃海欣诚房地产开发有限公司 Qionglai Haixincheng Real Estate Development Co.,Ltd.	PRC/Mainland China/ 11 November 2020	RMB30,000,000	-	100%	Property development/not yet commenced operation
金华卓硕房地产开发有限公司 Jinhua Zhuoshuo Real Estate Development Co., Ltd.	PRC/Mainland China/ 10 April 2020	RMB50,000,000	-	100%	Property development
松芝（南京）再生能源发展有限公司 Songzhi (Nanjing) Renewable Energy Development Co., Ltd.	PRC/Mainland China/ 21 April 2005	RMB 111,764,142	-	100%	Property development/ not yet commenced operation
深圳海伦堡置业发展有限公司 Shenzhen Helenbergh Estate Development Co., Ltd.	PRC/Mainland China/ 7 June 2020	RMB 200,000,000,000	-	100%	Property development/not yet commenced operation

NOTES TO FINANCIALSTATEMENTS (continued)

1、 CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
武汉中拓建设工程发展有限公司 Wuhan Zhongtuo Construction Engineering Development Co.,Ltd.	PRC/Mainland China/ 8 April 2004	RMB 120,000,000	-	100%	Property development
保利国际有限公司 Polirich International Limited	Hong Kong/24 August 1995	HK$ 250	-	100%	Property development/ not yet commenced operation
惠州市高泽房地产咨询有限公司 Huizhou Gaoze Real Estate Consulting Co., Ltd.	PRC/Mainland China/ 11 August 2017	RMB 20,000,000	-	100%	Property management
四会市海伦堡商业管理有限公司 Sihui Helenbergh Commercial administration Co., Ltd.	PRC/Mainland China/ 5 September 2012	RMB 30,000,000	-	100%	Property development
昆明海伦堡实业有限公司 Kunming Helenbergh Properties Co., Ltd.	PRC/Mainland China/ 1 December 2016	RMB 10,000,000	-	100%	Property development
昆明海时企业管理有限公司 Kunming Haishi Enterprise Management Co., Ltd.	PRC/Mainland China/ 26 December 2016	RMB 10,000,000	-	100%	Management Consulting services
珠海海伦堡置业有限公司 Zhuhai Helenbergh Real Estate Co., Ltd.	PRC/Mainland China/ 25 November 2016	RMB 10,000,000	-	100%	Property investment
安徽晖跃营销策划有限公司 Anhui Huiyue Marketing Planning Co.,Ltd.	PRC/Mainland China/ 12 September 2018	RMB 90,000,000	-	100%	Management Consulting services
珠海市善优软件科技有限公司 Zhuhai Shanyou Software Technology Co., Ltd.	PRC/Mainland China/ 19 December 2019	RMB 50,000,000	-	100%	Software and Information Technology Services
无锡广海房地产开发有限公司 Wuxi Guanghai Real Estate Development Co.,Ltd.	PRC/Mainland China/ 23 March 2017	RMB 100,000,000	-	60%	Property development
广东卓晟建设工程有限公司 Guangdong Zhuosheng Construction Engineering Co.,Ltd.	PRC/Mainland China/ 26 July 2018	RMB 41,880,000	-	100%	Property development

1、 CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
云南彰泰房地产开发有限公司 Yunnan Zhangtai Real Estate Development Co.,Ltd.	PRC/Mainland China/ 19 October 2020	RMB 390,000,000	-	26.5%	Property development
佛山市麗普盾北斗衛星科技有限公司 Foshan Lipudun Beidou Satellite Technology Co., Ltd.	PRC/Mainland China/ 21 November 2014	RMB 300,000,000	-	100%	Property development
清遠市盈科實業投資有限公司 Qingyuan Yingke Industrial Investment Co., Ltd.	PRC/Mainland China/ 22 October 2007	RMB 100,000,000	-	100%	Property development
昆明市海倫堡商業管理有限公司 Kunming Helenbergh Commercial Administration Co., Ltd.	PRC/Mainland China/ 8 January 2013	RMB 1,300,000,000,000	-	100%	Property leasing
廣州萬盈企業管理有限公司 Guangzhou Wanying Enterprise Management Co., Ltd. **	PRC/Mainland China/ 28 May 2018	RMB 16,666,700	-	60%	Property investment
肇慶市碩浩企業管理有限公司 Zhaoqing Shuohao Enterprise Management Co., Ltd. **	PRC/Mainland China/ 24 May 2018	RMB 16,666,700	-	100%	Property investment

1. CORPORATE INFORMATION (continued)

* These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

** The equity interests in these entities legally held by the Group are less than the beneficiary interests which are attributable to the trust financing arrangements with the third party financing institutes that the Group legally transferred certain equity interests of these entities as collateral as at the date of this report.

Under the aforesaid financing arrangements, the Group is obliged to repurchase at a fixed amount on a future date upon repayment of those borrowings from those financial institutes that the Group transferred certain equity interests of these entities. Meanwhile, the Group retains the power to operate and manage these entities in the ordinary course of business. In this regard, considering the facts that the substance of those trust financing arrangements is to collateralise part of the Group's equity interests in these entities for the borrowings used for project development and the Group retains the practical ability to govern the financial and operating policies of these entities so as to obtain benefits from the operating activities of these entities, the directors of the Company are of the opinion that the financial position and operating results of these entities should be consolidated into these financial statements in full, irrespectively of the equity transfers from the legal perspective.

*** These companies were acquired by the Group during the year ended 31 December 2019 with certain equity interests therein legally retained by the former shareholders as a guarantee to the settlement of the remaining considerations for acquisition. In the view of the Company's directors, pursuant to the relevant equity transfer agreements, the Group is in substance entitled to the entire equity interests of those entities and governs the financial and operating policies of these companies so as to obtain benefits from the operating activities of these companies, therefore, the Group has accounted for those companies as subsidiaries and has consolidated their equity interests in full into these financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the Company's directors, principally affected the results for the reporting period, or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length.

The English names of all group companies registered in the PRC represent the best efforts made by the directors of the Company to translate the Chinese names of these companies as they do not have official English names.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"). They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)
When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

(a) Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any significant impact on the financial position and performance of the Group.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

NOTES TO FINANCIALSTATEMENTS (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to adopt them, if applicable, when they become effective.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[3]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform - Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[2]
IFRS 17	*Insurance Contracts*[4]
Amendments to IFRS 17	*Insurance Contracts*[4, 6]
Amendments to IAS 1	*Disclosure of Accounting Policies*[4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[4]
Amendments to IAS 8	*Definition of Accounting Estimates*[4]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[4]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendments to IAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[3]
Annual Improvements to IFRS Standards 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[3]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 No mandatory effective date yet determined but available for adoption
6 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had an interest-bearing bank borrowing denominated in RMB based on the Loan Prime Rate ("LPR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to IAS 1 issued in 2020 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

On 12 February 2021, The IASB issued amendments to IAS 1 and the practice statement to provide guidance on the application of materiality judgements to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies. The new disclosure requirements in IAS 1 will be effective for annual periods beginning on or after 1 January 2023. The Group expects to adopt the amendments upon effective date and these will only affect the disclosure of accounting policies.

Amendments to IAS 12 specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that exemption do not apply to transactions for which companies recognise born an asset and a liability, for example, for leases and decommissioning obligations. That means companies are required to recognize deferred tax on these transactions. The Group's current accounting policy is consistent with the amendments and therefore will not be affected by the amendments on the initial application.

NOTES TO FINANCIALSTATEMENTS (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations other than those under common control and goodwill

Business combinations other than those under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations other than those under common control combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures are included in the Group's profit or loss or other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investment in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in associate and a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Fair value measurement

The Group measures its investment properties, unlisted fund investments classified as financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in these financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in these financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, properties under development, completed properties held for sale, deferred tax assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO FINANCIALSTATEMENTS (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets(continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.38%
Motor vehicles	23.75%
Office equipment	19-31.67%
Leasehold improvements	20.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

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

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

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation reserve which cannot be recycled to profit or loss in subsequent periods. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Transfer to or from investment property
Transfers to or from investment property shall be made when and only when there is a change in use evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
(b) commencement of development with a view to sale, for a transfer from investment property to inventories;
(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
(d) inception of an operating lease to another party, for a transfer from inventories to investment property.

NOTES TO FINANCIALSTATEMENTS (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

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

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor areas ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over their estimated useful lives of 5 to10 years.

Construction qualification is stated at cost less any impairment losses and is amortised on the straight-line basis over their estimated useful lives of 50 years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

(a) Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties	1 to 4 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties under development" and "completed properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's current portion of lease liabilities are included in other payables, deposits received and accruals.

(c) Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor
When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 12 months past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach
For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to associates, amounts due to joint ventures, amounts due to related parties, interest-bearing bank and other borrowings and convertible bonds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loan and borrowings)
After initial recognition, payables, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Convertible bonds
If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period .

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from the sales of properties and services provided in the ordinary course of the Group's activities. Revenue is shown, net of taxes.

Revenue from contracts with customers-Sales of properties
Revenues are recognised when or as the control of the asset is transferred to the purchaser. 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 benefits which are received and consumed simultaneously by the purchaser; or
- creates and enhances an asset that the purchaser controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Revenue from other sources
Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Employee retirement benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the financial periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in the consolidated other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in these financial statements:

Classification between investment properties and completed properties held for sale
The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Provision for properties under development and completed properties held for sale
The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

PRC corporate income tax ("CIT")
The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")
The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

Estimate of fair value of investment properties
Investment properties under construction carried at fair value, were revalued at the end of the reporting period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin. The carrying amounts of investment properties at 31 December 2020 were RMB19,373,600,000 (2019: RMB16,126,500,000).

Deferred tax assets
Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 14 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group was principally engaged in the property development and property leasing business. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

4. OPERATING SEGMENT INFORMATION(continued)

Geographical information
No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers
No revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the reporting period.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the sale of properties and rental income during the year.

An analysis of revenue and other income and gains is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue		
Revenue from contracts with customers	26,588,345	20,755,993
Revenue from other sources		
Gross rental income from investment property operating leases	185,724	210,238
	26,774,069	20,966,231

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Types of goods or services		
Sale of properties, in Mainland China	26,588,345	20,755,993
Timing of revenue recognition		
Properties transferred at a point in time	26,588,345	20,755,993

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at beginning of the reporting period		
Sale of properties	23,097,780	17,483,833

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of properties
For property sales contracts, the Group recognises revenue equal to the contract amount when the purchaser obtains the physical possession or the legal title of the completed property.

The following table includes the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) related to sales of properties as at the end of the reporting period.

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Expected to be satisfied within one year	28,801,699	21,750,431
Expected to be satisfied more than one year	22,816,798	21,517,050
	51,618,497	43,267,481

The remaining performance obligations expected to be recognised in more than one year related to sale of properties that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	Notes	Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
Other income and gains			
Interest income		79,276	66,099
Gain on disposal of subsidiaries	30	61,894	20
Compensation income		59,645	68,722
Gain on disposal of associates and joint ventures		23,322	-
Gain on disposal of certain investment properties		-	15,696
Gain on exchange differences		225,702	6,184
Consultation income		16,592	6,975
Government grants		17,315	10,578
Income from selling raw materials		13,094	1,139
Others		30,493	8,724
		527,333	184,137

NOTES TO FINANCIALSTATEMENTS (continued)

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cost of inventories sold	17	20,781,029	14,849,507
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		22,065	27,871
Depreciation of property, plant and equipment	9	31,022	32,899
Depreciation of right-of-use assets	11	15,205	5,488
Amortisation of other intangible assets*	12	2,598	3,370
Reversal of trade receivables, net	18	(325)	(330)
Impairment of prepayments, deposits and other receivables, net		29,997	16,054
Fair value gains on investment properties	10	(614,877)	(733,575)
Gain on disposal of subsidiaries**	5	(61,894)	(20)
Gain on disposal of associates and joint ventures	5	(23,322)	-
Loss/(gain) on disposal of certain investment properties		20,584	(15,696)
Interest income	5	(79,276)	(66,099)
Lease payments not included in the measurement of lease liabilities	11	19,180	21,860
Auditors' remuneration		9,420	5,980
Amortisation of deferred commission for external agents		821,940	483,325
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		655,500	572,655
Pension scheme contributions (defined contribution scheme)		74,980	98,770
Total employee benefit expense		730,480	671,425

* It is included in administrative expenses in profit or loss.

** They are included in other income and gains in profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2020 RMB'000	2019 RMB'000
Interest on bank and other borrowings	4,166,366	3,347,353
Less: Interest capitalised	(3,695,471)	(2,923,571)
Interest on lease liabilities (note 11)	3,906	1,292
	474,801	425,074

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the entities within the Group incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits arising in Hong Kong during the year.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax ("CIT") rate of 25% for the year. Four of the subsidiaries, namely, Guangdong Hesheng Engineering Design Co., Ltd, Guangdong Ruizhu Marketing Planning Co., Ltd., Qingyuan Zhuoyue Trading Co., Ltd., Anhui Haihan Enterprise Outsourcing Co., Ltd. Liannan Branch are eligible to enjoy a preferential tax rate of 15% pursuant to tax policies for Lianan. One of the subsidiaries, namely, Zhuhai Shanyou Software Technology Co., Ltd is eligible to enjoy a preferential tax rate of 15% pursuant to tax policies for Zhuhai. Four of the subsidiaries, namely, Xizang Lishuang Trading Co., Ltd, Xizang Rijia Trading Co., Ltd., Xizang Woying marketing planning Co., Ltd. and Xizang Woya marketing planning Co., Ltd. are eligible to enjoy a preferential tax rate of 9% pursuant to tax policies for Tibet. Two of the subsidiaries, namely, Zhangshang Zongheng Information Technology (Guangzhou) Co., Ltd. and Guangzhou Haishi Investment Co., Ltd. are eligible to enjoy a preferential tax rate of 5% pursuant to tax policies for micro and small businesses in Mainland China. Three of the subsidiaries, namely, Xinjiang Wosheng marketing planning Co., Ltd., Xinjiang Wojia marketing planning Co., Ltd. and Xinjiang Aoersen Engineering Design Service Co., Ltd. are eligible to enjoy the preferential tax exemption pursuant to tax policies for Kashi, Xinjiang.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current tax:		
PRC CIT	1,147,100	1,064,931
PRC LAT	877,723	951,908
Deferred tax (note 14)	(384,936)	(122,036)
Total tax charge for the year	1,639,887	1,894,803

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and most of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the year is as follows:

8. INCOME TAX (continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and most of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the year is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before tax	3,858,250	4,416,654
Tax at the PRC statutory tax rate	964,563	1,104,164
Adjustment for different tax rates of certain companies	(21,281)	(59,955)
Expenses not deductible for tax	168,232	75,344
Income not subject to tax	(86,586)	(57,204)
Tax losses and temporary differences utilised from prior year	(6,819)	(11,471)
Deductible temporary differences not recognised	-	7,247
Tax losses not recognised	15,185	31,219
Profits and losses attributable to joint ventures and associates	(4,050)	8,078
Provision for LAT	877,723	951,908
Tax effect on LAT	(219,429)	(237,977)
Others	(47,651)	83,450
Tax charge at the Group's effective rate	1,639,887	1,894,803

Tax recoverable and payable in the consolidated statements of financial position represents:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Tax recoverable		
PRC corporate income tax	43,851	33,255
PRC LAT	939,322	741,466
	983,173	774,721

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Tax payable		
PRC corporate income tax	1,463,420	1,102,058
PRC LAT	1,132,036	882,050
	2,595,456	1,984,108

NOTES TO FINANCIALSTATEMENTS (continued)

9. PROPERTY, PLANT AND EQUIPMENT

31 December 2020	Buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2020:					
Cost	222,746	82,740	63,466	37,774	406,726
Accumulated depreciation	(31,667)	(58,303)	(51,895)	(7,931)	(149,796)
Net carrying amount	191,079	24,437	11,571	29,843	256,930
At 1 January 2020, net of accumulated depreciation	191,079	24,437	11,571	29,843	256,930
Additions	1,381	6,058	6,058	5,693	19,190
Acquisitions of subsidiaries	-	-	188	-	188
Disposal of subsidiaries	-	-	(22)	-	(22)
Disposal	-	(261)	(849)	-	(1,110)
Depreciation provided during the year	(5,432)	(5,549)	(9,838)	(10,203)	(31,022)
At 31 December 2020, net of accumulated depreciation	187,028	24,685	7,108	25,333	244,154
At 31 December 2020					
Cost	224,127	87,809	68,023	43,467	423,426
Accumulated depreciation	(37,099)	(63,124)	(60,915)	(18,134)	(179,272)
Net carrying amount	187,028	24,685	7,108	25,333	244,154

31 December 2019	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019:					
Cost	224,198	79,070	58,318	17,324	378,910
Accumulated depreciation	(25,858)	(52,565)	(42,104)	(3)	(120,530)
Net carrying amount	198,340	26,505	16,214	17,321	258,380
At 1 January 2019, net of accumulated depreciation	198,340	26,505	16,214	17,321	258,380
Additions	2,949	4,563	6,756	20,450	34,718
Acquisitions of subsidiaries	-	657	1,001	-	1,658
Disposal	(4,401)	(91)	(435)	-	(4,927)
Depreciation provided during the year	(5,809)	(7,197)	(11,965)	(7,928)	(32,899)
At 31 December 2019, net of accumulated depreciation	191,079	24,437	11,571	29,843	256,930
At 31 December 2019					
Cost	222,746	82,740	63,466	37,774	406,726
Accumulated depreciation	(31,667)	(58,303)	(51,895)	(7,931)	(149,796)
Net carrying amount	191,079	24,437	11,571	29,843	256,930

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Certain of the Group's property, plant and equipment with aggregate carrying amounts of approximately RMB68,478,000 as at 31 December 2020 (2019:nil) have been pledged to secure bank and other borrowings granted to the Group (note 25(a)).

10. INVESTMENT PROPERTIES

	Under construction	Completed	Total
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January 2019	7,051,500	7,266,700	14,318,200
Additions	1,810,330	11,306	1,821,636
Transferred from properties under development (note 16)	79,225	-	79,225
Disposal of certain investment properties	-	(826,136)	(826,136)
Net gain/(loss) from a fair value adjustment	751,655	(18,080)	733,575
Transfers	(2,393,610)	2,393,610	-
Carrying amount at 31 December 2019 and 1 January 2020	7,299,100	8,827,400	16,126,500
Additions	1,003,338	296,717	1,300,055
Transferred from properties under development (note 16)	1,309,617	-	1,309,617
Transferred from completed properties held for sale (note 17)	-	208,215	208,215
Disposal of certain investment properties	-	(185,664)	(185,664)
Net gain from a fair value adjustment	457,445	157,432	614,877
Carrying amount at 31 December 2020	10,069,500	9,304,100	19,373,600

10. INVESTMENT PROPERTIES (continued)

The Group's investment properties are situated in Mainland China. The Group's investment properties were revalued on 31 December 2020 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB19,373,600,000 (2019: RMB16,126,500,000). The Group's general manager of the accounting department decides, after approval from the chief executive officer, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's general manager of accounting department has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

At 31 December 2020, certain of the Group's investment properties with aggregate carrying amounts of RMB4,680,509,000 (2019: RMB3,778,785,000), have been pledged to secure bank and other borrowings granted to the Group (note 25(a)).

Fair value hierarchy
The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for				
Commercial properties				
Under construction	-	-	10,069,500	10,069,500
Completed	-	-	9,304,100	9,304,100
	-	-	19,373,600	19,373,600

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for				
Commercial properties				
Under construction	-	-	7,299,100	7,299,100
Completed	-	-	8,827,400	8,827,400
	-	-	16,126,500	16,126,500

During the year ended 31 December 2020 and 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

10. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range 31 December 2020	Range 31 December 2019
Completed commercial properties	Income capitalisation method	Estimated rental value (per square metre and per month)	RMB16-RMB270	RMB32-RMB267
		Capitalisation rate	3.0%-5.5%	3.0%-5.5%
Commercial properties under construction	Market comparison method	Expected profit margin	10%-20%	15%-20%

The fair value of completed commercial properties is determined by the income capitalisation method by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of commercial properties under construction is determined by using the market comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the property assuming it was completed and, where appropriate, after deducting the following items:

- Estimated construction cost and professional fees to be expensed to complete the properties that would be incurred by a market participant; and
- Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher of the estimated construction cost would result in the lower fair value of the investment properties under construction.

The higher expected profit margin would result in the lower fair value of the investment properties under construction.

NOTES TO FINANCIALSTATEMENTS (continued)

11. LEASE

The Group as a lessee
The Group has lease contracts for various items of properties, such as offices and employee dormitories. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's other right-of-use assets and the movements during the year are as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Carrying amount at beginning of the year	12,989	5,561
Additions	26,769	12,916
Depreciation charge (note 6)	(15,205)	(5,488)
Carrying amount at end of the year	24,553	12,989

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Carrying amount at beginning of the year	10,252	5,561
New leases	26,769	12,916
Accretion of interest recognised during the year	3,906	1,292
Payments	(20,324)	(9,517)
Carrying amount at end of the year	20,603	10,252
Analysed into:		
Current portion	15,756	5,541
Non-current portion	4,847	4,711

The maturity analysis of lease liabilities is disclosed in note 37(d) to the financial statements.

11. LEASE (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Interest on lease liabilities (note 7)	3,906	1,292
Depreciation charge of right-of-use assets (note 6)	15,205	5,488
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	19,180	21,860
Total amount recognised in profit or loss	38,291	28,640

(d) The total cash outflow for leases is disclosed in note 31(c) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 10) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB185,724,000 (2019: RMB210,238,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Within one year	498,555	219,977
After one year but within two years	223,416	166,893
After two years but within three years	172,839	116,128
After three years but within four years	113,791	84,592
After four years but within five years	106,405	62,795
After five years	955,422	348,828
	2,070,428	999,213

NOTES TO FINANCIALSTATEMENTS (continued)

12. OTHER INTANGIBLE ASSETS

31 December 2020	Software RMB'000	Construction Qualification RMB'000	Total RMB'000
At beginning of the year			
Cost	35,057	-	35,057
Accumulated amortisation	(17,071)	-	(17,071)
Net carrying amount	17,986	-	17,986
Carrying amount at beginning of the year	17,986	-	17,986
Additions	14,470	-	14,470
Acquisitions of subsidiaries (note 29)	-	15,642	15,642
Disposal	(251)	-	(251)
Amortisation provided during the year	(2,500)	(98)	(2,598)
Carrying amount at end of the year	29,705	15,544	45,249
At end of the year			
Cost	49,276	15,642	64,918
Accumulated amortisation	(19,571)	(98)	(19,669)
Net carrying amount	29,705	15,544	45,249

	At 31 December 2019 RMB'000
Software	
At beginning of the year	
Cost	30,009
Accumulated amortisation	(12,688)
Net carrying amount	17,321
Carrying amount at beginning of the year	17,321
Additions	4,031
Acquisitions of subsidiaries (note 29)	9
Disposal	(5)
Amortisation provided during the year (note 6)	(3,370)
Carrying amount at end of the year	17,986
At end of the year:	
Cost	35,057
Accumulated amortisation	(17,071)
Net carrying amount	17,986

13(a). INVESTMENTS IN JOINT VENTURES

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000
Share of net assets	467,548	670,181
Goodwill on acquisition	170,184	170,184
	637,732	840,365

(i) Particulars of the Group's joint ventures

Name of company	Place and year of registration/ Place of business	Paid-in capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
仁壽德勝房地產開發有限公司 Renshou Desheng Real Estate Development Co., Ltd. ("Renshou Desheng")[1]	Meishan, PRC 2010	RMB 11,940,000	33.00%	50.00%	33.00%	Property development
無錫協能企業管理有限公司 Wuxi Xieneng Enterprise Management Co., Ltd. ("Wuxi Xieneng")[2]	Wuxi, PRC 2017	RMB 70,000,000	49.00%	50.00%	49.00%	Property development
杭州啟迪協信智慧企業發展有限公司 Hangzhou Qidi Xiexin Intelligent Enterprise Development Co., Ltd. ("Hangzhou Qidi Xiexin")[3]	Hangzhou, PRC 2017	RMB 76,266,000	40.67%	50.00%	40.67%	Property development
廣州集能企業管理有限公司 Guangzhou Jineng Enterprise Management Co.,Ltd.("Guangzhou Jineng")[4]	Guangzhou PRC 2019	-	49.00%	50.00%	49.00%	Property development
金華鼎茂房地產開發有限公司 Jinhua Dingmao Real Estate Development Co., Ltd("Jinhua Dingmao")[5]	Jinhua PRC 2020	RMB 50,000,000	65.00%	50.00%	65.00%	Property development
昆明律海商務服務有限公司 Kunming Lvhai Commercial Service Co., Ltd.("Kunming Lvhai")[6]	Kunming PRC 2020	RMB 400,000,000	41.00%	33.33%	41.00%	Property development
寧波市鴻陽企業管理有限公司 Ningbo Hongyang Enterprise Management Co., Ltd. (Ningbo Hongyang)[7]	Ningbo PRC 2020	-	70.00%	50.00%	70.00%	Property development

1 Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Renshou Desheng in June 2018, the Group acquired a 33.00% equity interest in Renshou Desheng for a total consideration of RMB718,000,000.

2. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Wuxi Xieneng in December 2019, the Group acquired a 49.00% equity interest in Wuxi Xieneng for a total consideration of RMB55,494,000. In October 2020, the Group further acquired a 51% equity interest in Wuxi Xieneng and had a 100% equity interest in Wuxi Xieneng upon completion of the acquisition. The acquisition was part of the Group's strategy to expand its market share of property development and operation. The acquisition was satisfied by cash of RMB57,759,014 at the acquisition date (note 29(a)).

3. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Hangzhou Qidi Xiexin in December 2019, the Group acquired a 40.67% equity interest in Hangzhou Qidi Xiexin for a total consideration of RMB70,983,000.

4. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Guangzhou Jineng in March 2020, the Group acquired a 49.00% equity interest in Guangzhou Jineng at nil consideration.

13(a). INVESTMENTS IN JOINT VENTURES (continued)

(i) Particulars of the Group's joint ventures (continued)

5. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Jinhua Dingmao in May 2020, the Group acquired a 65.00% equity interest in Jinhua Dingmao for a total consideration of RMB32,500,000. The Group further acquired a 35% equity interest in Jinhua Dingmao in Octomber 2020 and had a 100% equity interest in Jinhua Dingmao upon completion of the acquisition. The acquisition was part of the Group's strategy to expand its market share of property development and operation. The acquisition was satisfied by cash of RMB17,500, 000 at the acquisition date (note 29(a)).

6. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Kunming Lvhai in November 2020, the Group acquired a 41.00% equity interest in Kunming Lvhai for a total consideration of RMB164,000,000.

7. Pursuant to an establishment agreement entered into by the Group and the other shareholders of Ningbo Hongyang in December 2020, the Group acquired a 70.00% equity interest in Ningbo Hongyang at nil consideration.

(ii) Renshou Desheng possesses certain parcels of land domiciled in Meishan city, Sichuan Province. The Group partnered with the independent joint venturer to develop residential properties thereon and accounted for the investment in Renshou Desheng using the equity method which is calculated based on its economic interest as agreed attributable to the Group pursuant to the contractual arrangements with the joint venturer.

The following table illustrates the summarised financial information in respect of Renshou Desheng, a material joint venture, adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current assets	944	933
Cash and cash equivalents	29,908	48,848
Other current assets	1,456,382	2,241,342
Current assets	1,486,290	2,290,190
Current liabilities	214,415	74,645
Non-current liabilities	559,767	559,767
Net assets	713,052	1,656,711
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	33%	33%
Group's share of net assets of the joint venture, excluding goodwill	235,307	546,715
Goodwill on acquisition	170,184	170,184
Carrying amount of the investment	405,491	716,899
Revenue	1,533	-
Expenses	(25,497)	(728)
Loss and total comprehensive loss for the year	(23,964)	(728)

13(a). INVESTMENTS IN JOINT VENTURES (continued)

(iii) Hangzhou Qidi Xiexin possesses certain parcels of land domiciled in Hangzhou city, Zhejiang Province. The Group partnered with the independent joint venturer to develop residential properties thereon and accounted for the investment in Hangzhou Qidi Xiexin using the equity method.

The following table illustrates the summarised financial information in respect of Hangzhou Qidi Xiexin adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current assets	112,512	120,846
Cash and cash equivalents	227	48
Other current assets	73,111	97,641
Current assets	73,338	97,689
Current liabilities	5,337	29,684
Net assets	180,513	188,851
Less: attributable to non-controlling interests of Hangzhou Qidi Xiexin	(12,652)	(14,317)
Attributable to owners of Hangzhou Qidi Xiexin	167,861	174,534
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	40.67%	40.67%
Group's share of net assets of the joint venture	68,269	70,983
Carrying amount of the investment	68,269	70,983
Revenue	-	-
Expenses	(6,675)	-
Loss and total comprehensive loss for the year	(6,675)	-

NOTES TO FINANCIALSTATEMENTS (continued)

13(a). INVESTMENTS IN JOINT VENTURES (continued)

(iv) Kunming Lvhai possesses certain parcels of land domiciled in Kunming city, Yunnan Province. The Group partnered with the independent joint venturer to develop residential properties thereon and accounted for the investment in Kunming Lvhai using the equity method.

The following table illustrates the summarised financial information in respect of Kunming Lvhai adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	At 31 December
	2020
	RMB'000
Non-current assets	-
Cash and cash equivalents	23,735
Other current assets	567,506
Current assets	591,241
Current liabilities	191,310
Net assets	399,931
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	41%
Group's share of net assets of the joint venture	163,972
Carrying amount of the investment	163,972
Revenue	-
Expenses	(69)
Loss and total comprehensive loss for the year	(69)

(v) The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material.

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Share of the joint ventures' losses for the year	(6,205)	(3,011)
Share of the joint ventures' total comprehensive loss	(6,205)	(3,011)
Aggregate carrying amount of the Group's investments in joint ventures	-	52,463

13(b). INVESTMENTS IN ASSOCIATES

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000
Share of net assets	1,594,405	1,250,170

The Group's trade receivables and payables balances with the associates are disclosed in note 34(3) to the financial statements.

(i) Particulars of the Group's associates

Name of company	Place and year of registration/ Place of business	Paid-in capital	Percentage of: Ownership interest	Percentage of: Voting power	Percentage of: Profit sharing	Principal activity
云南嘉卓房地產開發有限公司 Yunnan Jiazhuo Real Estate Development Co., Ltd. ("Yunnan Jiazhuo")[1]	Kunming, PRC 2018	RMB 3,000,000,000	33.00%	33.00%	33.00%	Property development
云南嘉逊房地產開發有限公司 Yunnan Jiaxun Real Estate Development Co., Ltd. ("Yunnan Jiaxun")[2]	Kunming, PRC 2018	RMB 377,360,000	24.50%	24.50%	24.50%	Property development
武漢寶業信富置業投資有限公司專案 Wuhan Baoye Xinfu Real Estate Investment Co., Ltd ("Wuhan Baoye")[3]	Wuhan, PRC 2019	RMB 100,000,000	45.00%	45.00%	45.00%	Property development
杭州馨盈投資合夥企業（有限合夥） Hangzhou Xinying Investment partnership (limited partnership) ("Hangzhou Xinying")[4]	Hangzhou PRC 2018	RMB 312,500,000	56.28%	33.33%	56.28%	Property development
成都潤倍企業管理有限公司 Chengdu Runbei Enterprise Management Co., Ltd.("Chendu Runbei")[5]	Chendu PRC 2016	RMB 33,330,000	30.00%	30.00%	30.00%	Property development
廣州鑫珂澤永房地產開發有限公司 Guangzhou Xinkezeyong Real Estate Development Co., Ltd. ("Guangzhou Xinke")[6]	Guangzhou PRC 2020	RMB 20,000,000	49.90%	49.90%	49.90%	Property development

1. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Yunnan Jiazhuo in June 2018, the Group acquired a 33.00% equity interest in Yunnan Jiazhuo for a total consideration of RMB990,000,000.

2. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Yunnan Jiaxun in May 2018, the Group acquired a 24.50% equity interest in Yunnan Jiaxun for a total consideration of RMB92,453,000.

3. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Wuhan Baoye in May 2019, the Group acquired a 45.00% equity interest in Wuhan Baoye for a total consideration of RMB45,000,000.On 28 May 2020, the Group further acquired a 40% equity interest in Wuhan Baoye and had a 85% equity interest in Wuhan Baoye upon completion of the acquisition. The acquisition was part of the Group's strategy to expand its market share of property development and operation. The acquisition was satisfied by cash of RMB44,833,000 at the acquisition date (note 29(a)).

NOTES TO FINANCIALSTATEMENTS (continued)

13(b). **INVESTMENTS IN ASSOCIATES (continued)**

(i) Particulars of the Group's associates (continued)

4. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Hangzhou Xinying in November 2019, the Group acquired a 51.96% equity interest in Hangzhou Xinying for a total consideration of RMB162,500,000. Hangzhou Xinying is an investment entity, it has no substantial operation except for holding 91% of the equity interest in Ningbo Chengyue. The Group also directly holds 9% of the equity interest in Ningbo Chengyue. As such, the Group held 56.28% of the equity interest in the project pass through Hangzhou Xinying. On 29 May 2020, the Group disposed 51.96% equity interest in Hangzhou Xinying and further acquired a 91% equity interest in Ningbo Chengyue and had a 100% equity interest in Ningbo Chengyue upon completion of the acquisition. The acquisition was part of the Group's strategy to expand its market share of property development and operation. The acquisition was satisfied by cash of RMB9,100,000 at the acquisition date.

5. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Chendu Runbei in November 2020, the Group acquired a 30.00% equity interest in Chendu Runbei for a total consideration of RMB29,185,714.

6. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Guangzhou Xinke in May 2020, the Group acquired a 49.90% equity interest in Guangzhou Xinke for a total consideration of RMB499,000,000.

(ii) The following table illustrates the summarised financial information in respect of Yunnan Jiazhuo adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Cash and cash equivalents	89,522	323,553
Other current assets	6,279,874	3,840,662
Current assets	6,369,396	4,164,215
Current liabilities	3,442,174	1,231,773
Non-current liabilities	99,400	-
Net assets	2,827,822	2,932,442
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	33%	33%
Group's share of net assets of the associate	933,181	967,706
Carrying amount of the investment	933,181	967,706
Revenue	5	-
Expenses	(104,626)	(36,491)
Loss and total comprehensive loss for the year	(104,621)	(36,491)

13(b). INVESTMENTS IN ASSOCIATES (continued)

(iii) The following table illustrates the summarised financial information in respect of Yunnan Jiaxun adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Cash and cash equivalents	178,114	204,534
Other current assets	1,232,144	1,173,086
Current assets	1,410,258	1,377,620
Current liabilities	854,575	1,039,720
Non-current liabilities	7,009	7,009
Net assets	548,674	330,891
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	24.5%	24.5%
Group's share of net assets of the associate	134,425	81,068
Carrying amount of the investment	134,425	81,068
Revenue	665,125	-
Expenses	(447,341)	(41,027)
Profit/(loss) and total comprehensive income/(loss) for the year	217,784	(41,027)

NOTES TO FINANCIALSTATEMENTS (continued)

13(b). INVESTMENTS IN ASSOCIATES (continued)

(iv) The following table illustrates the summarised consolidated financial information in respect of Xinke Zeyong adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	At 31 December
	2020
	RMB'000
Non-current assets	-
Cash and cash equivalents	1,000,000
Other current assets	-
Current assets	1,000,000
Current liabilities	-
Non-current liabilities	-
Net assets	1,000,000

Reconciliation to the Group's interest in the associate:

	At 31 December
	2020
	RMB'000
Proportion of the Group's ownership	49.90%
Group's share of net assets of the associate	499,000
Carrying amount of the investment	499,000
Revenue	-
Expenses	-
Loss and total comprehensive loss for the year	-

(v) The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Share of the associates' profits and losses for the year	(3,809)	(7,004)
Share of the associates' total comprehensive income/(loss)	(3,809)	(7,004)
Aggregate carrying amount of the Group's investments in the associates	27,799	201,396

14. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits	Unrealised revenue received in advance	Accrued LAT	Impairment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	730,546	834,709	205,460	12,035	84,224	1,866,974
Deferred tax credited to profit or loss during the year	130,258	309,039	102,417	13,808	79,817	635,339
Disposal of subsidiaries (note 30)	(30,725)	-	-	(2,639)	-	(33,364)
Acquisitions of subsidiaries (note 29)	19,350	-	-	-	-	19,350
At 31 December 2020	849,429	1,143,748	307,877	23,204	164,041	2,488,299
At 1 January 2019	438,351	812,258	149,080	14,830	10,373	1,424,892
Deferred tax credited/(charged) to profit or loss during the year	171,033	22,451	56,380	(2,795)	73,851	320,920
Acquisitions of subsidiaries (note 29)	121,162	-	-	-	-	121,162
At 31 December 2019	730,546	834,709	205,460	12,035	84,224	1,866,974

14. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The movements in deferred tax assets and liabilities during the year are as follows (continued):

Deferred tax liabilities

	Fair value adjustments arising from investment properties	Fair value adjustments arising from business acquisitions	Prepaid LAT	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	1,852,248	1,808,154	76,790	368,302	4,105,494
Deferred tax charged/(credited) to profit or loss during the period	185,962	(186,768)	85,951	165,258	250,403
Disposal of subsidiaries (note 30)	-	(47,563)	-	(2,304)	(49,867)
Acquisition of subsidiaries (note 29)	-	61,900	1,158	-	63,058
At 31 December 2020	2,038,210	1,635,723	163,899	531,256	4,369,088
At 1 January 2019	1,719,855	1,387,657	48,708	223,370	3,379,590
Deferred tax charged/(credited) to profit or loss during the year	132,393	(106,523)	28,082	144,932	198,884
Acquisitions of subsidiaries (note 29)	-	527,020	-	-	527,020
At 31 December 2019	1,852,248	1,808,154	76,790	368,302	4,105,494

14. DEFERRED TAX ASSETS AND LIABILITIES (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	2,104,645	1,455,421
Net deferred tax liabilities recognised in the consolidated statement of financial position	(3,985,434)	(3,693,941)
	(1,880,789)	(2,238,520)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2020 and 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. At 31 December 2020, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB17,892,303,000 (2019: RMB14,668,428,000).

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. As at 31 December 2020, the Group did not recognise deferred income tax assets of approximately RMB35,880,000 (2019: RMB54,300,000) in respect of losses amounting to approximately RMB143,520,000 (2019: RMB217,199,000), that can be carried forward to offset against future taxable income. These tax losses will expire up to and in years 2025 and 2026, respectively, for offsetting against future taxable profits.

15. GOODWILL

	RMB'000
At 1 January 2019	-
Acquisition of a subsidiary (note 29)	87,445
At 31 December 2019	87,445
At 31 December 2019:	
Cost	87,445
Accumulated impairment	-
Net carrying amount	87,445
Cost at 1 January 2020, net of accumulated impairment	87,445
Cost and net carrying amount at 31 December 2020	87,445
At 31 December 2020:	
Cost	87,445
Accumulated impairment	-
Net carrying amount	87,445

Impairment testing on goodwill

During the year ended 31 December 2018, the Group completed the acquisitions of Bazhou Guanchenggangyi Real Estate Development Co., Ltd. and Fuzhou Jiahe Real Estate Development Co., Ltd. for a cash consideration of approximately RMB620.0 million and approximately RMB161.8 million, respectively, which resulted in the recognition of goodwill of RMB64.7 million and RMB22.8 million for these companies.

For the purpose of impairment testing, the Group's goodwill acquired through the above business combinations was related to the two subsidiaries which were regarded as two different cash-generating units ("CGUs"). The recoverable amounts of these CGUs have been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period prepared by management, and the pre-tax discount rates applied to the above cash flow projections ranged from 15.89% (2019: 14.15%) to 16.49% (2019:14.79%).

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Bazhou Guanchenggangyi Real Estate Development Co., Ltd.		Fuzhou Jiahe Real Estate Development Co., Ltd	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of goodwill	64,681	64,681	22,764	22,764

Assumptions were used in the value in use calculation of the industrial products and electronic products cash-generating units for 31 December 2020 and 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

16. PROPERTIES UNDER DEVELOPMENT

	At 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year:	59,026,192	42,364,988
Additions	32,775,499	26,595,191
Transferred to completed properties held for sale (note 17)	(21,216,003)	(19,871,626)
Transferred to investment properties (note 10)	(1,309,617)	(79,225)
Acquisitions of subsidiaries (note 29)	6,779,934	10,016,864
Disposal of subsidiaries (note 30)	(1,380,852)	-
At end of the year	74,675,153	59,026,192

Notes:

The Group's properties under development are situated on leasehold land in Mainland China.

At 31 December 2020, certain of the Group's properties under development with aggregate carrying amounts of approximately RMB27,976,777,000 (2019: RMB22,835,216,000), have been pledged to secure bank and other borrowings granted to the Group (note 25(a)). Properties under development with carrying amounts of approximately nil (2019: RMB401,000,000), have been pledged to trade and bills payables.

Certain properties under development with carrying amounts of approximately RMB543,699,000 (2019: RMB453,670,000), have been frozen to assist a judicial investigation.

17. COMPLETED PROPERTIES HELD FOR SALE

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Carrying amount at beginning of the year	15,387,053	10,364,934
Transferred from properties under development (note 16(a))	21,216,003	19,871,626
Transferred to cost of sales (note 6)	(20,781,029)	(14,849,507)
Transferred to investment properties (note 10)	(208,215)	-
Carrying amount at end of the year	15,613,812	15,387,053

At 31 December 2020, certain of the Group's completed properties held for sale with aggregate carrying amounts of approximately RMB1,340,548,000 (2019: RMB659,508,000), have been pledged to secure bank and other borrowings granted to the Group (note 25(a)).

18. TRADE RECEIVABLES

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables	15,868	101,251
Allowance for expected credit losses	(10)	(335)
	15,858	100,916

Trade receivables mainly represent receivables from sales of properties and rental receivables from tenants. The credit term of trade receivables is generally twelve months. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Less than 1 year	10,370	81,782
Over 1 year	5,488	19,134
	15,858	100,916

The movements in provision for expected credit losses of trade receivables are as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	335	665
Reversal of expected credit losses (note 6)	(325)	(330)
At end of the year	10	335

Decrease in the loss allowance of RMB10,000 (2019: RMB335,000) as a result of a net decrease (2019: decrease) in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

18. TRADE RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

At 31 December 2020

		Past due				
	Current	Within 1 year	More than 1 year but within 2 years	More than 2 years but within 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate	0.02%	0.13%	0.65%	1.35%	100.00%	
Gross carrying amount	10,372	5,496	-	-	-	15,868
Impairment	2	8	-	-	-	10

At 31 December 2019

		Past due				
	Current	Within 1 year	More than 1 year but within 2 years	More than 2 years but within 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate	0.10%	0.22%	0.85%	1.41%	100.00%	
Gross carrying amount	81,782	18,225	212	830	202	101,251
Impairment	80	39	2	12	202	335

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Prepayments for acquisition of land use rights	4,682,731	4,822,498
Prepayments for construction cost	544,391	920,749
Other tax recoverable	2,092,687	2,680,511
Deposits	555,431	651,405
Amounts due from non-controlling shareholders of the subsidiaries and their related parties*	2,889,367	744,612
Other receivables*	1,663,167	1,353,338
	12,427,774	11,173,113
Less: Impairment	(97,550)	(65,301)
	12,330,224	11,107,812

*Other receivables, and amounts due from non-controlling shareholders of the subsidiaries and their related parties are unsecured, non-interest-bearing and repayable on demand.

As at 31 December 2019 and 2020, the impairment of the financial assets included in prepayments, deposits and other receivables were measured based on 12-month expected credit loss if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss.

The information about the credit exposure is disclosed in note 37(c) to the financial statements.

20. OTHER NON-CURRENT ASSETS

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Prepayments for acquisitions of equity investments of subsidiaries	304,320	1,000
Deferred commission for external agents	1,689,730	913,442
	1,994,050	914,442

21. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Cash and bank balances	21,223,879	17,916,556
Less: Restricted cash	(6,150,386)	(7,128,689)
Pledged deposits	(195,340)	(265,691)
Cash and cash equivalents	14,878,153	10,522,176

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 31 December 2019, such restricted cash amounted to RMB6,150,386,000 (2019: RMB7,128,689,000).

As at 31 December 2020, restricted cash of RMB13,350,000 was pledged for a third party (2019: RMB13,350,000).

Bank deposits of RMB195,340,000 (2019: RMB265,691,000) were pledged as security for purchasers' mortgage loans, construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes.

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

22. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each of the reporting period, based on the invoice date, is as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Less than 1 year	15,018,644	17,238,037
Over 1 year	1,470,144	251,587
	16,488,788	17,489,624

Trade payables are unsecured and interest-free and are normally settled based on the progress of the construction of the Group's properties under construction.

The fair values of trade payables as at the end of the reporting period approximated to their corresponding carrying amounts due to their relatively short maturity terms.

23. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Deposits related to sales of properties	149,600	229,612
Outstanding consideration for acquisitions of subsidiaries	2,033,186	2,695,006
Maintenance fund	808	5,852
Interest payables	248,289	187,856
Payroll and welfare payable	84,250	78,737
Other tax payables	1,685,802	111,121
Rental deposits from third-parties	178,546	67,793
Third party payment payables	2,494,280	2,935,837
Payables for acquisition of land use rights	-	669,269
Amounts due to non-controlling shareholders of the subsidiaries	3,719,767	1,709,600
Lease liabilities (note 11)	15,756	5,541
Others	73,020	70,432
	10,683,304	8,766,656

Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of the reporting period approximated to their corresponding carrying amounts.

The third party payment payables mainly represent the advances from the government for specific usages in urban re-development projects or other projects cooperated with governments, such as construction of ancillary facilities and roads and the payment of debt or liabilities for the companies we acquired that had been incurred before the acquisition by us.

24. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Contract liabilities	44,618,456	38,863,951

The Group receives payments from customers based on billing schedules as established in the property sale contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property development and sales.

25(a). INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 31 December 2020			At 31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	7.51-11.00	2021	865,800	-	-	-
Bank loans – unsecured	4.65	2021	3,000	-	-	-
Other borrowings – secured	8.35-15.40	2021	1,783,956	9.33-12.13	2020	1,602,100
Other borrowings – unsecured	9.00-15.00	2021	74,291	4.37-15.08	2020	64,708
Current portion of long term bank loans – secured	4.50-10.00	2021	5,226,131	4.78-11.53	2020	5,183,884
Current portion of long term bank loans – unsecured	8.50	2021	-	6.26-8.11	2020	443,000
Current portion of long term other borrowings – secured	8.50-13.00	2021	6,064,984	7.20-13.59	2020	5,646,046
Current portion of long term other borrowings – unsecured	-	-	-	7.57-15.08	2020	358,000
Corporate bonds	12.88	2021	3,570,230	-	-	-
			17,588,392			13,297,738
Convertible bonds (note 25(b))	10.50-11.10	2021	2,046,670	-	-	-
			19,635,062			13,297,738
Non-current						
Bank loans – secured	4.51-11.17	2022-2043	13,820,401	4.74-11.53	2021-2032	11,500,684
Bank loans – unsecured	-	-	-	8.59-9.81	2021	701,360
Other borrowings – secured	6.75-14.50	2022-2023	8,037,726	9.03-13.04	2021-2022	7,500,593
Other borrowings – unsecured	5.40-11.50	2022-2023	1,080,000	12.79	2021	299,900
Corporate bonds	7.80-7.90	2022	1,400,000	7.80-12.88	2021-2022	4,113,525
			24,338,127			24,116,062
Convertible bonds (note 25(b))	10.70	2022	676,882	-	-	-
			25,015,009			24,116,062
			44,650,071			37,413,800

25(a). INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Corporate bond

On 4 February 2020, the Company issued 12.88% Senior Notes due 2021 in a principal amount of US$250,000,000 (the "New Notes") and the New Notes will be consolidated and form a single series with the 12.875% Senior Notes due 2021 in a principal amount of US$300,000,000 issued on 14 October 2019. The New Notes have the same terms and conditions as the Original Notes in all respects except for the issue date and issue price. The New Notes will be immediately fungible with the Original Notes upon issuance. Upon completion of this offering, the aggregate principal amount of the outstanding Notes will be US$550,000,000.

On 14 October 2019, the Company issued 12.88% senior notes due 2021 in a principal amount of US$300,000,000 (the "Notes").The Notes bear interest from and including 14 October 2019 at the rate of 12.88% per annum, payable semi-annually in arrears on 14 April and 14 October of each year, commencing 14 April 2020.

On 22 June 2018, 廣東海倫堡地產集團有限公司 Guangdong Helenbergh Real Estate Group Co., Ltd., ("Guangdong Helenbergh"), a wholly-owned subsidiary of the Company established in the PRC, issued a domestic corporate bond at a par value of RMB1,000,000,000 in the PRC (the "18 Helen 01"). The 18 Helen 01 will mature in four years from the issue date. Upon the second anniversary of the issue date, Guangdong Helenbergh shall be entitled to increase the coupon rate and the bond holders shall be entitled to sell back the whole or partial 18 Helen 01 at par. The 18 Helen 01 was listed on 15 August 2018 on the Shenzhen Stock Exchange and bears interest at the rate of 7.9% per annum, payable annually in arrears or on the business day nearest to 22 June of each year, beginning 22 June 2018. On 25 December 2018, Guangdong Helenbergh issued a domestic corporate bond at a par value of RMB1,000,000,000 in the PRC (the "18 Helen 02"). The 18 Helen 02 will mature in four years from the issue date. Upon the second anniversary of the issue date, Guangdong Helenbergh shall be entitled to increase the coupon rate and the bond holders shall be entitled to sell back the whole or partial 18 Helen 02 at par. The 18 Helen 02 was listed on 25 January 2019 on the Shenzhen Stock Exchange and bears interest at the rate of 7.8% per annum, payable annually in arrears or on the business day nearest to 22 December of each year, beginning 22 December 2018.

After initial recognition, the corporate bonds are subsequently measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in profit or loss when the liability is derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Bank and other borrowings

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Analysed into:		
Repayable within one year	19,635,062	13,297,738
Repayable in the second year	16,707,044	13,662,371
Repayable after two years but within five years	6,421,280	8,979,691
Repayable after five years	1,886,685	1,474,000
	25,015,009	24,116,062
	44,650,071	37,413,800

The Group's borrowings are all denominated in RMB, except the Notes and New Notes.

At 31 December 2020, the Group's borrowings up to and RMB11,162,960,000 (2019: RMB13,610,080,000), were borrowings with floating interest rates.

25(a). INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

	Notes	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000
Property, plant and equipment	9	68,478	-
Investment properties	10	4,680,509	3,778,785
Properties under development	16	27,976,777	22,835,216
Completed properties held for sale	17	1,340,548	659,508

The Group has pledged equity interests of certain subsidiaries of the Group as securities for certain of the Group's other borrowings as at 31 December 2020 and 2019.

The Group has pledged certain rent assignments in respect of the investment properties held by the Group as securities for certain of the Group's borrowings as at 31 December 2020.

At 31 December 2020, the Controlling Shareholder and a close family member of the Controlling Shareholder have provided personal guarantees to certain of the Group's bank and other borrowings up to RMB11,697,733,000 (2019: RMB7,878,647,000).

At 31 December 2020, in addition, Helenbergh Holding and the Controlling Shareholder have jointly guaranteed certain of the Group's bank loans up to nil (2019: RMB240,000,000).

The directors of the Company have assessed that the fair values of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and Independent Third Party financial institutions based on prevailing market interest rates.

25(b). CONVERTIBLE BONDS

On 29 September 2020, a subsidiary of the Company issued convertible bonds due 2021 in an aggregate principal amount of RMB450,000,000 at the price of 100% of their principal amount. The convertible bonds bear interest at the rate of 10.0% per annum and are payable monthly in arrears and guaranteed by a subsidiary of the Group.

On 26 October 2020, a subsidiary of the Company issued convertible bonds due 2021 in an aggregate principal amount of RMB310,000,000 at the price of 100% of their principal amount. The convertible bonds bear interest at the rate of 10.0% per annum and are payable monthly in arrears and guaranteed by a subsidiary of the Group.

On 10 December 2020, a subsidiary of the Company issued convertible bonds due 2021 in an aggregate principal amount of RMB600,000,000 at the price of 100% of their principal amount. The convertible bonds bear interest at the rate of 10.6% per annum and are payable monthly in arrears and guaranteed by a subsidiary of the Group.

On 2 December 2020, a subsidiary of the Company issued convertible bonds due 2021 in an aggregate principal amount of RMB500,000,000 at the price of 100% of their principal amount. The convertible bonds bear interest at the rate of 10.2% per annum and are payable monthly in arrears and guaranteed by a subsidiary of the Group.

On 23 December 2020, a subsidiary of the Company issued convertible bonds due 2021 in an aggregate principal amount of RMB177,500,000 at the price of 100% of their principal amount. The convertible bonds bear interest at the rate of 10.2% per annum and are payable monthly in arrears and guaranteed by a subsidiary of the Group.

NOTES TO FINANCIALSTATEMENTS (continued)

25(b). CONVERTIBLE BONDS (continued)

On 23 December 2020, a subsidiary of the Company issued convertible bonds due 2022 in an aggregate principal amount of RMB406,500,000 at the price of 100% of their principal amount. The convertible bonds bear interest at the rate of 10.2% per annum and are payable monthly in arrears and guaranteed by a subsidiary of the Group.

On 23 December 2020, a subsidiary of the Company issued convertible bonds due 2022 in an aggregate principal amount of RMB271,000,000 at the price of 100% of their principal amount. The convertible bonds bear interest at the rate of 10.2% per annum and are payable monthly in arrears and guaranteed by a subsidiary of the Group.

Subject to the terms of the convertible bonds, the bondholders have the right to convert their convertible bonds into fully paid ordinary shares with a par value of RMB1 each to be allotted and issued by the issuer, a subsidiary of the Company, upon conversion of the convertible bonds ("New Shares") at any time during the conversion period at the conversion price then in effect.

Subject to the terms of the convertible bonds, the issuer have the right to partly or fully redeem the convertible bonds at the price of principal plus interests for the period from issuance date to redemption date in four to six months after the issuance.

There was no movement in the number of these convertible bonds during the year ended 31 December 2020.

	31 December 2020 RMB'000
As at 1 January 2020	-
Nominal value of convertible bonds issued during the year	2,715,000
Interest expense	27,302
Interest paid	(18,750)
As at 31 December 2020	2,723,552

Convertible bonds were recognised at its fair value at the initial recognition, and it is subsequently carried at amortised cost at an effective interest rate of 10.0%-10.6% per annum.

26. SHARE CAPITAL

Shares

	At 31 December 2020	At 31 December 2019
	US$	US$
Authorised:		
500,000,000 ordinary shares of US$0.0001 each	50,000	50,000

	As at 31 December 2020	As at 31 December 2019
	RMB	RMB
Issued and fully paid:		
10,103 ordinary shares of US$0.0001 each	7	7

The Company was incorporated in the Cayman Islands on 18 May 2018 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 par value each. As at the date of incorporation, 1 ordinary share of US$1 was allotted by the Company to a subscriber, and was transferred to Blue Antrix Holdings Limited ("Blue Antrix"), a company incorporated in the British Virgin Islands and controlled by the Controlling Shareholder on the same date.

On 24 August 2018, each issued and unissued share of US$1.00 par value in the authorised share capital of the Company were subdivided into 10,000 shares of US$0.0001 par value each, such that the authorised share capital of the Company is US$50,000 divided into 500,000,000 shares of US$0.0001 par value each.

On 27 August 2018, 102 shares of US$0.0001 was allotted by the Company to a Pre-IPO investor, Noble Peony Holdings Limited, which was incorporated in British Virgin Islands. On 8 October 2018, 1 ordinary share of US$0.0001 was allotted and issued to Platinum Harvest Investment Limited ("Platinum Harvest", the "RSU Nominee"), a limited liability company incorporated in British Virgin Islands, a wholly-owned subsidiary of the Blue Antrix which held the shares for the benefit of eligible management and employees pursuant to a RSU scheme. On 19 October 2018, Blue Antrix transferred 302 ordinary shares of US$0.0001 each to Platinum Harvest. As at 31 December 2018, 10,103 shares of US$0.0001 par value each were issued and fully paid.

	Number of shares in issue	Share capital RMB
At 31 December 2019 and 2020		
Shares issued and fully paid	10,103	7
Shares transferred to treasury shares	(303)	-
	9,800	7

Note: The 303 shares of US$0.0001 each held by Platinum Harvest are accounted for as treasury shares of the Company. As at 31 December 2020 and 2019, by deducting 303 treasury shares of US$0.0001 each from 10,103 shares of US$0.0001 par value each issued and fully paid, 9,800 shares of US$0.0001 par value each were outstanding.

27. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity.

(a) Statutory surplus reserves

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserves until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserves may be used either to offset losses, or to be converted to increase the share capital of the subsidiaries provided that the balance after such conversion is not less than 25% of the registered capital of them. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(b) Capital reserves

The capital reserves represent (i) any difference between the amount by which the non-controlling interests are adjusted, the fair value of the consideration paid for acquisitions of non-controlling interests in subsidiaries and (ii) any difference between the net asset amounts of certain entities disposed of to the Controlling Shareholder and the relevant proceeds, which is regarded as a contribution from/distribution to the Controlling Shareholder for the purpose of these financial statements, or, (iii) any difference between the capital contribution from non-controlling shareholders and the equity interest in loss-making subsidiaries.

(c) Merger reserves

The merger reserves of the Group represent the issued capital of the then holding company of the companies now comprising the Group, the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation and the distribution to the Controlling Shareholder in respect of the Reorganisation.

NOTES TO FINANCIALSTATEMENTS (continued)

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests were set out below:

31 December 2020

	Percentage of equity interest held by non-controlling interests %	Profit/(loss) for the year allocated to non-controlling interests RMB'000	Accumulated balances of non-controlling interests RMB'000
Guangzhou Hualong Property Development Co., Ltd. ("Guangzhou Hualong")	37.00%	-	1,003,775
Kunming Qianhui	50.00%	(24,070)	574,509
Xiangyang Jinlun Real Estate Development Co.,Ltd. ("Xiangyang Jinlun")	49.90%	(7,715)	491,885
Foshan Runyuan Real Estate Development Co.,Ltd. ("Foshan Runyuan")	49.00%	(3,776)	486,224
Haining Zijin Real Estate Co., Ltd.("Haining Zjjin")	49.01%	(43)	459,599
Guangzhou Haiya Investment Co., Ltd. ("Guangzhou Haiya")	49.00%	(4,894)	457,802
Zhongshan Hailei	49.00%	(8,454)	774,455
Nanchang Haixu Real Estate Co., Ltd.("Nanchang Haixu")	49.00%	(9,108)	382,892
Guangzhou Yihai	49.00%	(11,719)	307,340
Foshan Gaoming Jiashuo Real Estate Development Co., Ltd.("Foshan Jiashuo")	49.00%	35	294,036
Wuhan Fanxiu Real Estate Development Co.,Ltd. ("Wuhan Fanxiu")	49.90%	(566)	248,934
Wuhan Zhaorui Properties Co., Ltd.("Wuhan Zhaorui")	50.00%	(4,488)	203,509

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Details of the Group's subsidiaries that have material non-controlling interests were set out below: (continued)

31 December 2020

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations

	Guangzhou Hualong RMB'000	Kunming Qianhui RMB'000	Xiangyang Jinlun RMB'000	Foshan Runyuan RMB'000	HaiNing Zijin RMB'000	Guangzhou Haiya RMB'000
Revenue	-	-	-	-	-	-
Total expenses	-	(56,958)	(19,944)	(10,276)	(87)	(11,203)
Income tax expense	-	8,818	4,483	2,569	-	1,215
Loss and total comprehensive loss for the year	-	(48,140)	(15,461)	(7,707)	(87)	(9,988)
Current assets	3,091,990	4,189,794	2,101,922	1,770,641	2,059,408	2,299,482
Non-current assets	1,250,530	64,853	6,427	2,569	41,401	1,215
Current liabilities	(1,293,750)	(1,802,945)	(664,497)	(780,917)	(1,161,733)	(1,366,408)
Non-current liabilities	(335,864)	(1,302,686)	(458,111)	-	(1,309)	-
Net cash flows from/ (used in) operating activities	53,042	(453,464)	(464,408)	1,528	694,348	16,012
Net cash flows (used in)/from financing activities	(3,000)	1,300,000	595,800	-	(274,300)	-
Net increase in cash and cash equivalents	50,042	846,536	131,392	1,528	420,048	16,012

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Details of the Group's subsidiaries that have material non-controlling interests were set out below: (continued)

31 December 2020

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations: (Continued)

	Zhongshan Hailei RMB'000	Nanchang Haixu RMB'000	Guangzhou Yihai RMB'000	Foshan Jiashuo RMB'000	Wuhan Fanxiu RMB'000	Wuhan Zhaorui RMB'000
Revenue	-	-	-	-	-	-
Total expenses	(22,484)	(24,735)	(31,890)	(778)	(1,411)	(11,788)
Income tax expense	5,230	6,147	7,973	850	277	2,812
Profit/(loss) and total comprehensive income/(loss) for the year	(17,254)	(18,588)	(23,917)	72	(1,134)	(8,976)
Current assets	4,241,470	1,547,122	2,374,963	766,777	547,842	807,204
Non-current assets	6,229	6,207	8,066	850	277	2,904
Current liabilities	(2,666,534)	(321,917)	(1,352,805)	(62,555)	(49,254)	(163,089)
Non-current liabilities	(642)	(450,000)	(403,000)	(105,000)	-	(240,001)
Net cash flows from/(used in) operating activities	95,457	(333,644)	(289,277)	10,982	675	(238,507)
Net cash flows from investing activities	103	-	23	-	-	95
Net cash flows (used in)/ from financing activities	(4,000)	500,000	403,000	150,000	-	240,000
Net increase in cash and cash equivalents	91,560	166,356	113,746	160,982	675	1,588

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Details of the Group's subsidiaries that have material non-controlling interests were set out below: (continued)

31 December 2019

	Percentage of equity interest held by non-controlling interests %	Loss for the year allocated to non-controlling interests RMB'000	Accumulated balances of non-controlling interests RMB'000
Zhuhai Xingpu	49%	(12,690)	98,600
Qingyuan Jiabo	49%	(1,940)	100,024
Dongguan Xinhao	35%	(4,210)	46,532
Huidong Zhongyi Real Estate Co., Ltd ("Huidong Zhongyi")	49%	(9,220)	66,412
Zhengjiang Qidi Xiexin Yuantai Real Estate Development Co., Ltd. ("Zhenjiang Yuantai")	40%	(2,286)	70,039
Kunming Qianhui Real Estate Development Co., Ltd. ("Kunming Qianhui")	50%	(827)	148,579
Guangzhou Yihai Real Estate Development Co., Ltd. ("Guangzhou Yihai")	49%	-	137,245
Zhongshan Hailei Management Co., Ltd. ("Zhongshan Hailei")	49%	-	410,693

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Zhuhai Xingpu RMB'000	Qingyuan Jiabo RMB'000	Dongguan Xinhao RMB'000	Huidong Zhongyi RMB'000	Zhenjiang Yuantai RMB'000	Kunming Qianhui RMB'000	Guangzhou Yihai RMB'000	Zhongshan Hailei RMB'000
Revenue	-	-	48,615	76,040	-	-	-	-
Total expenses	(37,964)	(6,072)	(50,889)	(92,226)	(7,572)	(1,654)	(284)	(1,967)
Income tax expense	12,066	2,112	(9,755)	(2,631)	1,858	-	71	188
Loss and total comprehensive loss for the year	(25,898)	(3,960)	(12,029)	(18,817)	(5,714)	(1,654)	(213)	(1,779)
Current assets	1,655,873	853,436	569,739	744,445	1,137,156	2,061,379	1,260,947	2,532,283
Non-current assets	13,926	3,180	8,690	8,397	5,656	53,500	74	356
Current liabilities	(1,468,575)	(340,679)	(445,481)	(472,738)	(464,114)	(1,817,722)	(980,929)	(1,694,490)
Non-current liabilities	-	(311,806)	-	(144,569)	(503,600)	-	-	-
Net cash flows from/(used in) operating activities	478,080	(33,714)	(58,130)	(85,348)	(478,301)	848	(142,543)	(384,306)
Net cash flows used in investing activities	-	(25)	-	(149)	(123)	(598)	-	-
Net cash flows (used in)/from financing activities	(379,700)	366,830	-	144,569	503,600	-	142,960	428,591
Net increase/(decrease) in cash and cash equivalents	98,380	333,091	(58,130)	59,072	25,176	250	417	44,285

NOTES TO FINANCIALSTATEMENTS (continued)

29. ACQUISITIONS OF SUBSIDIARIES

(A) Acquisitions of subsidiaries that are businesses

Year ended 31 December 2019:

(i) Zhongshan Haiyue Real Estate Co., Ltd. ("Zhongshan Haiyue")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Zhongshan Haiyue in January 2019, the Group acquired a 100% equity interest in Zhongshan Haiyue for a total cash consideration of RMB996,000,000. Zhongshan Haiyue is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 31 January 2019. Since then, Zhongshan Haiyue became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Zhongshan Haiyue as at the date of acquisition were as follows:

	RMB'000
Properties under development	839,781
Cash and bank balances	16
Prepayments, deposits and other receivables	1,036,197
Trade payables	(3)
Interest-bearing bank and other borrowings	(800,000)
Deferred tax liabilities	(79,991)
Fair value of net assets acquired	996,000
Goodwill on acquisition	-
Consideration	996,000

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	300,000
Cash and bank balances acquired	(16)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	299,984

Since the acquisition, contributions from Zhongshan Haiyue in respect of revenue and net loss were nil and RMB6.2 million to the Group for the year ended 31 December 2019.

Had the combination taken place at 1 January 2019, the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,966 million and RMB2,522 million, respectively.

NOTES TO FINANCIALSTATEMENTS (continued)

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(ii) Huizhou Xuye Real Estate Development Co., Ltd. ("Huizhou Xuye")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Huizhou Xuye in April 2019, the Group acquired a 80% equity interest in Huizhou Xuye for a total cash consideration of RMB140,000,000. Huizhou Xuye is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 30 April 2019. Since then, Huizhou Xuye became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Huizhou Xuye as at the date of acquisition were as follows:

	RMB'000
Properties under development	269,237
Property, plant and equipment	27
Cash and bank balances	163,400
Deferred tax assets	11,988
Prepayments, deposits and other receivables	141,558
Other current assets	3,441
Trade payables	(18,699)
Contract liabilities	(159,016)
Interest-bearing bank and other borrowings	(160,000)
Deferred tax liabilities	(47,563)
Other current liabilities	(29,373)
Fair value of net assets acquired	175,000
Non-controlling interests	(35,000)
Goodwill on acquisition	-
Satisfied by cash	140,000

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	140,000
Cash and bank balances acquired	(163,400)
Net inflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	(23,400)

Since the acquisition, contributions from Huizhou Xuye in respect of revenue and net loss were nil and RMB18.5 million to the Group for the year ended 31 December 2019.

Had the combination taken place at 1 January 2019, the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,966 million and RMB2,498 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(iii) Zhenjiang Qidi Xiexin Yuantai Real Estate Development Co., Ltd. ("Zhenjiang Yuantai")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Zhenjiang Yuantai in May 2019, the Group acquired a 60% equity interest in Zhenjiang Yuantai for a total cash consideration of RMB376,576,000. Zhenjiang Yuantai is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 31 May 2019. Since then, Zhenjiang Yuantai became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Zhenjiang Yuantai as at the date of acquisition were as follows:

	RMB'000
Properties under development	952,405
Property, plant and equipment	91
Cash and bank balances	661
Deferred tax assets	3,724
Prepayments, deposits and other receivables	5,436
Other current assets	3,276
Trade payables	(10,195)
Interest-bearing bank and other borrowings	(300,000)
Deferred tax liabilities	(19,172)
Other current liabilities	(187,325)
Fair value of net assets acquired	448,901
Non-controlling interests	(72,325)
Goodwill on acquisition	-
Consideration	376,576

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	376,576
Cash and bank balances acquired	(661)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	375,915

Since the acquisition, contributions from Zhenjiang Yuantai in respect of revenue and net loss were nil and RMB5.7 million to the Group for the year ended 31 December 2019.

Had the combination taken place at 1 January 2019, the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,966 million and RMB2,520 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(iv) Huidong Hongcheng Industry Development Co., Ltd. ("Huidong Hongcheng")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Huidong Hongcheng in April 2019, the Group acquired a 51% equity interest in Huidong Hongcheng for a total cash consideration of RMB202,860,000. Huidong Hongcheng is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 30 April 2019. Since then, Huidong Hongcheng became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Huidong Hongcheng as at the date of acquisition were as follows:

	RMB'000
Properties under development	611,770
Cash and bank balances	14,240
Deferred tax assets	104
Prepayments, deposits and other receivables	215,576
Other current assets	3,587
Trade payables	(27,015)
Interest-bearing bank and other borrowings	(271,400)
Deferred tax liabilities	(123,322)
Contract liabilities	(25,775)
Fair value of net assets acquired	397,765
Non-controlling interests	(194,905)
Goodwill on acquisition	-
Consideration	202,860

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	202,860
Cash and bank balances acquired	(14,240)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	188,620

Since the acquisition, contributions from Huidong Hongcheng in respect of revenue and net loss were nil and RMB31.7 million to the Group for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,966 million and RMB2,522 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(v) Huidong Zhongyi Real Estate Co., Ltd. ("Huidong Zhongyi")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Huidong Zhongyi in April 2019, the Group acquired a 51% equity interest in Huidong Zhongyi for a total cash consideration of RMB116,220,000. Huidong Zhongyi is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 30 April 2019. Since then, Huidong Zhongyi became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Huidong Zhongyi as at the date of acquisition were as follows:

	RMB'000
Properties under development	548,014
Property, plant and equipment	11
Cash and bank balances	55,928
Deferred tax assets	10,919
Prepayments, deposits and other receivables	154,850
Other current assets	19,431
Trade payables	(53,642)
Interest-bearing bank and other borrowings	(172,513)
Deferred tax liabilities	(102,868)
Contract liabilities	(268,277)
Fair value of net assets acquired	191,853
Non-controlling interests	(75,633)
Goodwill on acquisition	-
Satisfied by cash	116,220

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	116,220
Cash and bank balances acquired	(55,928)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	60,292

Since the acquisition, contributions from Huidong Zhongyi in respect of revenue and net loss were RMB74.1 million and RMB8.0 million to the Group for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,966 million and RMB2,509 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(vi) Yunnan Xihe Real Estate Development Co., Ltd ("Yunnan Xihe")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Yunnan Xihe in June 2019, the Group acquired a 100% equity interest in Yunnan Xihe for a total cash consideration of RMB339,644,000. Yunnan Xihe is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 31 July 2019. Since then,Yunnan Xihe became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Yunnan Xihe as at the date of acquisition were as follows:

	RMB'000
Properties under development	398,889
Property, plant and equipment	279
Cash and bank balances	35,032
Deferred tax assets	17,747
Prepayments, deposits and other receivables	25,578
Other current assets	6,584
Trade payables	(6,603)
Deferred tax liabilities	(60,801)
Contract liabilities	(37,747)
Other current liabilities	(39,314)
Fair value of net assets acquired	339,644
Goodwill on acquisition	-
Satisfied by cash	339,644

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	209,644
Cash and bank balances acquired	(35,032)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	174,612

Since the acquisition, contributions from Yunnan Xihe in respect of revenue and net loss were RMB14.3 million and RMB20.4 million to the Group for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,972 million and RMB2,484 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(vii) Tus Union science and Technology Park Development (Suzhou) Co., Ltd ("Qidi Xiexin")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Qidi Xiexin in June 2019, the Group acquired a 50% equity interest in Qidi Xiexin for a total cash consideration of RMB25,000,000. Qidi Xiexin is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 31 July 2019. Since then, Qidi Xiexin became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Qidi Xiexin as at the date of acquisition were as follows:

	RMB'000
Properties under development	313,471
Property, plant and equipment	95
Cash and bank balances	12,013
Deferred tax assets	2,419
Prepayments, deposits and other receivables	28,805
Trade payables	(71,829)
Interest-bearing bank and other borrowings	(230,000)
Deferred tax liabilities	(4,303)
Other current liabilities	(671)
Fair value of net assets acquired	50,000
Non-controlling interests	(25,000)
Goodwill on acquisition	-
Satisfied by cash	25,000

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	6,812
Cash and bank balances acquired	(12,013)
Net inflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	(5,201)

Since the acquisition, contributions from Qidi Xiexin in respect of revenue and net loss were nil and RMB3.4 million to the Group for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,967 million and RMB2,521 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(viii) Guangdong Jiaguan Real Estate Development Co., Ltd("Guangdong Jiaguan")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Guangdong Jiaguan in September 2019, the Group acquired a 100% equity interest in Guangdong Jiaguan for a total cash consideration of RMB340,986,000. Guangdong Jiaguan is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 30 September 2019. Since then, Guangdong Jiaguan became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Guangdong Jiaguan as at the date of acquisition were as follows:

	RMB'000
Properties under development	953,699
Property, plant and equipment	8
Cash and bank balances	34,798
Deferred tax assets	10,656
Prepayments, deposits and other receivables	112,238
Other current assets	62,014
Trade payables	(5,950)
Interest-bearing bank and other borrowings	(120,623)
Deferred tax liabilities	(86,385)
Contract liabilities	(619,469)
Fair value of net assets acquired	340,986
Goodwill on acquisition	-
Satisfied by cash	340,986

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	105,000
Cash and bank balances acquired	(34,798)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	70,202

Since the acquisition, contributions from Guangdong Jiaguan in respect of revenue and net loss were RMB299.7 million and RMB15.5 million to the Group for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,966 million and RMB2,498 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(ix) Chongqing Xiexin Yuanzhi Business Investment Development Co., Ltd ("Chongqing Xiexin")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Chongqing Xiexin in June 2019, the Group acquired a 100% equity interest in Chongqing Xiexin for a total cash consideration of RMB323,623,000. Chongqing Xiexin is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 31 October 2019. Since then, Chongqing Xiexin became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Chongqing Xiexin as at the date of acquisition were as follows:

	RMB'000
Properties under development	762,171
Property, plant and equipment	490
Cash and bank balances	2,408
Deferred tax assets	2,764
Prepayments, deposits and other receivables	45,621
Other current assets	7,604
Trade payables	(6,546)
Interest-bearing bank and other borrowings	(392,000)
Deferred tax liabilities	(2,615)
Contract liabilities	(5,307)
Other current liabilities	(90,967)
Fair value of net assets acquired	323,623
Goodwill on acquisition	-
Satisfied by cash	323,623

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	201,600
Cash and bank balances acquired	(2,408)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	199,192

Since the acquisition, contributions from Chongqing Xiexin in respect of revenue and net loss were nil and RMB5.2 million to the Group for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,966 million and RMB2,521 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(x) Changes from joint ventures and associates to subsidiaries

During the year ended 31 December 2020, the non-controlling shareholders transferred 40%, 35% and 51% equity interest in Wuhan Baoye, Jinhua Dingmao and Wuxi Guanghai to the Group, respectively, of which the controlling rights have also been transferred to the Group. Accordingly, the investments in joint ventures and associates are remeasured to fair values at the dates when the Group obtained the control and are deemed to have been disposed of in exchange for the consolidation of the subsidiaries. The resulting gains from the remeasurement of the pre-existing are recognised in profit or loss.

The following table summarises the remeasurement gains of the investments in the joint ventures and associates and the fair values of identifiable assets acquired and liabilities assumed at the date control is obtained:

	Wuhan Baoye	Jinhua Dingmao	Wuxi Xieneng	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Properties under development	7,366	569,275	2,922,948	3,499,589
Property, plant and equipment	-	40	48	88
Deferred tax assets	4,619	-	8,339	12,958
Prepayments, deposits and other receivables	101,398	-	307,766	409,164
Cash and bank balances	188	60,835	392,561	453,584
Other current assets	634	-	97,334	97,968
Trade payables	(2,120)	(46,562)	(229,779)	(278,461)
Interest-bearing bank and other borrowings	-	-	(1,416,000)	(1,416,000)
Contract liabilities	-	(60,497)	(1,398,800)	(1,459,297)
Deferred tax liabilities	-	(794)	(62,264)	(63,058)
Other current liabilities	-	(472,297)	(440,066)	(912,363)
Net assets acquired	112,085	50,000	182,087	344,172
Non-controlling interests	(16,813)	-	(68,834)	(85,647)

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(x) Changes from joint ventures and associates to subsidiaries

	Wuhan Baoye	Jinhua Dingmao	Wuxi Xieneng	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Satisfied by:				
Carrying amount of the Group's interests in the joint ventures or associates before remeasurement	35,843	32,454	46,814	115,111
Remeasurement of the pre-existing interests in the joint ventures or associates (note 5)	14,596	46	8,680	23,322
Fair value of the interests in the joint ventures or associates	50,439	32,500	55,494	138,433
Considerations in aggregate paid in the year when acquisitions were completed	44,833	17,500	57,759	120,092
Cash and bank balances in aggregate when acquired	(188)	(60,835)	(392,561)	(453,584)
Net outflow/(inflow) of cash and bank balances included in the cash flows from investing activities in the year when acquisitions were completed	44,645	(43,335)	(334,802)	(333,492)

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

A summary of acquisitions of subsidiaries that are businesses during the years is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Properties under development	3,499,589	5,649,437
Cash and bank balances	453,584	318,496
Deferred tax assets	12,958	60,321
Prepayments, deposits and other receivables	409,164	1,765,859
Other current assets	97,968	105,937
Property, plant and equipment	88	1,001
Trade payables	(278,461)	(200,482)
Interest-bearing bank and other borrowings	(1,416,000)	(2,446,536)
Contract liabilities	(1,459,297)	(1,115,591)
Deferred tax liabilities	(63,058)	(527,020)
Other current liabilities	(912,363)	(347,650)
Fair value of net assets acquired	344,172	3,263,772
Non-controlling interests	(85,647)	(402,863)
Goodwill on acquisition (note 15)	-	-
Gain on bargain purchases of the subsidiaries*	-	-
Total consideration	258,525	2,860,909

An analysis of the summarised cash flows in respect of the acquisitions of above subsidiaries is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Considerations in aggregate paid in the year when acquisitions were completed	120,092	1,658,712
Cash and bank balances in aggregate when acquired	(453,584)	(318,496)
Net outflow of cash and bank balances included in the cash flows from investing activities in the year when acquisitions were completed	(333,492)	1,340,216

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(B) Acquisitions of subsidiaries that are not businesses

For the year ended 31 December 2020, the Group acquired equity interests in 11 (2019: 10) companies that are not businesses. The Group completed these acquisitions for the purpose of obtaining the land use rights possessed by these target companies for its property development business.

A summary of the acquisition of subsidiaries that are not business during the year is as follows:

	2020	2019
	RMB'000	RMB'000
Properties under development	3,280,345	4,367,427
Cash and bank balances	67,124	68,163
Deferred tax assets	6,392	60,841
Prepayments, deposits and other receivables	27,858	959,413
Other current assets	134,865	3,783
Property, plant and equipment	100	657
Intangible assets	15,642	9
Trade payables	(487,271)	(216,536)
Interest-bearing bank and other borrowings	-	(920,000)
Contract liabilities	(244)	(139,125)
Other current liabilities	(1,258,885)	(999,409)
Non-controlling interests	(500,096)	(227,503)
Net assets acquired*	1,285,830	2,957,720
Satisfied by:		
Cash consideration	1,285,830	2,725,220
Delivery of non-monetary assets	-	232,500
	1,285,830	2,957,720

*There is an embedded derivative included in the equity transfer agreement entered into by the Group and the then shareholder of Shandong Harbin University of technology robot real estate Co., Ltd., due to certain contract term regarding variable benefit in the agreement, which is recognised as financial liabilities at fair value through profit or loss. Fair value of the embedded derivative is approximately nil as the probability of payment of variable benefit is remote.

An analysis of the summarised cash flows in respect of the acquisition of above subsidiaries is as follows:

	2020	2019
	RMB'000	RMB'000
Considerations in aggregate paid in the year when acquisitions were completed	1,169,831	1,712,403
Cash and bank balances in aggregate when acquired	(67,124)	(68,163)
Net outflow of cash and bank balances included in the cash flows from investing activities in the year when acquisitions were completed	1,102,707	1,644,240

30. DISPOSAL OF SUBSIDIARIES

Year ended 31 December 2019:

Details of the assets and liabilities disposed of in respect of the disposal of the subsidiaries during the year ended 31 December 2019 are as follows:

	Guangzhou Ruirun Real Estate Co., Ltd.	Others	Total
	RMB'000	RMB'000	RMB'000
Net assets disposed of:			
Cash and bank balances	6	27	33
Other current assets	30,000	-	30,000
Other current liabilities	(30,012)	(41)	(30,053)
	(6)	(14)	(20)
Gain on disposal of subsidiaries	6	14	20
Consideration receivable	-	-	-

An analysis of the net outflow of cash and bank balances in respect of the disposal of the subsidiaries are as follows:

	Guangzhou Ruirun Real Estate Co., Ltd.	Others	Total
	RMB'000	RMB'000	RMB'000
Considerations received in the year when disposal were completed	-	-	-
Cash and bank balances disposed of	6	27	33
Net outflow of cash and bank balances included in the cash flows from investing activities in the year when disposal were completed	(6)	(27)	(33)

30. DISPOSAL OF SUBSIDIARIES (continued)

Year ended 31 December 2020:

Details of the assets and liabilities disposed of in respect of the disposal of the subsidiaries during the year ended 31 December 2020 are as follows:

	Hunan Dongyuan Real Estate Co.,Ltd.	Huizhou Xuye Real Estate Development Co., Ltd.	Huizhou Wanpeng Properties Co., Ltd.	Zhangjiagang Herun Real Estate Co., Ltd.	Chengdu Runbei Enterprise Management Co., Ltd.	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net assets disposed of:							
Property, plant and equipment	-	7	-	-	15	-	22
Deferred tax assets	910	28,490	946	52	2,966	-	33,364
Properties under development	-	375,342	40,549	-	964,961	-	1,380,852
Cash and bank balances	1	254,198	6	5,342	10,737	57	270,341
Other current assets	636,344	727,019	1,664	75,477	1,355,476	-	2,795,980
Interest-bearing bank and other borrowings	-	(280,000)	-	-	(199,000)	-	(479,000)
Other current liabilities	(246,161)	(918,761)	(35,493)	(82,264)	(2,037,328)	(69)	(3,320,076)
Deferred tax liabilities	-	(49,867)	-	-	-	-	(49,867)
	391,094	136,428	7,672	(1,393)	97,827	(12)	631,616
Non-controling interest	(78,219)	(27,286)	-	-	-	-	(105,505)
(Loss)/gain on disposal of subsidiaries	(486)	30,858	3,438	28,493	(421)	12	61,894
Consideration receivable	312,389	140,000	11,110	27,100	97,406	-	588,005

30. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net outflow of cash and bank balances in respect of the disposal of the subsidiaries are as follows:

	Hunan Dongyuan Real Estate Co.,Ltd.	Huizhou Xuye Real Estate Development Co., Ltd.	Huizhou Wanpeng Properties Co., Ltd.	Zhangjiagang Herun Real Estate Co., Ltd.	Chengdu Runbei Enterprise Management Co., Ltd.	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Considerations received in the year when disposals were completed	80,000	-	11,110	27,100	68,100	-	186,310
Cash and bank balances disposed of	1	254,198	6	5,342	10,737	57	270,341
Net outflow/(inflow) of cash and bank balances included in the cash flows from investing activities in the year when disposals were completed	79,999	(254,198)	11,104	21,758	57,363	(57)	(84,031)

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB26,769,000 and RMB26,769,000 respectively, in respect of lease arrangements for plant and equipment (2019: RMB12,916,000 and RMB12,916,000).

(b) Changes in liabilities and financial assets arising from financing activities

	Interest-bearing bank and other borrowings	Convertible bonds	Due to and from related parties	Due to And from associates	Due to and from joint ventures	Lease liabilities	Pledged deposits	Total liabilities and financial assets from financing activities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019	37,413,800	-	62,592	181,114	(41)	10,252	(265,691)	37,402,026
At 1 January 2020								
Cash flows from/(used in) financing activities	3,578,247	2,715,000	-	778,631	(493,708)	(16,418)	70,351	6,632,103
Changes in balance with related parties, net	-	-	(33,607)	6,430	-	-	-	(27,177)
Foreign exchange movement	(2,528)	-	-	-	-	-	-	(2,528)
Decrease arising from acquisition of subsidiaries	(479,000)	-	-	-	-	-	-	(479,000)
New leases	-	-	-	-	-	26,769	-	26,769
Interest expense	-	27,302	-	-	-	3,906	-	31,208
Interest paid classified as operating cash flows	-	(18,750)	-	-	-	(3,906)	-	(22,656)
Increase arising from acquisition of subsidiaries	1,416,000	-	-	-	-	-	-	1,416,000
At 31 December 2020	41,926,519	2,723,552	28,985	966,175	(493,749)	20,603	(195,340)	44,976,745
At 1 January 2019	28,307,536	-	318,301	10,763	-	5,561	(523,164)	28,118,997
Cash flows from/(used in) financing activities	5,688,094	-	(277,863)	203,394	(41)	(8,225)	257,473	5,862,832
Changes in balance with related parties, net	-	-	22,154	(33,043)	-	-	-	(10,889)
Foreign exchange movement	51,634	-	-	-	-	-	-	51,634
Increase arising from acquisition of subsidiaries	3,366,536	-	-	-	-	-	-	3,366,536
New leases	-	-	-	-	-	12,916	-	12,916
Interest expense	-	-	-	-	-	1,292	-	1,292
Interest paid classified as operating cash flows	-	-	-	-	-	(1,292)	-	(1,292)
At 31 December 2019	37,413,800	-	62,592	181,114	(41)	10,252	(265,691)	37,402,026

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS(continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Within operating activities	23,086	23,152
Within financing activities	16,418	8,225
	39,504	31,377

32. CONTINGENT LIABILITIES

(a) Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties - amounts drawn by the purchasers	33,919,551	27,521,534

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks. The amounts presented above represent the maximum exposure to credit risk for the financial guarantee contracts. The maturity profile of these guarantees was determined as on demand.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

(b) Litigations

In May 2021, the Group received a court notice that Chengdu Shanyou Investment Co., Ltd. ("Chengdu Shanyou"), one of its subsidiaries, among others, it was named as the defendant alleging that it defaulted on payment of construction cost amounting to RMB119 million. The Directors, based on the advice from the Group's legal counsel, believed that Chengdu Shanyou has a valid defense against the above allegations and, accordingly, has not provided for any claim arising from the litigations.

33. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Contracted, but not provided for:		
Property development activities	47,763,796	33,892,875
Acquisition of land use rights for development purpose	521,017	2,578,332
Capital contributions payable to joint ventures and associates	3,552	165,552
	48,288,365	36,636,759

34. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

The following transactions were carried out with related parties during the year:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Advances from related companies:		
Jointly-controlled entities	256,548	-
Associates	595,460	370,715
	852,008	370,715

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Advances to related companies:		
Jointly-controlled entities	767,026	41
Associates	-	183,171
	767,026	183,212

34. RELATED PARTY TRANSACTIONS (continued)

(1) Significant related party transactions (continued)

	Year ended 31 December 2020 RMB'000	2019 RMB'000
Property management services fee paid/payable to		
Companies controlled by the Controlling Shareholder	185,276	128,660
Sales commission paid/payable to		
A company controlled by the Controlling Shareholder	7,288	-
Purchases of products paid/payable to		
A company controlled by the Controlling Shareholder	266	-
Hotel services fee		
A company controlled by the Controlling Shareholder	-	54
Consulting services income		
Associates	14,216	6,430

In February 2020, Key Advantage Global Limited, a subsidiary of the Group, acquired 100% of shares of Sea Time Investments (HK) Limited and Huizhou Dafeng Huaweixian Technology Co. Ltd. (collectively "Target Companies") at a consideration of RMB679,426,999. The original controlling shareholder of the Target Companies was Mr. Huang Bowen, who is a non-executive director of the Group and the son of the Controlling Shareholder of the Group.

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

NOTES TO FINANCIALSTATEMENTS (continued)

34. RELATED PARTY TRANSACTIONS (continued)

(2) Other transactions with related parties

During the reporting period, the Group's banking facilities were guaranteed by its related parties with details set out in note 25(a) to the financial statements.

(3) Outstanding balances with related parties

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Due from joint ventures:		
Non trade-related:	659,073	41
Due from associates:		
Non trade-related:	-	183,171
Due from an associate:		
Trade-related:	-	6,430

The maximum outstanding balances due from related parties during the year were as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Non trade-related	659,073	183,212
Trade-related	-	6,430

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Due to related parties:		
Trade-related:		
Companies controlled by the Controlling Shareholder	28,985	62,592
Due to associates:		
Non trade-related:	966,175	370,715
Due to joint ventures:		
Non trade-related:	165,324	-

Amounts due from related parties including those due from joint ventures and associates were unsecured and non-interest-bearing and with repayment terms within one year.

Amounts due to the related parties including those due from joint ventures and associates were unsecured and non-interest-bearing and repayable on demand.

NOTES TO FINANCIALSTATEMENTS (continued)

34. RELATED PARTY TRANSACTIONS (continued)

(4) Compensation of key management personnel of the Group:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Short-term employee benefits	19,253	23,801
Pension scheme contributions	624	622
Total compensation paid to key management personnel	19,877	24,423

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year are as follows:

At 31 December 2020

Financial assets

	Financial assets at amortised cost
	RMB'000
At amortised cost:	
Financial assets included in prepayments, deposits and other receivables	5,010,415
Trade receivables	15,858
Amounts due from joint ventures	659,073
Restricted cash	6,150,386
Pledged deposits	195,340
Cash and cash equivalents	14,878,153
	26,909,225

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
At amortised cost:	
Trade and bills payables	16,488,788
Financial liabilities included in other payables, deposits received and accruals (excluding lease liabilities)	6,864,310
Amounts due to related parties	28,985
Amounts due to associates	966,175
Amounts due to joint ventures	165,324
Interest-bearing bank and other borrowings (note 25(a))	41,926,519
Convertible bonds (note 25(b))	2,723,552
Lease Liabilities	20,603
	69,184,256

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

At 31 December 2019

Financial assets

	Financial assets at amortised cost
	RMB'000
At amortised cost:	
Financial assets included in prepayments, deposits and other receivables	2,684,054
Trade receivables	100,916
Amounts due from associates	189,601
Amounts due from joint ventures	41
Restricted cash	7,128,689
Pledged deposits	265,691
Cash and cash equivalents	10,522,176
	20,891,168

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
At amortised cost:	
Trade and bills payables	17,489,624
Financial liabilities included in other payables, deposits received and accruals (excluding lease liabilities)	5,876,251
Amounts due to related parties	62,592
Amounts due to associates	370,715
Interest-bearing bank and other borrowings (note 25(a))	37,413,800
Lease Liabilities	10,252
	61,223,234

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of the reporting period, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	At 31 December 2020	
	Carrying amount	Fair value
	RMB'000	RMB'000
Financial liabilities		
Interest-bearing bank and other borrowings (other than lease liabilities) (note 25(a))	41,926,519	43,802,464
Convertible bonds (note 25(b))	2,723,552	2,737,494
	44,650,071	46,539,958

	At 31 December 2019	
	Carrying amount	Fair value
	RMB'000	RMB'000
Financial liabilities		
Interest-bearing bank and other borrowings (other than lease liabilities) (note 25(a))	37,413,800	39,819,952

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of cash and cash equivalents, restricted cash, pledged deposits, amounts due from related parties, trade receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables, deposits received and accruals, amounts due to related parties, amounts due from/to joint ventures and amounts due from/to associates approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the chief finance officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for financial reporting.

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The change in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings at the end of the reporting period were assessed to be insignificant.

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

At 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings (other than lease liabilities)	-	43,802,464	-	43,802,464
Convertible bonds	-	-	2,737,494	2,737,494
	-	43,802,464	2,737,494	46,539,958

At 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings (other than lease liabilities)	-	39,819,952	-	39,819,952

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted cash, pledged deposits, trade and other receivables, trade and bills payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, amounts due to related parties and amounts due from related parties. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 25(a). The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

For the year ended 31 December 2020, if the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB89,315,000 (2019: RMB100,920,000).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk

The Group's businesses are located in Mainland China and most of the transactions are conducted in RMB. The Group's assets and liabilities are principally denominated in RMB, while certain bank balances, certain other payables and certain interest-bearing bank and other borrowings are denominated in other foreign currencies. The Group has not hedged its foreign exchange risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate against HK$ and US$, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000
31 December 2020		
If the RMB weakens against the US$	(5)	181,576
If the RMB strengthens against the US$	5	(181,576)
If the RMB weakens against the HK$	(5)	177,356
If the RMB strengthens against the HK$	5	(177,356)
31 December 2019		
If the RMB weakens against the US$	(5)	(15,212)
If the RMB strengthens against the US$	5	15,212
If the RMB weakens against the HK$	(5)	62,768
If the RMB strengthens against the HK$	5	(62,768)

(c) Credit risk

The Group trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

NOTES TO FINANCIALSTATEMENTS (continued)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

At 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade receivables*	-	-	-	15,868	15,868
Financial assets included in prepayments, deposits and other receivables					
-Normal**	5,035,863	-	-	-	5,035,863
-Doubtful**	-		72,102	-	72,102
Amounts due from joint ventures	659,073	-	-	-	659,073
Restricted cash	6,150,386	-	-	-	6,150,386
Pledged deposits	195,340	-	-	-	195,340
Cash and cash equivalents	14,878,153	-	-	-	14,878,153
	26,918,815	-	72,102	15,868	27,006,785

At 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade receivables*	-	-	-	101,251	101,251
Financial assets included in prepayments, deposits and other receivables					
-Normal**	2,697,466	-	-	-	2,697,466
-Doubtful**		-	51,889	-	51,889
Amounts due from associates	189,601	-	-	-	189,601
Amounts due from joint ventures	41	-	-	-	41
Restricted cash	7,128,689	-	-	-	7,128,689
Pledged deposits	265,691	-	-	-	265,691
Cash and cash equivalents	10,522,176	-	-	-	10,522,176
	20,803,664	-	51,889	101,251	20,956,804

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 18 to the financial statements.

**The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020					
Trade and bills payables	-	16,488,788	-	-	16,488,788
Other payables, deposits received and accruals (excluding lease liabilities)	-	6,864,310	-	-	6,864,310
Amounts due to related parties	28,985	-	-	-	28,985
Amounts due to joint ventures	165,324	-	-	-	165,324
Amounts due to associates	966,175	-	-	-	966,175
Interest-bearing bank and other borrowings	-	23,053,286	24,352,489	2,350,159	49,755,934
Convertible bonds	-	2,301,910	723,049	-	3,024,959
Lease liabilities	-	15,756	5,777	-	21,533
Total	1,160,484	48,724,050	25,081,315	2,350,159	77,316,008
At 31 December 2019					
Trade and bills payables	-	17,489,624	-	-	17,489,624
Other payables, deposits received and accruals (excluding lease liabilities)	-	5,876,251	-	-	5,876,251
Amounts due to related parties	62,592	-	-	-	62,592
Amounts due to associates	370,715	-	-	-	370,715
Interest-bearing bank and other borrowings	-	16,267,354	24,952,803	1,927,549	43,147,706
Lease liabilities	-	5,541	5,642	-	11,183
Total	433,307	39,638,770	24,958,445	1,927,549	66,958,071

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank and other borrowings, convertible bonds, lease liabilities, trade and bills payables, other payables, deposits received and accruals, amounts due to related parties less cash and cash equivalents. Capital represents equity amounts due to associates and joint ventures, attributable to owners of the Company. The gearing ratios as at the end of the reporting period were as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Trade and bills payables	16,488,788	17,489,624
Other payables, deposits received and accruals (excluding lease liabilities)	10,667,548	8,761,115
Amounts due to related parties	28,985	62,592
Amount due to an associate	966,175	370,715
Amount due to joint ventures	165,324	-
Interest-bearing bank and other borrowings	41,926,519	37,413,800
Convertible bonds	2,723,552	-
Lease liabilities	20,603	10,252
Less: Cash and cash equivalents	(14,878,153)	(10,522,176)
Net debt	58,109,341	53,585,922
Equity attributable to owners of the Company	17,699,500	15,329,038
Capital and net debt	75,808,841	68,914,960
Gearing ratio	77%	78%

38. EVENTS AFTER THE REPORTING PERIOD

On 24 March 2021, the Company issued senior notes at a coupon rate of 11% due 2023 with an aggregate principal amount of US$200,000,000.

NOTES TO FINANCIALSTATEMENTS

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	At 31 December 2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries		359,218	359,218
CURRENT ASSETS			
Amounts due from related parties		3,205,104	1,028,086
Prepayments, deposits and other receivables		16	-
Cash and bank balances		10,823	1,036,136
		3,215,943	2,064,222
CURRENT LIABILITIES			
Other payables and accruals		101,430	47
Amounts due to related parties		18,599	7,488
Interest-bearing bank and other borrowing		3,570,230	-
NON-CURRENT LIABILITIES			
Other borrowings		-	2,113,525
NET ASSETS/(DEFICIENCY IN ASSETS)		(115,098)	302,380
EQUITY			
Share capital	26	-	-
Reserves	27	(115,098)	302,380
TOTAL EQUITY		(115,098)	302,380

Huang Chiheng
Director

Wang Meng
Director

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserve is as follows:

	Share premium	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019	360,543	(679)	359,864
Loss of the year	-	(57,484)	(57,484)
At 31 December 2019 and 1 January 2020	360,543	(58,163)	302,380
Loss for the year	-	(417,478)	(417,478)
At 31 December 2020	360,543	(475,641)	(115,098)

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 May 2021.

EY 安永

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Independent auditor's report
To the directors of Helenbergh China Holdings Limited
(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Helenbergh China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 4 to 121, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ('IASB').

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (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 are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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.

EY 安永

We communicate with the board of directors of the Company 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.

Ernst & Young

Certified Public Accountants
Hong Kong
20 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	20,966,231	17,517,528
Cost of sales		(14,877,378)	(12,884,450)
Gross profit		6,088,853	4,633,078
Other income and gains	5	184,137	274,698
Selling and distribution expenses		(1,097,160)	(831,037)
Administrative expenses		(955,787)	(868,146)
Other expenses		(79,541)	(75,097)
Fair value gains on investment properties	10	733,575	768,249
Share of losses of:			
Joint ventures	13(a)	(3,251)	(861)
Associates	13(b)	(29,098)	(11,586)
Finance costs	7	(425,074)	(270,556)
PROFIT BEFORE TAX	6	4,416,654	3,618,742
Income tax expense	8	(1,894,803)	(1,362,512)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,521,851	2,256,230
Attributable to:			
Owners of the Company		2,579,595	2,234,005
Non-controlling interests		(57,744)	22,225
		2,521,851	2,256,230

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	256,930	258,380
Investment properties	10	16,126,500	14,318,200
Other right-of-use assets	11	12,989	-
Goodwill	15	87,445	87,445
Other intangible assets	12	17,986	17,321
Investments in joint ventures	13(a)	840,365	717,139
Investments in associates	13(b)	1,250,170	1,070,868
Deferred tax assets	14	1,455,421	1,040,885
Other non-current assets	20	914,442	671,532
Total non-current assets		20,962,248	18,181,770
CURRENT ASSETS			
Properties under development	16	50,853,395	30,859,431
Completed properties held for sale	17	15,387,053	10,364,934
Trade receivables	18	208,861	320,759
Prepaid land lease payments	11	8,172,797	11,505,557
Prepayments, deposits and other receivables	19	11,107,812	5,966,697
Amount due from an associate	34(4)	189,601	15,849
Amounts due from a joint venture	34(4)	41	-
Amounts due from related parties	34(4)	-	31
Tax recoverable		774,721	520,178
Restricted cash	21	7,128,689	5,473,192
Pledged deposits	21	265,691	523,164
Cash and cash equivalents	21	10,522,176	4,778,218
Total current assets		104,610,837	70,328,010
CURRENT LIABILITIES			
Trade and bills payables	22	17,597,569	9,943,082
Other payables, deposits received and accruals	23	8,766,656	5,040,325
Contract liabilities	24	38,863,951	27,080,685
Interest-bearing bank and other borrowings	25	13,297,738	9,409,551
Amounts due to associates	34(4)	370,715	26,612
Amounts due to related parties	34(4)	62,592	318,332
Tax payable	8	1,984,108	1,683,937
Total current liabilities		80,943,329	53,502,524
NET CURRENT ASSETS		23,667,508	16,825,486

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	2019 RMB'000	2018 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		44,629,756	35,007,256
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	24,116,062	18,897,985
Deferred tax liabilities	14	3,693,941	2,995,583
Lease liabilities	11	4,711	-
Total non-current liabilities		27,814,714	21,893,568
NET ASSETS		16,815,042	13,113,688
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	-	-
Reserves	27	15,329,038	12,748,244
		15,329,038	12,748,244
Non-controlling interests		1,486,004	365,444
TOTAL EQUITY		16,815,042	13,113,688

Huang Chiheng
Director

Wang Meng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital	Capital reserves	Merger reserves	Statutory surplus reserves	Available-for-sale investment valuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 Note 36	RMB'000 Note 27(b)	RMB'000 Note 27(c)	RMB'000 Note 27(a)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017	-	(57,741)	3,700,001	555,569	30,898	8,164,829	12,393,556	152,519	12,546,075
Impact of adopting IFRS 9	-	-	-	-	(30,898)	30,898	-	-	-
Restated balance at 1 January 2018	-	(57,741)	3,700,001	555,569	-	8,195,727	12,393,556	152,519	12,546,075
Profit and total comprehensive income for the year	-	-	-	-	-	2,234,005	2,234,005	22,225	2,256,230
Appropriations to statutory surplus reserves	-	-	-	206,618	-	(206,618)	-	-	-
Capital contribution	-	-	360,543	-	-	-	360,543	-	360,543
Acquisitions of subsidiaries (note 29)	-	-	-	-	-	-	-	191,952	191,952
Consideration paid to the Controlling Shareholder in respect of the Reorganisation (note 27(c))	-	-	(2,226,000)	-	-	-	(2,226,000)	-	(2,226,000)
Establishment of a non-wholly-owned subsidiaries	-	-	-	-	-	-	-	2,250	2,250
Disposal of subsidiaries (note 30)	-	(9,681)	-	-	-	(3,811)	(13,492)	-	(13,492)
Acquisition of non-controlling interests	-	(368)	-	-	-	-	(368)	(3,502)	(3,870)
At 31 December 2018	-	(67,790)*	1,834,544*	762,187*	-*	10,219,303*	12,748,244	365,444	13,113,688

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to owners of the Company							
	Share capital	Capital reserves	Merger reserves	Statutory surplus reserves	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note26	*Note 27(b)*	*Note 27(c)*	*Note 27(a)*				
At 31 December 2018 and 1 January 2019	-	(67,790)*	1,834,544*	762,187*	10,219,303*	12,748,244	365,444	13,113,688
Profit and total comprehensive income for the year	-	-	-	-	2,579,595	2,579,595	(57,744)	2,521,851
Appropriations to statutory surplus reserves	-	-	-	220,209	(220,209)	-	-	-
Capital contribution from non-controlling shareholders	-	1,199	-	-	-	1,199	547,938	549,137
Capital contribution	-	-	-	-	-	-	-	-
Acquisitions of subsidiaries (note 29)	-	-	-	-	-	-	630,366	630,366
At 31 December 2019	-	(66,591)*	1,834,544*	982,396*	12,578,689*	15,329,038	1,486,004	16,815,042

* These reserve accounts represent the total consolidated reserves of RMB15,329,038,000 (2018: RMB12,748,244,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,416,654	3,618,742
Adjustments for:			
Finance costs	7	425,074	270,556
Interest income	5	(66,099)	(81,014)
Depreciation of property, plant and equipment	6,9	32,899	28,199
Depreciation of other right-of-use assets	6,11	5,488	-
Amortisation of other intangible assets	6,12	3,370	3,064
Fair value gains on investment properties	10	(733,575)	(768,249)
Investment income from financial assets at fair value through profit or loss		-	(390)
Gain on bargain purchases of subsidiaries	5	-	(110,619)
Share of losses of joint ventures and associates		32,349	12,447
Impairment of trade and other receivables, net	6	15,724	1,582
Gain on disposals of investment properties		(15,696)	-
Gain on disposal of subsidiaries	5	(20)	(6,305)
		4,116,168	2,968,013
Decrease/(increase) in prepaid land lease payments		6,218,877	(4,260,697)
Increase in properties under development and completed properties held for sale		(14,365,285)	(2,565,174)
Decrease in trade receivables		112,233	207,970
Increase in prepayments, deposits and other receivables		(3,043,442)	(2,034,256)
Decrease in trade and bills payables		7,237,466	3,823,608
Increase in balance with related parties, net		22,154	4,497
Increase in amounts due from an associate		(6,430)	-
Increase in amounts due to associates		(26,612)	-
Increase in other payables, deposits received and accruals		1,244,158	3,638,350
Increase in contract liabilities		9,932,073	7,270,332
Increase in restricted bank deposits relating to operating activities		(1,655,497)	(1,322,839)
Cash generated from operations		9,785,863	7,729,804

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Notes	2019 RMB'000	2018 RMB'000
Cash generated from operations		9,785,863	7,729,804
Interest received		66,099	81,014
Interest paid		(3,468,038)	(2,537,607)
Tax paid		(1,861,492)	(1,287,411)
Net cash flows from operating activities		4,522,432	3,985,800
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(34,718)	(61,025)
Purchase of other intangible assets		(4,031)	(7,000)
Acquisition of investment properties		(1,900,861)	(1,374,171)
Purchase of financial asset at fair value through profit or loss		-	(130,500)
Proceeds from sale of financial asset at fair value through profit or loss		-	130,500
Proceeds from disposal of items of property, plant and equipment		4,934	9,451
Proceeds from disposal of certain investment properties		841,832	-
Acquisition of joint ventures		(41,740)	-
Acquisition of associates		(162,500)	(1,056,509)
Outstanding considerations paid for acquisitions of subsidiaries in prior year		(1,007,784)	(1,395,032)
Net outflow of cash and cash equivalents in respect of the acquisitions of subsidiaries	29	(2,984,456)	(5,571,542)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	30	(33)	(9,657)
Prepayment and deposit for acquisitions of equity investments of subsidiaries		-	(213,339)
Receipt of Prepayment and deposit for acquisition of equity investments		80,000	-
Investment income from financial assets at fair value through profit or loss		-	390
Net cash flows used in investing activities		(5,209,357)	(9,678,434)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution		-	360,543
Consideration paid to the Controlling Shareholder in respect of the Reorganisation		-	(2,226,000)
Capital contribution from a non-controlling shareholder of a subsidiary		549,137	2,250
New interest-bearing bank and other borrowings		23,167,032	18,364,236
Repayment of interest-bearing bank and other borrowings		(17,478,938)	(10,892,875)
Acquisitions of non-controlling interests		-	(2,000)
Advance from related parties and associates		386,596	14,143,009
Repayment to related parties		(461,106)	(14,640,076)
Decrease in pledged deposits		257,473	766,038
Principal portion of lease payments		(8,225)	-
Net cash flows from financing activities		6,411,969	5,875,125
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,725,044	182,491
Cash and cash equivalents at beginning of year		4,778,218	4,595,727
Effect of foreign exchange rate changes, net		18,914	-
CASH AND CASH EQUIVALENTS AT END OF YEAR		10,522,176	4,778,218
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	17,916,556	10,774,574
Less: Restricted cash	21	(7,128,689)	(5,473,192)
Pledged deposits	21	(265,691)	(523,164)
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS		10,522,176	4,778,218

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the property development and property leasing business in the People's Republic of China (the "PRC"). In the opinion of the Company's directors, the immediate holding company of the Company is Blue Antrix Holdings Limited. The controlling shareholder of the Group is Mr. Huang Chiheng (the "Controlling Shareholder").

As at the end of reporting period, of these consolidated financial statements, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Noble Pursuit Holdings Limited	British Virgin Islands/ 17 May 2018	United States Dollars ("US$") 50,000	100%	-	Investment holding
Leap Elite Holdings Limited	British Virgin Islands/ 12 June 2018	US$50,000	100%	-	Investment holding
Broad Pleasant Limtied	Hong Kong/ 19 June 2018	Hong Kong Dollars ("HK$")1	-	100%	Investment holding
Key Advantage Global Limited	Hong Kong/ 05 June 2018	HK$1	-	100%	Investment holding
廣東海倫堡地產集團有限公司 Guangdong Helenbergh Real Estate Group Co.,Ltd.*	PRC/Mainland China/ 14 April 2005	RMB 9,200,000,000	-	99%	Property development
廣州市寶悅房地產開發有限公司 Guangzhou Baoyue Real Estate Development Co., Ltd.	PRC/Mainland China/ 05 November 2009	RMB 20,000,000	-	100%	Property invsetment
廣州市番禺金威泰房地產發展有限公司 Guangzhou Panyu Jinweitai Real Estate Development Co., Ltd.	PRC/Mainland China/ 22 June 2001	RMB 10,000,000	-	100%	Property development
廣州市華隆物業發展有限公司 Guangzhou Hualong Property Development Co., Ltd.	PRC/Mainland China/ 19 May 2003	RMB 15,000,000	-	100%	Property development

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
廣州市維信房地產有限公司 Guangzhou Weixin Real Estate Development Co., Ltd.	PRC/Mainland China/ 19 July 2002	RMB 20,000,000	-	100%	Property development
廣州金田地產開發有限公司 Guangzhou Jintian Real Estate Development Co., Ltd.	PRC/Mainland China/ 19 August 2011	RMB 10,000,000	-	100%	Property development
廣東海倫堡置業有限公司 Guangdong Helenbergh Real Estate Co., Ltd.	PRC/Mainland China/ 14 September 2016	RMB 50,000,000	-	100%	Property Investment
廣州善暉投資有限公司 Guangzhou Shanhui Investment Co., Ltd.	PRC/Mainland China/ 08 November 2013	RMB 15,000,000	-	100%	Property Investment
佛山市慧豐投資發展有限公司 Foshan Huifeng Investment Development Co., Ltd.	PRC/Mainland China/ 07 November 2007	RMB 10,000,000	-	100%	Property development
佛山市麗普盾北斗衛星科技有限公司 Foshan Lipudun Beidou Satellite Technology Co., Ltd.	PRC/Mainland China/ 21 November 2014	RMB 300,000,000	-	100%	Property development
清遠市盈科實業投資有限公司 Qingyuan Yingke Industrial Investment Co., Ltd.	PRC/Mainland China/ 22 October 2007	RMB 100,000,000	-	100%	Property development
清遠市佳柏房產開發建設有限公司 Qingyuan Jiabo Real Estate Development and Construction Co., Ltd. *	PRC/Mainland China/ 27 June 2007	RMB 209,796,000	-	51%	Property development
清遠市海磊房地產開發有限公司 Qingyuan Hailei Real Estate Development Co., Ltd.	PRC/Mainland China/ 27 June 2017	RMB 20,000,000	-	100%	Property Investment
惠州市海倫堡房地產開發有限公司 Huizhou Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 22 October 2007	RMB 200,000,000	-	100%	Property development

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
惠州市俊光發展有限公司 Huizhou Junguang Real Estate Development Co., Ltd.	PRC/Mainland China/ 06 April 2005	RMB 50,000,000	-	100%	Property development
惠州市雅堡房地產開發有限公司 Huizhou Yabao Real Estate Development Co., Ltd.	PRC/Mainland China/ 19 March 2013	RMB 8,000,000	-	100%	Property development
惠州市振興投資實業有限公司 Huizhou Zhenxing Industrial Investment Co., Ltd.	PRC/Mainland China/ 26 November 1997	RMB 20,000,000	-	100%	Property development
惠州市廣潤房地產開發有限公司 Huizhou Guangrun Real Estate Development Co., Ltd.	PRC/Mainland China/ 16 November 2012	RMB 50,000,000	-	100%	Property development
惠州市恒岳房地產開發有限公司 Huizhou Hengyue Real Estate Development Co., Ltd.	PRC/Mainland China/ 05 June 2009	RMB 220,000,000	-	100%	Property development
惠州市宏信達房地產開發有限公司 Huizhou Hongxinda Real Estate Development Co., Ltd.	PRC/Mainland China/ 09 November 2007	RMB 1,000,000	-	100%	Property development
惠州市豐誠房地產開發有限公司 Huizhou Fengcheng Real Estate Development Co., Ltd.	PRC/Mainland China/ 17 February 2016	RMB 10,000,000	-	100%	Property development
惠州市佳澤房地產開發有限公司 Huizhou Jiaze Real Estate Development Co., Ltd.	PRC/Mainland China/ 12 June 2016	RMB 20,000,000	-	100%	Property development
惠州市萬盈實業有限公司 Huizhou Wanying Industrial Co., Ltd.	PRC/Mainland China/ 20 December 2011	RMB 30,000,000	-	100%	Property development
惠州市耀忠實業有限公司 Huizhou Yaozhong Real Estate Co.,Ltd.	PRC/Mainland China/26 February 2014	RMB 50,500,000	-	100%	Property development

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
惠州市千飾居裝飾工程有限公司 Huizhou Qianshiju Decoration Engineering Co., Ltd.	PRC/Mainland China/ 29 June 2010	RMB 10,000,000	-	100%	Property development
惠州科澤投資有限公司 Huizhou Keze Investment Co., Ltd.	PRC/Mainland China/ 27 December 2016	RMB 10,000,000	-	100%	Property investment
惠州市海倫堡置業有限公司 Huizhou Helenbergh Real Estate Co., Ltd.	PRC/Mainland China/ 05 December 2016	RMB 10,000,000	-	100%	Property investment
惠州市碩雄實業有限公司 Huizhou Shuoxiong Industrial Co., Ltd.	PRC/Mainland China/ 27 December 2016	RMB 10,000,000	-	100%	Property investment
惠州市華旭實業有限公司 Huizhou Huaxu Industrial Co., Ltd.	PRC/Mainland China/ 19 October 1992	RMB 8,000,000	-	100%	Property development
惠州大亞灣亞飛置業有限公司 Huizhou Dayawan Yafei Real Estate Co., Ltd.	PRC/Mainland China/ 22 February 2008	RMB 20,000,000	-	100%	Property development
惠州市天晨實業發展有限公司 Huizhou Tianchen Industrial Co., Ltd.	PRC/Mainland China/ 24 March 2011	RMB 1,000,000	-	100%	Property development
惠陽大林玻璃有限公司 Huiyang Dalin Glass Co., Ltd.	PRC/Mainland China/ 14 March 2000	HK$ 89,000,000	-	100%	Property development
鈺固金屬配件（惠陽）有限公司 Yugu Metal Accessories (Huiyang) Co., Ltd.	PRC/Mainland China/ 24 May 2001	RMB 15,085,795	-	100%	Property development
東莞市海倫堡房地產開發有限公司 Dongguan Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 16 September 2011	RMB 30,000,000	-	100%	Property development
東莞市源宏置業有限公司 Dongguan Yuanhong Real Estate Co., Ltd.	PRC/Mainland China/ 06 January 2016	RMB 20,000,000	-	100%	Property investment

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
東莞市禾潤房地產開發有限公司 Dongguan Herun Real Estate Development Co., Ltd.	PRC/Mainland China/ 09 April 2015	RMB 30,000,000	-	100%	Property development
東莞市東盈實業投資有限公司 Dongguan Dongying Industrial Investment Co., Ltd.	PRC/Mainland China/ 22 June 2009	RMB 1,000,000	-	100%	Property development
東莞海倫堡置業有限公司 Dongguan Helenbergh Real Estate Co., Ltd.	PRC/Mainland China/ 06 December 2016	RMB 10,000,000	-	100%	Property investment
東莞市海時企業管理有限公司 Dongguan Haishi Enterprise Management Co., Ltd.	PRC/Mainland China/ 23 December 2016	RMB 10,000,000	-	100%	Property investment
東莞聯投置業有限公司 Dongguan Liantou Real Estate Co., Ltd. *	PRC/Mainland China/ 14 March 2014	RMB 10,000,000	-	77%	Property development
昆明寶華房地產開發有限公司 Kuning Baohua Real Estate Development Co., Ltd.	PRC/Mainland China/ 29 March 2012	RMB 200,000,000	-	100%	Property development
昆明海典房地產開發有限公司 Kunming Haidian Real Estate Development Co., Ltd.	PRC/Mainland China/ 04 May 2014	RMB 20,000,000	-	100%	Property development
昆明市海倫堡房地產開發有限公司 Kunming Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 25 June 2009	RMB 50,000,000	-	100%	Property development
雲南天福房地產開發有限公司 Yunnan Tianfu Real Estate Development Co., Ltd.	PRC/Mainland China/ 19 September 2012	RMB 10,000,000	-	100%	Property development
上海金土木置業有限公司 Shanghai Jintumu Co., Ltd.	PRC/Mainland China/ 24 December 2007	RMB 242,000,000	-	100%	Property development
上海松江國際醫藥城有限公司 Shanghai Songjiang International Pharmaceutical City Co., Ltd.	PRC/Mainland China/ 30 May 2003	RMB 378,000,000	-	100%	Property development

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
上海先盛房地產開發有限公司 Shanghai Xinsheng Real Estate Development Co., Ltd.	PRC/Mainland China/ 02 April 2003	RMB 60,000,000	-	100%	Property development
上海海倫堡經濟發展有限公司 Shanghai Helenbergh Economic Development Co., Ltd.	PRC/Mainland China/ 13 January 2017	RMB 10,000,000	-	100%	Property investment
武漢市海倫堡房地產開發有限公司 Wuhan Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 26 March 2012	RMB 50,000,000	-	100%	Property development
武漢澳興置業有限公司 Wuhan Aoxing Real Estate Co., Ltd. *	PRC/Mainland China/ 18 May 2006	RMB 30,000,000	-	90%	Property development
武漢市頤海房地產開發有限公司 Wuhan Yihai Real Estate Development Co., Ltd.	PRC/Mainland China/ 23 September 2015	RMB 50,000,000	-	100%	Property development
武漢市海頤房地產開發有限公司 Wuhan Haiyi Real Estate Development Co., Ltd.	PRC/Mainland China/ 09 December 2015	RMB 20,000,000	-	100%	Property development
武漢運源置業有限公司 Wuhan Yunyuan Real Estate Co., Ltd.	PRC/Mainland China/ 18 April 2008	RMB 10,000,000	-	100%	Property development
武漢聚誠再創置業有限公司 Wuhan Juchengzaichuang Real Estate Co., Ltd.	PRC/Mainland China/ 23 October 2013	RMB 10,000,000	-	100%	Property development
武漢碩浩房地產投資有限公司 Wuhan Shuohao Real Estate Investment Co., Ltd.	PRC/Mainland China/ 23 December 2016	RMB 10,000,000	-	100%	Property investment
西安德茂興房地產開發有限公司 Xi'an Demaoxing Real Estate Development Co., Ltd.	PRC/Mainland China/ 29 November 2007	RMB 50,000,000	-	100%	Property development

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
西安鑅振房地產開發有限公司 Xi'an Hengzhen Real Estate Development Co., Ltd. *	PRC/Mainland China/ 23 April 2010	RMB 8,000,000	-	95%	Property development/ not yet commenced operation
西安雅柏文置業有限公司 Xi'an Yabowen Real Estate Co., Ltd.	PRC/Mainland China/ 18 March 2010	RMB 10,000,000	-	100%	Property development
西安寶澤房地產開發有限公司 Xi'an Baoze Real Estate Development Co., Ltd.	PRC/Mainland China/ 01 April 2016	RMB 10,000,000	-	100%	Property development
陝西美豪瑞特置業有限公司 Shanxi Meihaoruite Real Estate Co., Ltd.	PRC/Mainland China/ 21 July 2011	RMB 12,000,000	-	100%	Property development/ not yet commenced operation
肇慶市高誠房地產開發有限公司 Zhaoqing Gaocheng Real Estate Development Co., Ltd.	PRC/Mainland China/ 08 January 2007	RMB 20,000,000	-	100%	Property development
肇慶市佳澤置業有限公司 Zhaoqing Jiaze Real Estate Co., Ltd.	PRC/Mainland China/ 15 May 2017	RMB 20,000,000	-	100%	Property development/ not yet commenced operation
肇慶市高澤企業管理有限公司 Zhaoqing Gaoze Enterprise Management Co., Ltd.	PRC/Mainland China/ 09 August 2017	RMB 10,000,000	-	100%	Property leasing
肇慶市昆隆房地產開發有限公司 Zhaoqing Kunlong Real Estate Development Co., Ltd.	PRC/Mainland China/ 25 September 2006	RMB 20,374,700	-	100%	Property development
肇慶市宏潤房地產開發有限公司 Zhaoqing Hongrun Real Estate Development Co., Ltd.	PRC/Mainland China/ 03 November 2017	RMB 20,000,000	-	100%	Property investment
四會市海倫堡房地產開發有限公司 Sihui Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 29 January 2008	RMB 20,000,000	-	100%	Property development

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
中山市海倫堡房地產開發有限公司 Zhongshan Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 9 May 2005	RMB 10,000,000	-	100%	Property development
中山市宏澤房地產開發有限公司 Zhongshan Hongze Real Estate Development Co., Ltd.	PRC/Mainland China/ 12 January 2010	RMB 30,000,000	-	100%	Property development
中山市金源房地產開發有限公司 Zhongshan Jinyuan Real Estate Development Co., Ltd.	PRC/Mainland China/ 16 March 2000	RMB 40,000,000	-	100%	Property development
中山市山河房地產開發有限公司 Zhongshan Shanhe Real Estate Development Co., Ltd.	PRC/Mainland China/ 29 September 2009	RMB 20,000,000	-	100%	Property development
中山市益泰房地產開發有限公司 Zhongshan Yitai Real Estate Development Co., Ltd.	PRC/Mainland China/ 25 August 2006	RMB 21,380,000	-	100%	Property development
中山市鴻業房地產開發有限公司 Zhongshan Hongye Real Estate Development Co., Ltd.	PRC/Mainland China/ 19 September 2007	RMB 30,000,000	-	100%	Property development
中山市恒泰商業投資有限公司 Zhongshan Hengtai Commercial Investment Co., Ltd.	PRC/Mainland China/ 11 August 2011	RMB 100,000,000	-	100%	Property leasing
中山市天鍵電子工業有限公司 Zhongshan Tianjian Electronics Industry Co., Ltd.	PRC/Mainland China/ 18 April 1997	RMB 129,000,000	-	100%	Property development/ not yet commenced operation
中山華信置業房產開發有限公司 Zhongshan Huaxin Real Estate Development Co., Ltd.	PRC/Mainland China/ 10 January 1994	RMB 20,000,000	-	100%	Property development
中山市浩運投資有限公司 Zhongshan Haoyun Investment Co., Ltd.	PRC/Mainland China/ 29 December 2016	RMB 10,000,000	-	100%	Property investment

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
中山市智建投資有限公司 Zhongshan Zhijian Investment Co., Ltd.	PRC/Mainland China/ 6 April 2010	RMB 1,000,000	-	100%	Property development/ not yet commenced operation
中山浩和置業有限公司 Zhongshan Haohe Real Estate Co., Ltd.	PRC/Mainland China/ 02 July 2003	RMB 10,000,000	-	100%	Property development
江門市晟輝房地產開發有限公司 Jiangmen Shenghui Real Estate Development Co., Ltd.	PRC/Mainland China/ 12 December 2013	RMB 1,000,000	-	100%	Property development
江門市萬城房地產發展有限公司 Jiangmen Wancheng Real Estate Development Co., Ltd.	PRC/Mainland China/ 19 January 2007	RMB 20,000,000	-	100%	Property development
江門泰山房地產有限公司 Jiangmen Taishan Real Estate Co., Ltd.	PRC/Mainland China/ 19 January 2005	RMB 30,000,000	-	100%	Property development
開平市開屏海倫堡房地產開發有限公司 Kaiping Kaiping Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 18 November 2005	RMB 10,000,000	-	100%	Property development
珠海市廣匯房地產發展有限公司 Zhuhai Guanghui Real Estate Development Co., Ltd. **	PRC/Mainland China/ 19 October 2007	RMB 250,000,000	-	100%	Property development
珠海市星普科技有限公司 Zhuhai Xingpu Technology Co., Ltd*	PRC/Mainland China/ 12 April 2013	RMB 204,000,000	-	51%	Property development
成都一方投資有限公司 Chengdu Yifang Investment Co., Ltd. *	PRC/Mainland China/ 23 August 2011	RMB 50,000,000	-	95%	Property development
四川聯興房地產開發有限公司 Sichuan Lianxing Real Estate Development Co., Ltd.	PRC/Mainland China/ 07 November 1997	RMB 30,000,000	-	100%	Property development
成都太華置業有限公司 Chengdu Taihua Real Estate Co., Ltd.	PRC/Mainland China/ 24 January 2011	RMB 50,000,000	-	100%	Property development

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
成都杉友投資有限公司 Chengdu Shanyou Investment Co., Ltd.	PRC/Mainland China/ 22 February 2010	RMB 150,000,000	-	100%	Property development
成都碩浩企業管理有限公司 Chengdu Shuohao Enterprise Management Co., Ltd.	PRC/Mainland China/ 13 December 2016	RMB 10,000,000	-	100%	Property leasing
成都誠浩企業管理有限公司 Chengdu Chenghao Enterprise Management Co., Ltd.	PRC/Mainland China/ 08 February 2017	RMB 10,000,000	-	100%	Property leasing
成都欣弘騰置業有限責任公司 Chengdu Xinhongteng Real Estate Co., Ltd.	PRC/Mainland China/ 20 November 2009	RMB 30,000,000	-	100%	Property development/ not yet commenced operation
南京綠都房地產開發有限公司 Nanjing Lvdu Real Estate Development Co., Ltd.	PRC/Mainland China/ 13 March 2014	RMB 100,000,000	-	100%	Property development
南京潤澤房地產投資有限公司 Nanjing Runze Real Estate Investment Co., Ltd.	PRC/Mainland China/ 23 December 2016	RMB 10,000,000	-	100%	Property investment
香河海倫堡房地產開發有限公司 Xianghe Helenbergh Real Estate Development Co., Ltd.	PRC/Mainland China/ 01 June 2016	RMB 20,000,000	-	100%	Property investment
香河鑫國聯房地產開發有限責任公司 Xianghe Xinguolian Real Estate Development Co., Ltd.	PRC/Mainland China/ 14 May 2010	RMB 500,000,000	-	100%	Property development/ not yet commenced operation
杭州海倫堡置業有限公司 Hangzhou Helenbergh Real Estate Co., Ltd.	PRC/Mainland China/ 12 April 2017	RMB 10,000,000	-	100%	Property investment
杭州海磊實業有限公司 Hangzhou Hailei Industrial Co., Ltd.	PRC/Mainland China/ 03 May 2017	RMB 10,000,000	-	100%	Property investment
杭州海馨實業有限公司 Hangzhou Haixin Industrial Co., Ltd.	PRC/Mainland China/ 12 May 2017	RMB 10,000,000	-	100%	Property investment

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporated/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
杭州海融實業有限公司 Hangzhou Hairong Industrial Co., Ltd.	PRC/Mainland China/ 10 July 2017	RMB 10,000,000	-	100%	Property investment
杭州東田上庭置業有限公司 Hangzhou Dongtianshangting Real Estate Development Co., Ltd.	PRC/Mainland China/ 28 February 2008	RMB 70,000,000	-	100%	Property development
浙江豪都房地產開發有限公司 Zhejiang Haodu Real Estate Development Co., Ltd.	PRC/Mainland China/ 09 October 2006	RMB 50,000,000	-	100%	Property development
杭州蕭山創新科技園有限公司 Hangzhou Xiaoshan Creative Science Park Co., Ltd.	PRC/Mainland China/ 18 September 2009	RMB 120,000,000	-	100%	Property development
慈溪市海倫堡置業有限公司 Cixi Helenbergh Real Estate Co., Ltd	PRC/Mainland China/ 08 November 2017	RMB 276,000,000	-	100%	Property development
寧波滕頭謝家路置業有限公司 Ningbo Tengtou Xiejia Road Real Estate Co., Ltd	PRC/Mainland China/ 17 January 2013	RMB 41,425,926	-	100%	Property development
北京德翔企業管理有限公司 Beijing Dexiang Enterprise Management Co., Ltd.	PRC/Mainland China/ 30 December 2016	RMB 10,000,000	-	100%	Property investment
北京海磊企業管理有限公司 Beijing Hailei Enterprise Management Co., Ltd.	PRC/Mainland China/ 24 May 2017	RMB 10,000,000	-	100%	Property leasing
合肥粵港置業投資有限公司 Hefei Yuegang Real Estate Investment Co., Ltd.	PRC/Mainland China/ 12 September 2013	RMB 30,000,000	-	100%	Property development
富尚投資有限公司 Fushang Investment Co., Ltd.	Hong Kong/ 11 November 2013	HK$ 1	-	100%	Property investment
永清聚信房地產開發有限公司 Yongqing Real Estate Development Co., Ltd.**	PRC/Mainland China/ 28 October 2016	RMB 100,000,000	-	100%	Property development
諸暨市柏匯置業有限公司 Zhuji Bohui Real Estate Co., Ltd.	PRC/Mainland China/ 27 February 2014	RMB 100,000,000	-	100%	Property development

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
諸暨恒博房地產開發有限公司 Zhuji Hengbo Real Estate Development Co., Ltd.	PRC/Mainland China/25 February 2014	RMB 100,000,000	-	100%	Property development
霸州市冠城港益房地產開發有限公司 Bazhou Guanchenggangyi Real Estate Development Co., Ltd.	PRC/Mainland China/ 04 March 2008	RMB 50,000,000	-	100%	Property development
海寧紫金置業有限公司 Haining Zijin Real Estate Co., Ltd.	PRC/Mainland China/ 22 June 2017	RMB 20,000,000	-	100%	Property development
宜春市同力置業有限公司 Yichun Tongli Real Estate Co., Ltd.	PRC/Mainland China/ 12 January 2018	RMB 10,000,000	-	100%	Property development/ not yet commenced operation
福州佳禾房地產開發有限公司 Fuzhou Jiahe Real Estate Development Co., Ltd.	PRC/Mainland China/ 29 December 2006	RMB 63,000,000	-	100%	Property development
龍岩市潤成房地產開發有限公司 Longyan Runcheng Real Estate Development Co., Ltd.	PRC/Mainland China/ 16 April 2018	RMB 20,000,000	-	100%	Property development
昆山碩浩房地產開發有限公司 Kunshan Shuohao Real Estate Development Co.,Ltd.	PRC/Mainland China/ 17 August 2018	RMB 20,000,000	-	100%	Property development
嘉興港區海诚房地產開發有限公司 Jiaxing Bay Haicheng Real Estate Development Co.,Ltd.	PRC/Mainland China/ 06 August 2018	RMB 360,000,000	-	100%	Property development
宜興潤澤房地產開發有限公司 Yixing Runze Real Estate Development Co.,Ltd.	PRC/Mainland China/ 05 July 2018	RMB 10,000,000	-	100%	Property development
南充固美建材有限公司 Nanchong Gumei Building Materials Co.Ltd.	PRC/Mainland China/ 11 April 2003	RMB 260,000,000	-	100%	Property development

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
惠州市深智房地產開發有限公司 Huizhou Shenzhi Real Estate Development Co.,Ltd.	PRC/Mainland China/ 05 February 2007	RMB 5,000,000	-	100%	Property development
南通鑫乾置業有限公司 Nantong Xinqian Real Estate Co.,Ltd.*	PRC/Mainland China/ 15 September 2011	RMB 66,670,000	-	70%	Property development
紹興錦嘉置業有限公司 Shaoxing Jinjiao Real Estate Co.,Ltd.*	PRC/Mainland China/ 25 July 2018	RMB 20,408,163	-	51%	Property development
惠州聖大置業有限公司 Huizhou Shengda Real Estate Co.,Ltd.	PRC/Mainland China/ 14 October 2016	RMB 70,000,000	-	100%	Property development
中山市海粵房地產有限公司 Zhongshan Haiyue Real Estate Co., Ltd.***	PRC/Mainland China/ 26 April 1993	RMB 300,000,000	-	100%	Property development
惠州市栩燁房地產開發有限公司Huizhou Xuye Real Estate Development Co., Ltd.*	PRC/Mainland China/ 25 February 2013	RMB 175,000,000	-	80%	Property development
惠東縣弘誠實業發展有限公司Huidong Hongcheng Properties Development Co., Ltd.*	PRC/Mainland China/ 02 September 2009	RMB 200,000,000	-	51%	Property development
惠東縣中毅房地產有限公司 Huidong Zhongyi Real Estate Development Co., Ltd.*	PRC/Mainland China/ 29 October 2007	RMB 25,000,000	-	51%	Property development
鎮江啟迪協信科技城發展有限公司 Zhenjiang Qidi Xiexin Science and Technology City Development Co., Ltd.	PRC/Mainland China/ 24 November 2017	RMB 150,000,000	-	100%	Property development/ not yet commenced operation
鎮江啟迪協信遠太房地產開發有限公司 Zhenjiang Qidi Xiexin Yuantai Real Estate Development Co., Ltd.*	PRC/Mainland China/ 12 December 2017	RMB 214,285,714	-	70%	Property development
東莞市新浩寶業投資有限公司Dongguan Xinhao Properties Investment Co., Ltd. *	PRC/Mainland China/ 07 August 2009	RMB 15,000,000	-	65%	Property investment

NOTES TO FINANCIALSTATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
雲南錫合房地產開發有限公司Yunnan Xihe Real Estate Development Co., Ltd.	PRC/Mainland China/23 August 2010	RMB 170,000,000	-	100%	Property development
啟迪協信博科科技園發展（蘇州）有限公司 Tus Union science and Technology Park Development (Suzhou) Co., Ltd.*	PRC/Mainland China/20 June 2017	RMB 50,000,000	-	50%	Property development
湖州遠輝房地產開發有限公司Huzhou Yuanhui Real Estate Development Co., Ltd.*	PRC/Mainland China/19 January 2018	RMB 50,000,000	-	95%	Property development
山東哈工大機器人置業有限公司Shandong Harbin University of technology robot real estate Co., Ltd. ***	PRC/Mainland China/27 March 2018	RMB 10,000,000	-	100%	Property development/ not yet commenced operation
北京哈工智能房地產開發有限公司Beijing hagong intelligent real estate development Co., Ltd. ***	PRC/Mainland China/7 March 2018	RMB 100,000,000	-	100%	Property investment
廣東嘉冠房地產開發有限公司Guangdong Jiaguan Real Estate Development Co., Ltd. ***	PRC/Mainland China/13 December 2016	RMB 100,000,000	-	100%	Property development
湖州協信房地產開發有限公司Huzhou Xiexin Real Estate Development Co., Ltd.*	PRC/Mainland China/20 December 2017	RMB 50,000,000	-	95%	Property development

1. **CORPORATE INFORMATION (continued)**

* These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

** The equity interests in these entities legally held by the Group are less than the beneficiary interests which are attributable to the trust financing arrangements with the third party financing institutes that the Group legally transferred certain equity interests of these entities as collateral as at the date of this report.

Under the aforesaid financing arrangements, the Group is obliged to repurchase at a fixed amount on a future date upon repayment of those borrowings from those financial institutes that the Group transferred certain equity interests of these entities. Meanwhile, the Group retains the power to operate and manage these entities in the ordinary course of business. In this regard, considering the facts that the substance of those trust financing arrangements is to collateralise part of the Group's equity interests in these entities for the borrowings used for project development and the Group retains the practical ability to govern the financial and operating policies of these entities so as to obtain benefits from the operating activities of these entities, the directors of the Company are of the opinion that the financial position and operating results of these entities should be consolidated into these financial statements in full, irrespectively of the equity transfers from the legal perspective.

*** These companies were acquired by the Group during the year ended 31 December 2019 with certain equity interests therein legally retained by the former shareholders as a guarantee to the settlement of the remaining considerations for acquisition. In the view of the Company's directors, pursuant to the relevant equity transfer agreements, the Group is in substance entitled to the entire equity interests of those entities and governs the financial and operating policies of these companies so as to obtain benefits from the operating activities of these companies, therefore, the Group has accounted for those companies as subsidiaries and has consolidated their equity interests in full into these financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the Company's directors, principally affected the results for the reporting period, or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length.

The English names of all group companies registered in the PRC represent the best efforts made by the directors of the Company to translate the Chinese names of these companies as they do not have official English names.

None subsidiary of the Group has been audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the IASB. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation
The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Basis of consolidation(continued)
When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 16 *Leases*

IFRS 16 replaces IAS 17 Leases, IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases - Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease
Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16
The Group has lease contracts for various items of properties, such as offices and employee dormitories. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables, deposits received and accruals for current portion of lease liabilities. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying IAS 40.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	RMB'000
Assets	
Increase in other right-of-use assets	5,561
Liabilities	
Increase in lease liabilities	5,561

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000
Operating lease commitments as at 31 December 2018 (note 33)	11,159
Weighted average incremental borrowing rate as at 1 January 2019	9.78%
Discounted operating lease commitments as at 1 January 2019	8,826
Less: Commitments relating to leases with a remaining lease term ending on or before 31 December 2019	(3,265)
Lease liabilities as at 1 January 2019	5,561

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to adopt them, if applicable, when they become effective.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] No mandatory effective date yet determined but available for adoption

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has adopted the amendments prospectively from 1 January 2019. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group has not been affected by these amendments on the date of transition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations other than those under common control and goodwill

Business combinations other than those under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Business combinations other than those under common control combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures are included in the consolidated statements of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investment in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in associate and a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties and unlisted fund investments classified as available-for-sale investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in these financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in these financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, properties under development, completed properties held for sale, deferred tax assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior year. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;
(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
(iii) the entity and the Group are joint ventures of the same third party;
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
(vi) the entity is controlled or jointly controlled by a person identified in (a);
(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.38%
Motor vehicles	23.75%
Office equipment	19-31.67%
Leasehold improvements	20.00%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period .

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

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Transfer to or from investment property
Transfers to or from investment property shall be made when and only when there is a change in use evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
(b) commencement of development with a view to sale, for a transfer from investment property to inventories;
(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
(d) inception of an operating lease to another party, for a transfer from inventories to investment property.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

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

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor areas ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over their estimated useful lives of 5 to10 years.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Prepaid land lease payments	50 to 70 years
Properties	1 to 4 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties under development" and "completed properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in other payables, deposits received and accruals for current portion of lease liabilities.

(c) Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessor
When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments

Prepaid land lease payments, representing prepayments for leasehold land for development for future sale in the ordinary course of business, are also right-of-use assets and therefore, initially recognised at cost in accordance with IFRS 16 starting from 1 January 2019 as described above. They are subsequently stated at the lower of cost and net realisable value if they are held for inventories purpose, of which those within normal operating cycle are classified as current assets, while those out of the normal operating cycle are classified as non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)
For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets designated at fair value through other comprehensive income (equity investments) (continued)

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 6 months past due.

The Group considers a financial asset in default when contractual payments are 12 months past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach
For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to an associate, amounts due to related parties and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loan and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period .

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from the sales of properties and services provided in the ordinary course of the Group's activities. Revenue is shown, net of taxes.

Revenue from contracts with customers-Sales of properties
Revenues are recognised when or as the control of the asset is transferred to the purchaser. 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 benefits which are received and consumed simultaneously by the purchaser; or
- creates and enhances an asset that the purchaser controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from other sources-Rental income
Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

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

Revenue from other sources-Dividend income
Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Incremental costs of obtaining a contract with a customer are recognised as deferred commission for external agents in other non-current assets in the statement of financial position if those costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Employee retirement benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Items included in these financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in the PRC. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the financial periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in these financial statements:

Classification between investment properties and completed properties held for sale
The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Provision for properties under development and completed properties held for sale
The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

PRC corporate income tax ("CIT")
The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")
The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

Estimate of fair value of investment properties
Investment properties under construction carried at fair value, were revalued at the end of the reporting period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin. The carrying amounts of investment properties at 31 December 2019 were RMB16,126,500,000 (2018: RMB14,318,200,000).

Deferred tax assets
Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 18 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group was principally engaged in the property development and property leasing business. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information
No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers
No revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the reporting period.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the sale of properties and rental income during the year.

An analysis of revenue and other income and gains is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue		
Sale of properties	20,755,993	17,370,413
Rental income	210,238	147,115
	20,966,231	17,517,528
Represented by:		
Revenue from the sale of properties:		
Recognised at a point in time	20,755,993	17,370,413
Revenue from rental income:		
Recognised over time	210,238	147,115
	20,966,231	17,517,528

	Notes	Year ended 31 December	
		2019	2018
		RMB'000	RMB'000
Other income and gains			
Interest income		66,099	81,014
Gain on disposal of subsidiaries	30	20	6,305
Gain on bargain purchases of subsidiaries	29	-	110,619
Compensation income		68,722	13,781
Gain on disposal of certain investment properties		15,696	-
Others		33,600	62,979
		184,137	274,698

NOTES TO FINANCIALSTATEMENTS (continued)

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cost of inventories sold	17	14,849,507	12,856,495
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		27,871	27,955
Depreciation of property, plant and equipment	9	32,899	28,199
Depreciation of right-of-use assets	11	5,488	-
Amortisation of other intangible assets*	12	3,370	3,064
Reversal of trade receivables, net	18	(330)	(905)
Impairment of prepayments, deposits and other receivables, net		16,054	2,487
Fair value gain on investment properties	10	733,575	(768,249)
Gain on disposal of subsidiaries**	5	(20)	(6,305)
Gain on bargain purchases of certain subsidiaries**	5	-	(110,619)
Gain on disposal of certain investment properties		15,696	-
Minimum lease payments under operating leases		-	9,105
Lease payments not included in the measurement of lease liabilities	11	21,860	-
Amortisation of deferred commission for external agents		483,325	334,436
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		572,655	517,870
Pension scheme contributions (defined contribution scheme)		98,770	89,909
Total employee benefit expense		671,425	607,779

* It is included in administrative expenses in profit or loss.

** They are included in other income and gains in profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Interest on bank and other borrowings	3,347,353	2,313,164
Less: Interest capitalised	(2,923,571)	(2,042,608)
Interest on lease liabilities (note 11(e))	1,292	-
	425,074	270,556

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the entities within the Group incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits arising in Hong Kong during the year.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax ("CIT") rate of 25% for the year. Two of the subsidiaries, namely, Guangdong Hesheng Engineering Design Co., Ltd and Guangdong Ruizhu marketing planning Co., Ltd are eligible to enjoy a preferential tax rate of 15% pursuant to tax policies for Liannan county. Four of the subsidiaries, namely, Xizang Lishuang Trading Co., Ltd, Xizang Rijia Trading Co., Ltd, Xizang Woying marketing planning Co., Ltd and Xizang Woya marketing planning Co., Ltd are eligible to enjoy a preferential tax rate of 9% pursuant to tax policies for Tibet. Three of the subsidiaries, namely, Xinjiang Wosheng marketing planning Co., Ltd, Xinjiang Wojia marketing planning Co., Ltd and Xinjiang Aoersen Engineering Design Service Co., Ltd are eligible to enjoy the preferential tax exemption pursuant to tax policies for Kashi, Xinjiang.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current tax:		
PRC CIT	1,064,931	1,034,577
PRC LAT	951,908	682,411
Deferred tax (note 14)	(122,036)	(354,476)
Total tax charge for the year	1,894,803	1,362,512

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and most of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the year is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before tax	4,416,654	3,618,742
At the statutory income tax rate	1,104,164	904,686
Effect of different tax levy enacted by local authorities*	(59,955)	(29,166)
Expenses not deductible for tax	83,422	40,258
Income not subject to tax	(57,204)	(31,013)
Tax losses and temporary differences utilised from prior year	(11,471)	(68,356)
Deductible temporary differences not recognised	7,247	14,840
Tax losses not recognised	31,219	31,945
Provision for LAT	951,908	682,411
Tax effect on LAT	(237,977)	(170,603)
Others	83,450	(12,490)
Tax charge at the Group's effective rate	1,894,803	1,362,512

* The amount includes the effect of lower tax levy under assessment and the collection mode of certain subsidiaries enacted by local authorities.

8. INCOME TAX (continued)

Tax payable in the consolidated statements of financial position represents:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Tax payable		
PRC corporate income tax	1,102,058	1,013,202
PRC LAT	882,050	670,735
	1,984,108	1,683,937

NOTES TO FINANCIALSTATEMENTS (continued)

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Office equipment	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2019					
At 31 December 2018 and 1 January 2019:					
Cost	224,198	79,070	58,318	17,324	378,910
Accumulated depreciation	(25,858)	(52,565)	(42,104)	(3)	(120,530)
Net carrying amount	198,340	26,505	16,214	17,321	258,380
At 1 January 2019, net of accumulated depreciation	198,340	26,505	16,214	17,321	258,380
Additions	2,949	4,563	6,756	20,450	34,718
Acquisitions of subsidiaries	-	657	1,001	-	1,658
Disposal	(4,401)	(91)	(435)	-	(4,927)
Depreciation provided during the year	(5,809)	(7,197)	(11,965)	(7,928)	(32,899)
At 31 December 2019, net of accumulated depreciation	191,079	24,437	11,571	29,843	256,930
At 31 December 2019					
Cost	222,746	82,740	63,466	37,774	406,726
Accumulated depreciation	(31,667)	(58,303)	(51,895)	(7,931)	(149,796)
Net carrying amount	191,079	24,437	11,571	29,843	256,930
31 December 2018					
At 1 January 2018:					
Cost	223,159	72,013	41,249	-	336,421
Accumulated depreciation	(23,283)	(48,697)	(28,990)	-	(100,970)
Net carrying amount	199,876	23,316	12,259	-	235,451
At 1 January 2018, net of accumulated depreciation	199,876	23,316	12,259	-	235,451
Additions	6,294	16,560	21,660	17,324	61,838
Transferred from properties under development (note 16)	4,400	-	-	-	4,400
Acquisitions of subsidiaries	-	2,634	12,959	-	15,593
Disposal of subsidiaries	(7,100)	(1,128)	(909)	-	(9,137)
Disposal	(411)	(9,153)	(12,002)	-	(21,566)
Depreciation provided during the year	(4,719)	(5,724)	(17,753)	(3)	(28,199)
At 31 December 2018, net of accumulated depreciation	198,340	26,505	16,214	17,321	258,380
At 31 December 2018					
Cost	224,198	79,070	58,318	17,324	378,910
Accumulated depreciation	(25,858)	(52,565)	(42,104)	(3)	(120,530)
Net carrying amount	198,340	26,505	16,214	17,321	258,380

9. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2019, no property, plant and equipment (2018: nil) have been pledged to secure bank and other borrowings granted to the Group.

10. INVESTMENT PROPERTIES

	Under construction	Completed	Total
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January 2018	5,018,200	8,257,400	13,275,600
Additions	730,422	26,110	756,532
Transferred from prepaid land lease payments (note 11)	313,393	-	313,393
Transferred from properties under development (note 16)	617,626	-	617,626
Transferred to completed properties held for sale (note 17)	-	(480,500)	(480,500)
Disposal of a subsidiary (note 30)	-	(932,700)	(932,700)
Net gain from a fair value adjustment	572,114	196,135	768,249
Transfers	(200,255)	200,255	-
Carrying amount at 31 December 2018 and 1 January 2019	7,051,500	7,266,700	14,318,200
Additions	1,810,330	11,306	1,821,636
Transferred from prepaid land lease payments (note 11)	79,225	-	79,225
Disposal of certain investment properties	-	(826,136)	(826,136)
Net gain/(loss) from a fair value adjustment	751,655	(18,080)	733,575
Transfers	(2,393,610)	2,393,610	-
Carrying amount at 31 December 2019	7,299,100	8,827,400	16,126,500

10. INVESTMENT PROPERTIES (continued)

The Group's investment properties are situated in Mainland China. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB16,126,500,000 (2018: RMB14,318,200,000). The Group's general manager of the accounting department decides, after approval from the chief executive officer, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's general manager of accounting department has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

At 31 December 2019, certain of the Group's investment properties with aggregate carrying amounts of RMB3,778,785 ,000 (2018: RMB 6,422,435,000), respectively, have been pledged to secure bank and other borrowings granted to the Group (note 25).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for				
Commercial properties				
Under construction	-	-	7,299,100	7,299,100
Completed	-	-	8,827,400	8,827,400
	-	-	16,126,500	16,126,500

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for				
Commercial properties				
Under construction	-	-	7,051,500	7,051,500
Completed	-	-	7,266,700	7,266,700
	-	-	14,318,200	14,318,200

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

10. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range 2019	2018
Completed commercial properties	Income capitalisation method	Estimated rental value (per square metre and per month)	RMB32-RMB267	RMB35-RMB263
		Capitalisation rate	3.0%-5.5%	3.0%-5.5%
Commercial properties under construction	Market comparison method	Expected profit margin	15%-20%	15%-20%

The fair value of completed commercial properties is determined by the income capitalisation method by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of commercial properties under construction is determined by using the market comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the property assuming it was completed and, where appropriate, after deducting the following items:

- Estimated construction cost and professional fees to be expensed to complete the properties that would be incurred by a market participant; and
- Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher of the estimated construction cost would result in the lower fair value of the investment properties under construction.

The higher expected profit margin would result in the lower fair value of the investment properties under construction.

11. LEASE

The Group as a lessee
The Group has lease contracts for various items of properties, such as offices and employee dormitories. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Prepaid land lease payments (before 1 January 2019)

	RMB'000
Carrying amount at 1 January 2018	4,050,239
Addition during the year	5,861,311
Acquisitions of subsidiaries (note 29)	2,520,576
Disposal of subsidiaries (note 30)	(18,273)
Transferred to properties under development (note 16)	(594,903)
Transferred to investment properties (note 10)	(313,393)
Carrying amount at 31 December 2018	11,505,557
Less: Current portion	11,505,557
Non-current portion	-

(b) Right-of-use assets- Prepaid land lease payments

	RMB'000
Carrying amount at 1 January 2019	11,505,557
Addition during the year	1,017,317
Acquisitions of subsidiaries (note 29)	2,886,116
Transferred to properties under development (note 16)	(7,236,193)
Carrying amount at 31 December 2019	8,172,797
Less: Current portion	8,172,797
Non-current portion	-

At 31 December 2019, certain of the Group's prepaid land lease payments with aggregate carrying amounts of approximately RMB116,629,000 (2018: RMB3,015,364,000), have been pledged to secure bank and other borrowings granted to the Group (note 25).

11. LEASE (continued)

(c) Other right-of-use assets

The carrying amounts of the Group's other right-of-use assets and the movements during the year are as follows:

	RMB'000
As at 1 January 2019	5,561
Additions	12,916
Depreciation charge (note 6)	(5,488)
As at 31 December 2019	12,989

(d) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	RMB'000
Carrying amount at 1 January 2019	5,561
New leases	12,916
Accretion of interest recognised during the year	1,292
Payments	(9,517)
Carrying amount at 31 December 2019	10,252
Analysed into:	
Current portion	5,541
Non-current portion	4,711

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

(e) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities (note 7)	1,292
Depreciation charge of right-of-use assets	5,488
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	21,860
Total amount recognised in profit or loss	28,640

(f) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 31 and 33, respectively, to the financial statements.

11. LEASE (continued)

The Group as a lessor
The Group leases its investment properties (note 10) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB210,238,000 (2018: RMB147,115,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Within one year	219,977	255,563
In the second to fifth years, inclusive	430,408	588,241
After five years	348,828	480,263
	999,213	1,324,067

12. OTHER INTANGIBLE ASSETS

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Software		
At beginning of the year		
Cost	30,009	23,701
Accumulated amortisation	(12,688)	(9,724)
Net carrying amount	17,321	13,977
Carrying amount at the beginning of the year	17,321	13,977
Additions	4,031	7,000
Acquisitions of subsidiaries (note 29)	9	11
Disposal	(5)	(1)
Disposal of subsidiaries (note 30)	-	(602)
Amortisation provided during the year (note 6)	(3,370)	(3,064)
Carrying amount at end of the year	17,986	17,321
At end of the year:		
Cost	35,057	30,009
Accumulated amortisation	(17,071)	(12,688)
Net carrying amount	17,986	17,321

13(a). INVESTMENTS IN JOINT VENTURES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Share of net assets	670,181	546,955
Goodwill on acquisition	170,184	170,184
	840,365	717,139

(i) Particulars of the Group's joint ventures

Name of company	Place and year of registration	Paid-in capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
仁壽德勝房地產開發有限公司 Renshou Desheng Real Estate Development Co., Ltd. ("Renshou Desheng")[1]	Meishan, PRC 2010	RMB 11,940,000	33.00%	50.00%	33.00%	Property development
無錫協能企業管理有限公司 Wuxi Xieneng Enterprise Management Co., Ltd. ("Wuxi Xieneng")[2]	Wuxi, PRC 2017	RMB 70,000,000	49.00%	50.00%	49.00%	Property development
杭州啟迪協信智慧企業發展有限公司 Hangzhou Qidi Xiexin Intelligent Enterprise Development Co., Ltd. ("Hangzhou Qidi Xiexin")[3]	Hangzhou, PRC 2017	RMB 76,266,000	40.67%	50.00%	40.67%	Property development

1. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Renshou Desheng in June 2018, the Group acquired a 33.00% equity interest in Renshou Desheng for a total consideration of RMB718,000,000.

2. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Wuxi Xieneng in December 2019, the Group acquired a 49.00% equity interest in Wuxi Xieneng for a total consideration of RMB55,494,000.

3. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Hangzhou Qidi Xiexin in December 2019, the Group acquired a 40.67% equity interest in Hangzhou Qidi Xiexin for a total consideration of RMB70,983,000.

13(a). INVESTMENTS IN JOINT VENTURES (continued)

(ii) Renshou Desheng possesses certain parcels of land domiciled in Meishan city, Sichuan Province. The Group partnered with the independent joint venturer to develop residential properties thereon and accounted for the investment in Renshou Desheng using the equity method which is calculated based on its economic interest as agreed attributable to the Group pursuant to the contractual arrangements with the joint venturer.

The following table illustrates the summarised financial information in respect of Renshou Desheng adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets	933	-
Cash and cash equivalents	48,848	50,263
Other current assets	2,241,342	2,240,620
Current assets	2,290,190	2,290,883
Current liabilities	74,645	73,676
Non-current liabilities	559,767	559,767
Net assets	1,656,711	1,657,440
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	33%	33%
Group's share of net assets of the joint venture, excluding goodwill	546,715	546,955
Goodwill on acquisition	170,184	170,184
Carrying amount of the investment	716,899	717,139
Revenue	-	3,343
Expenses	(728)	(5,952)
Loss and total comprehensive loss for the year	(728)	(2,609)

13(a). INVESTMENTS IN JOINT VENTURES (continued)

(iii) Wuxi Xieneng possesses certain parcels of land domiciled in Wuxi city, Jiangsu Province. The Group partnered with the independent joint venturer to develop residential properties thereon and accounted for the investment in Wuxi Xieneng using the equity method.

The following table illustrates the summarised financial information in respect of Wuxi Xieneng adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	At 31 December 2019 RMB'000
Non-current assets	8,046
Cash and cash equivalents	303,031
Other current assets	2,543,395
Current assets	2,846,426
Current liabilities	1,529,423
Non-current liabilities	1,200,000
Net assets	125,049
Less: attributable to non-controlling interests of Wuxi Xieneng	17,941
Attributable to owners of Wuxi Xieneng	107,108
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	49%
Group's share of net assets of the joint venture	52,483
Carrying amount of the investment	52,483
Expenses	(6,145)
Loss and total comprehensive loss for the year	(6,145)

13(a). **INVESTMENTS IN JOINT VENTURES (continued)**

(iv) Hangzhou Qidi Xiexin possesses certain parcels of land domiciled in Hangzhou city, Zhejiang Province. The Group partnered with the independent joint venturer to develop residential properties thereon and accounted for the investment in Hangzhou Qidi Xiexin using the equity method.

The following table illustrates the summarised financial information in respect of Hangzhou Qidi Xiexin adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	At 31 December
	2019
	RMB'000
Non-current assets	120,846
Cash and cash equivalents	48
Other current assets	97,641
Current assets	97,689
Current liabilities	29,684
Net assets	188,851
Less: attributable to non-controlling interests of Hangzhou Qidi Xiexin	14,317
Attributable to owners of Hangzhou Qidi Xiexin	174,534
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	40.67%
Group's share of net assets of the joint venture	70,983
Carrying amount of the investment	70,983
Loss and total comprehensive loss for the year	-

NOTES TO FINANCIALSTATEMENTS (continued)

13(b). INVESTMENTS IN ASSOCIATES

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Share of net assets	1,250,170	1,070,868

The Group's trade receivables and payables balances with the associates are disclosed in note 34 (4) to the financial statements.

(i) Particulars of the Group's associates

Name of company	Place and year of registration	Paid-in capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
云南嘉卓房地產開發有限公司 Yunnan Jiazhuo Real Estate Development Co., Ltd. ("Yunnan Jiazhuo")[1]	Kunming, PRC 2018	RMB 3,000,000,000	33.00%	33.00%	33.00%	Property development
云南嘉逊房地產開發有限公司 Yunnan Jiaxun Real Estate Development Co., Ltd. ("Yunnan Jiaxun")[2]	Kunming, PRC 2018	RMB 377,360,000	24.50%	24.50%	24.50%	Property development
武漢寶業信富置業投資有限公司專案 Wuhan Baoye Xinfu Real Estate Investment Co., Ltd ("Wuhan Baoye")[3]	Wuhan, PRC 2019	RMB 100,000,000	45.00%	45.00%	45.00%	Property development
杭州馨盈投資合夥企業（有限合夥） Hangzhou Xinying investment partnership (limited partnership) ("Hangzhou Xinying")[4]	Hangzhou, PRC 2018	RMB 312,500,000	56.28%	33.33%	56.28%	Property development

1. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Yunnan Jiazhuo in June 2018, the Group acquired a 33.00% equity interest in Yunnan Jiazhuo for a total consideration of RMB990,000,000.

2. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Yunnan Jiaxun in May 2018, the Group acquired a 24.50% equity interest in Yunnan Jiaxun for a total consideration of RMB92,453,000.

3. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Wuhan Baoye in May 2019, the Group acquired a 45.00% equity interest in Wuhan Baoye for a total consideration of RMB45,000,000.

4. Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Hangzhou Xinying in November 2019, the Group acquired a 51.96% equity interest in Hangzhou Xinying for a total consideration of RMB162,500,000. Hangzhou Xinying is an investment entity, it has no substantial operation except for holding 91% of the equity interest in Ningbo Chengyue. The Group also directly holds 9% of the equity interest in Ningbo Chengyue. As such, the Group held 56.28% of the equity interest in the project pass through Hangzhou Xinying.

13(b). INVESTMENTS IN ASSOCIATES (continued)

(ii) The following table illustrates the summarised financial information in respect of Yunnan Jiazhuo adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	At 31 December	
	2019	2019
	RMB'000	RMB'000
Cash and cash equivalents	323,553	72
Other current assets	3,840,662	2,968,861
Current assets	4,164,215	2,968,933
Current liabilities	1,231,773	-
Net assets	2,932,442	2,968,933
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	33%	33%
Group's share of net assets of the associate	967,706	979,748
Carrying amount of the investment	967,706	979,748
Expenses	(36,491)	(31,067)
Loss and total comprehensive loss for the year	(36,491)	(31,067)

(iii) The following table illustrates the summarised financial information in respect of Yunnan Jiaxun adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Cash and cash equivalents	204,534	43,529
Other current assets	1,173,086	439,336
Current assets	1,377,620	482,865
Current liabilities	1,039,720	103,939
Non-current liabilities	7,009	7,009
Net assets	330,891	371,917
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	24.5%	24.5%
Group's share of net assets of the associate	81,068	91,120
Carrying amount of the investment	81,068	91,120
Expenses	(41,027)	(5,445)
Loss and total comprehensive loss for the year	(41,027)	(5,445)

13(b). INVESTMENTS IN ASSOCIATES (continued)

(iv) The following table illustrates the summarised financial information in respect of Wuhan Baoye adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	At 31 December
	2019
	RMB'000
Cash and cash equivalents	206
Other current assets	1,087,445
Current assets	1,087,651
Current liabilities	1,001,496
Net assets	86,155
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	45%
Group's share of net assets of the associate	38,770
Carrying amount of the investment	38,770
Expenses	(13,845)
Loss and total comprehensive loss for the year	(13,845)

(v) The following table illustrates the summarised consolidated financial information in respect of Hangzhou Xinying adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	At 31 December
	2019
	RMB'000
Non-current assets	470
Cash and cash equivalents	99
Other current assets	482,114
Current assets	482,213
Current liabilities	193,724
Net assets	288,959
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	56.28%
Group's share of net assets of the associate	162,626
Carrying amount of the investment	162,626
Expenses	(1,375)
Loss and total comprehensive loss for the year	(1,375)

The associates have been accounted for using the equity method in these financial statements.

14. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits	Unrealised revenue received in advance	Accrued LAT	Impairment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	438,351	812,258	149,080	14,830	10,373	1,424,892
Deferred tax credited/(charged) to profit or loss during the year	171,033	22,451	56,380	(2,795)	73,851	320,920
Acquisitions of subsidiaries (note 29)	121,162	-	-	-	-	121,162
At 31 December 2019	730,546	834,709	205,460	12,035	84,224	1,866,974
At 1 January 2018	274,566	579,078	103,341	32,234	-	989,219
Deferred tax credited/(charged) to profit or loss during the year	170,766	233,274	45,739	(2,972)	10,373	457,180
Acquisitions of subsidiaries (note 29)	7,887	-	-	883	-	8,770
Disposal of subsidiaries (note 30)	(14,868)	(94)	-	(15,315)	-	(30,277)
At 31 December 2018	438,351	812,258	149,080	14,830	10,373	1,424,892

14. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The movements in deferred tax assets and liabilities during the year are as follows (continued):

Deferred tax liabilities

	Fair value adjustments arising from investment properties	Fair value adjustments arising from business acquisitions	Prepaid LAT	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	1,719,855	1,387,657	48,708	223,370	3,379,590
Deferred tax charged/(credited) to profit or loss during the year	132,393	(106,523)	28,082	144,932	198,884
Acquisitions of subsidiaries (note 29)	-	527,020	-	-	527,020
At 31 December 2019	1,852,248	1,808,154	76,790	368,302	4,105,494
At 1 January 2018	1,772,861	832,720	38,983	185,065	2,829,629
Deferred tax charged/(credited) to profit or loss during the year	142,148	(88,726)	9,725	39,557	102,704
Acquisitions of subsidiaries (note 29)	-	654,046	-	-	654,046
Disposal of subsidiaries (note 30)	(195,154)	(10,383)	-	(1,252)	(206,789)
At 31 December 2018	1,719,855	1,387,657	48,708	223,370	3,379,590

14. DEFERRED TAX ASSETS AND LIABILITIES (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	1,455,421	1,040,885
Net deferred tax liabilities recognised in the consolidated statement of financial position	(3,693,941)	(2,995,583)
	(2,238,520)	(1,954,698)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2019 and 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. At 31 December 2019, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB14,678,034,000 (2018: RMB10,227,606,000).

Deferred tax assets have not been recognised in respect of the following items:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Deductible temporary differences	88,351	59,362
Tax losses	246,133	127,600
	334,484	186,962

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. As at 31 December 2019, the Group did not recognise deferred income tax assets of approximately RMB61,533,000 (2018: RMB31,900,000) in respect of losses amounting to approximately RMB246,133,000 (2018: RMB127,600,000), that can be carried forward to offset against future taxable income. These tax losses will expire up to and in years 2021, 2022 and 2023, respectively.

15. GOODWILL

	RMB'000
At 1 January 2018	-
Acquisition of a subsidiary (note 29)	87,445
At 31 December 2018:	87,445
At 31 December 2018:	
Cost	87,445
Accumulated impairment	-
Net carrying amount	87,445
Cost at 1 January 2019, net of accumulated impairment	87,445
Cost and net carrying amount at 31 December 2019	87,445
At 31 December 2019:	
Cost	87,445
Accumulated impairment	-
Net carrying amount	87,445

Impairment testing on goodwill

During the year ended 31 December 2018, the Group completed the acquisitions of Bazhou Guanchenggangyi Real Estate Development Co., Ltd.(note 29(xiii)) and Fuzhou Jiahe Real Estate Development Co., Ltd.(note 29(x)) for a cash consideration of approximately RMB620.0 million and approximately RMB161.8 million, respectively, which resulted in the recognition of goodwill of RMB64.7 million and RMB22.8 million for these companies.

For the purpose of impairment testing, the Group's goodwill acquired through the above business combinations was related to the two subsidiaries which were regarded as two different cash-generating units ("CGUs"). The recoverable amounts of these CGUs have been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period prepared by management, and the pre-tax discount rates applied to the above cash flow projections ranged from 26.92% (2018: 17.2%) to 28.67% (2018: 20.5%).

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Bazhou Guanchenggangyi Real Estate Development Co., Ltd.		Fuzhou Jiahe Real Estate Development Co., Ltd	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of goodwill	64,681	64,681	22,764	22,764

15. GOODWILL(continued)

Assumptions were used in the value in use calculation of the industrial products and electronic products cash-generating units for 31 December 2019 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

16. PROPERTIES UNDER DEVELOPMENT

	At 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year:	30,859,431	23,026,375
Additions	25,577,874	15,400,161
Transferred from prepaid land lease payment (note 11)	7,236,193	594,903
Transferred to completed properties held for sale (note 17)	(19,871,626)	(14,595,598)
Transferred to investment properties (note 10)	(79,225)	(617,626)
Transferred to property, plant and equipment (note 9)	-	(4,400)
Acquisitions of subsidiaries (note 29)	7,130,748	7,150,237
Disposal of subsidiaries (note 30)	-	(94,621)
At end of the year	50,853,395	30,859,431

Notes:
The Group's properties under development are situated on leasehold land in Mainland China.

At 31 December 2019, certain of the Group's properties under development with aggregate carrying amounts of approximately RMB23,047,339,000 (2018: RMB6,679,334,000), have been pledged to secure bank and other borrowings granted to the Group (note 25). Properties under development with carrying amounts of approximately RMB401,000,000 (2018: nil), have been pledged to trade and bills payables.

Certain properties under development with carrying amounts of approximately RMB453,670,000 (2018: nil), have been frozen to assist a judicial investigation.

17. COMPLETED PROPERTIES HELD FOR SALE

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Carrying amount at beginning of the year	10,364,934	8,188,615
Transferred from properties under development (note 16)	19,871,626	14,595,598
Transferred from investment properties (note 10)	-	480,500
Transferred to cost of sales (note 6)	(14,849,507)	(12,856,495)
Disposal of subsidiaries (note 30)	-	(43,284)
Carrying amount at end of the year	15,387,053	10,364,934

At 31 December 2019, certain of the Group's completed properties held for sale with aggregate carrying amounts of approximately RMB659,508,000 (2018: RMB468,114,000), have been pledged to secure bank and other borrowings granted to the Group (note 25).

18. TRADE RECEIVABLES

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables	209,196	321,424
Allowance for expected credit losses	(335)	(665)
	208,861	320,759

Trade receivables mainly represent receivables from sales of properties and rental receivables from tenants. The credit term of trade receivables is generally twelve months. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Less than 1 year	189,727	314,218
Over 1 year	19,134	6,541
	208,861	320,759

The movements in provision for expected credit losses of trade receivables are as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	665	1,570
Provision of expected credit losses (note 6)	(330)	(905)
At end of the year	335	665

Decrease in the loss allowance of RMB335,000 (2018: RMB665,000) as a result of a net decrease (2018: decrease) in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

18. TRADE RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

At 31 December 2019

	Current	Past due within 1 year	Past due more than 1 year but within 2 years	Past due more than 2 years but within 3 years	Past due over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate	0.04%	0.22%	0.85%	1.41%	100.00%	
Gross carrying amount	189,727	18,225	212	830	202	209,196
Impairment	80	39	2	12	202	335

At 31 December 2018

	Current	Past due within 1 year	Past due more than 1 year but within 2 years	Past due more than 2 years but within 3 years	Past due over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate	0.14%	0.38%	0.84%	1.24%	100.00%	
Gross carrying amount	314,653	5,739	830	-	202	321,424
Impairment	434	22	7	-	202	665

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2019	At 31 December 2018
	RMB'000	RMB'000
Prepayments for acquisition of land use rights	4,822,498	2,545,444
Prepayments for construction cost	920,749	361,894
Other tax recoverable	2,680,511	999,920
Deposits	651,405	792,151
Amounts due from non-controlling shareholders of the subsidiaries*	744,612	169,722
Loans to third parties for purpose of acquisition of land use rights*	-	100,000
Other receivables*	1,353,338	1,046,538
	11,173,113	6,015,669
Less: Impairment	(65,301)	(48,972)
	11,107,812	5,966,697

* Other receivables, amounts due from non-controlling shareholders of the subsidiaries and loans to third parties for purpose of acquisition of land use rights are unsecured, non-interest-bearing and repayable on demand.

As at 31 December 2018 and 2019, the impairment of the financial assets included in prepayments, deposits and other receivables were measured based on 12-month expected credit loss if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss.

The information about the credit exposure is disclosed in note 37(b) to the financial statements.

20. OTHER NON-CURRENT ASSETS

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Prepayments for acquisitions of equity investments of subsidiaries	1,000	230,000
Deferred commission for external agents	913,442	441,532
	914,442	671,532

21. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Cash and bank balances	17,916,556	10,774,574
Less: Restricted cash	(7,128,689)	(5,473,192)
Pledged deposits	(265,691)	(523,164)
Cash and cash equivalents	10,522,176	4,778,218

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 31 December 2019, such restricted cash amounted to RMB7,128,689,000 (2018: RMB5,473,192,000).

At 31 December 2019, bank deposits of nil (2018: nil) were pledged as security for bank and other borrowings. Bank deposits of RMB265,691,000 (2018: RMB523,164,000) were pledged as security for purchasers' mortgage loans, construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes.

At 31 December 2019, the cash and bank balances of the Group were denominated in RMB amounted to US$346,581,000 (2018: US$52,122,000), HK$2,111,000 (2018: HK$782,000) and Singapore Dollars (SG$)15,000 (2018: nil). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

22. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each of the reporting period, based on the invoice date, is as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Less than 1 year	17,345,982	9,826,220
Over 1 year	251,587	116,862
	17,597,569	9,943,082

Trade payables are unsecured and interest-free and are normally settled based on the progress of the construction of the Group's properties under construction.

The fair values of trade payables as at the end of the reporting period approximated to their corresponding carrying amounts due to their relatively short maturity terms.

23. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Deposits related to sales of properties	229,612	146,944
Outstanding consideration for acquisitions of subsidiaries	2,695,006	1,911,177
Maintenance fund	5,852	2,435
Interest payables	187,856	183,730
Payroll and welfare payable	78,737	89,290
Other tax payables	111,121	158,499
Rental deposits from third-parties	67,793	85,947
Third party payment payables	3,605,106	1,999,113
Amounts due to non-controlling shareholders of the subsidiaries	1,709,600	346,721
Lease liabilities (note 11)	5,541	-
Others	70,432	116,469
	8,766,656	5,040,325

23. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS (continued)

Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of the reporting period approximated to their corresponding carrying amounts.

The third party payment payables mainly represent the advances from the government for specific usages in urban re-development projects or other projects cooperated with governments, such as construction of ancillary facilities and roads and the payment of debt or liabilities for the companies we acquired that had been incurred before the acquisition by us and amounts due to third parties related to acquisition of land use rights.

24. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Contract liabilities	38,863,951	27,080,685

The Group receives payments from customers based on billing schedules as established in the property sale contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property development and sales.

The following table shows the revenue recognised during the year related to carried-forward contract liabilities.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at beginning of the year		
Sale of properties	17,483,833	15,135,525

The following table includes the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) related to sales of properties as at the end of the reporting period.

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Expected to be satisfied within one year	21,750,431	18,574,357
Expected to be satisfied more than one year	21,517,050	18,072,620
	43,267,481	36,646,977

The remaining performance obligations expected to be recognised in more than one year related to sale of properties that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 31 December 2019			At 31 December 2018		
	Effective interest rate(%)	Maturity	RMB'000	Effective interest rate(%)	Maturity	RMB'000
Current						
Other borrowings – secured	9.33-12.13	2020	1,602,100	8.92-11.76	2019	2,426,640
Other borrowings – unsecured	4.37-15.08	2020	64,708	9.12	2019	109,869
Current portion of long term bank loans – secured	4.78-11.53	2020	5,183,884	4.82-9.63	2019	889,862
Current portion of long term bank loans – unsecured	6.26-8.11	2020	443,000	8.62-9.84	2019	388,280
Current portion of long term other borrowings – secured	7.20-13.59	2020	5,646,046	7.91-13.59	2019	5,394,900
Current portion of long term other borrowings – unsecured	7.57-15.08	2020	358,000	7.60	2019	200,000
			13,297,738			9,409,551
Non-current						
Bank loans – secured	4.74-11.53	2021-32	11,500,684	4.82-11.56	2020-32	6,854,000
Bank loans – unsecured	8.59-9.81	2021	701,360	8.11-9.84	2020-21	1,154,120
Other borrowings – secured	5.83-13.04	2021-22	7,500,593	7.22-13.59	2020-21	8,639,865
Other borrowings – unsecured	12.79	2021	299,900	7.60	2020	250,000
Corporate bond	7.80-12.88	2021-22	4,113,525	7.80-7.90	2022	2,000,000
			24,116,062			18,897,985
			37,413,800			28,307,536

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Corporate bond

On 14 October 2019, the Company issued 12.88% senior notes due 2021 in a principal amount of USD300,000,000(the "Notes").The Notes bear interest from and including 14 October 2019 at the rate of 12.88% per annum, payable semi-annually in arrears on 14 April and 14 October of each year, commencing 14 April 2020.

On 22 June 2018, 廣東海倫堡地產集團有限公司 Guangdong Helenbergh Real Estate Group Co., Ltd., ("Guangdong Helenbergh"), a wholly-owned subsidiary of the Company established in the PRC, issued a domestic corporate bond at a par value of RMB1,000,000,000 in the PRC (the "18 Helen 01"). The 18 Helen 01 will mature in four years from the issue date. Upon the second anniversary of the issue date, Guangdong Helenbergh shall be entitled to increase the coupon rate and the bond holders shall be entitled to sell back the whole or partial 18 Helen 01 at par. The 18 Helen 01 was listed on 15 August 2018 on the Shenzhen Stock Exchange and bears interest at the rate of 7.9% per annum, payable annually in arrears or on the business day nearest to 22 June of each year, beginning 22 June 2018. On 25 December 2018, Guangdong Helenbergh issued a domestic corporate bond at a par value of RMB1,000,000,000 in the PRC (the "18 Helen 02"). The 18 Helen 02 will mature in four years from the issue date. Upon the second anniversary of the issue date, Guangdong Helenbergh shall be entitled to increase the coupon rate and the bond holders shall be entitled to sell back the whole or partial 18 Helen 02 at par. The 18 Helen 02 was listed on 25 January 2019 on the Shenzhen Stock Exchange and bears interest at the rate of 7.8% per annum, payable annually in arrears or on the business day nearest to 22 December of each year, beginning 22 December 2018.

After initial recognition, the corporate bond is subsequently measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in profit or loss when the liability is derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Bank and other borrowings

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Analysed into:		
Repayable within one year	13,297,738	9,409,551
Repayable in the second year	13,662,371	10,173,925
Repayable after two years but within five years	8,979,691	7,700,060
Repayable in more than five years	1,474,000	1,024,000
	24,116,062	18,897,985
	37,413,800	28,307,536

The Group's borrowings are all denominated in RMB, except the Notes.

At 31 December 2019, the Group's borrowings up to and RMB13,610,080,000 (2018: RMB 9,741,362,000), were borrowings with floating interest rates.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

	Notes	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Investment properties	10	3,778,785	6,422,435
Prepaid land lease payments	11	116,629	3,015,364
Properties under development	16	23,047,339	6,679,334
Completed properties held for sale	17	659,508	468,114

The Group has pledged equity interests of certain subsidiaries of the Group as securities for certain of the Group's borrowings as at 31 December 2019 and 2018.

At 31 December 2019, 海倫堡控股集團有限公司Helenbergh Holding Group Co., Ltd. ("Helenbergh Holding") has provided certain guarantees to the Group's bank and other borrowings up to nil (2018: RMB193,430,000).

At 31 December 2019, the Controlling Shareholder and a close family member of the Controlling Shareholder have provided personal guarantees to certain of the Group's bank and other borrowings up to RMB7,878,647,000 (2018: RMB11,687,776,000): .

At 31 December 2019, in addition, Helenbergh Holding and the Controlling Shareholder have jointly guaranteed certain of the Group's bank loans up to RMB240,000,000 (2018: RMB1,689,739,000).

Helenbergh Holding Group Co., Ltd has pledged 100,000,000 shares of 陽光保險集團股份有限公司 Sunshine Insurance Group Corporation Limited for certain of the Group's other borrowings up to RMB396,000,000 as at 31 December 2018.

The directors of the Company have assessed that the fair values of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and Independent Third Party financial institutions based on prevailing market interest rates.

26. SHARE CAPITAL

Shares

	At 31 December 2019 US$	At 31 December 2018 US$
Authorised:		
500,000,000 ordinary shares of US$0.0001 each	50,000	50,000

	As at 31 December 2019 RMB	As at 31 December 2018 RMB
Issued and fully paid:		
10,103 ordinary shares of US$0.0001 each	7	7

The Company was incorporated in the Cayman Islands on 18 May 2018 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 par value each. As at the date of incorporation, 1 ordinary share of US$1 was allotted by the Company to a subscriber, and was transferred to Blue Antrix Holdings Limited ("Blue Antrix"), a company incorporated in the British Virgin Islands and controlled by the Controlling Shareholder on the same date.

On 24 August 2018, each issued and unissued share of US$1.00 par value in the authorised share capital of the Company were subdivided into 10,000 shares of US$0.0001 par value each, such that the authorised share capital of the Company is US$50,000 divided into 500,000,000 shares of US$0.0001 par value each.

On 27 August 2018, 102 shares of US$0.0001 was allotted by the Company to a Pre-IPO investor, Noble Peony Holdings Limited, which was incorporated in British Virgin Islands. On 8 October 2018, 1 ordinary share of US$0.0001 was allotted and issued to Platinum Harvest Investment Limited ("Platinum Harvest", the "RSU Nominee"), a limited liability company incorporated in British Virgin Islands, a wholly-owned subsidiary of the Blue Antrix which held the shares for the benefit of eligible management and employees pursuant to a RSU scheme. On 19 October 2018, Blue Antrix transferred 302 ordinary shares of US$0.0001 each to Platinum Harvest. As at 31 December 2018, 10,103 shares of US$0.0001 par value each were issued and fully paid.

	Number of shares in issue	Share capital RMB'000
At 1 January 2018	-	-
Shares issued	10,103	7
Shares transferred to treasury shares (Note)	(303)	-
At 31 December 2018 and 2019	9,800	7

Note: The 303 shares of US$0.0001 each held by Platinum Harvest are accounted for as treasury shares of the Company. As at 31 December 2019 and 2018, by deducting 303 treasury shares of US$0.0001 each from 10,103 shares of US$0.0001 par value each issued and fully paid, 9,800 shares of US$0.0001 par value each were outstanding.

27. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity.

(a) Statutory surplus reserves

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserves until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserves may be used either to offset losses, or to be converted to increase the share capital of the subsidiaries provided that the balance after such conversion is not less than 25% of the registered capital of them. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(b) Capital reserves

The capital reserves represent (i) any difference between the amount by which the non-controlling interests are adjusted, the fair value of the consideration paid for acquisitions of non-controlling interests in subsidiaries and (ii) any difference between the net asset amounts of certain entities disposed of to the Controlling Shareholder and the relevant proceeds, which is regarded as a contribution/distribution from/to the Controlling Shareholder for the purpose of these financial statements, or, (iii) any difference between the capital contribution from non-controlling shareholders and the equity interest in loss-making subsidiaries.

(c) Merger reserves

The merger reserves of the Group represent the issued capital of the then holding company of the companies now comprising the Group, the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation and the distribution to the Controlling Shareholder in respect of the Reorganisation.

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests were set out below:

31 December 2019

	Percentage of equity interest held by non-controlling interests %	Profit/(loss) for the year allocated to non-controlling interests RMB'000	Accumulated balances of non-controlling interests RMB'000
Zhuhai Xingpu	49%	(12,690)	98,600
Qingyuan Jiabo	49%	(1,940)	100,024
Dongguan Xinhao	35%	(4,210)	46,532
Huidong Zhongyi Real Estate Co., Ltd ("Huidong Zhongyi")	49%	(9,220)	66,412
Zhengjiang Qidi Xiexin Yuantai Real Estate Development Co., Ltd. ("Zhenjiang Yuantai")	40%	(2,286)	70,039
Hunan Dongyuan Properties Co., Ltd ("Hunan Dongyuan")	20%	124	78,221
Kunming Qianhui Real Estate Development Co., Ltd. ("Kunming Qianhui")	50%	(827)	148,579
Guangzhou Yihai Real Estate Development Co., Ltd. ("Guangzhou Yihai")	49%	-	137,245
Zhongshan Hailei Management Co., Ltd. ("Zhongshan Hailei")	49%	-	410,693

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Zhuhai Xingpu RMB'000	Qingyuan Jiabo RMB'000	Dongguan Xinhao RMB'000	Huidong Zhongyi RMB'000	Zhenjiang Yuantai RMB'000	Hunan Dongyuan RMB'000	Kunming Qianhui RMB'000	Guangzhou Yihai RMB'000	Zhongshan Hailei RMB'000
Revenue	-	-	48,615	76,040	-	-	-	-	-
Total expenses	(37,964)	(6,072)	(50,889)	(92,226)	(7,572)	(291)	(1,654)	(284)	(1,967)
Income tax expense	12,066	2,112	(9,755)	(2,631)	1,858	910	-	71	188
Profit/(loss) and total comprehensive income for the year	(25,898)	(3,960)	(12,029)	(18,817)	(5,714)	619	(1,654)	(213)	(1,779)
Current assets	1,655,873	853,436	569,739	744,445	1,137,156	636,333	2,061,379	1,260,947	2,532,283
Non-current assets	13,926	3,180	8,690	8,397	5,656	910	53,500	74	356
Current liabilities	(1,468,575)	(340,679)	(445,481)	(472,738)	(464,114)	(246,137)	(1,817,722)	(980,929)	(1,694,490)
Non-current liabilities	-	(311,806)	-	(144,569)	(503,600)	-	-	-	-
Net cash flows from/(used in) operating activities	478,080	(33,714)	(58,130)	(85,348)	(478,301)	4	848	(142,543)	(384,306)
Net cash flows used in investing activities	-	(25)	-	(149)	(123)	-	(598)	-	-
Net cash flows (used in)/from financing activities	(379,700)	366,830	-	144,569	503,600	-	-	142,960	428,591
Net increase/(decrease) in cash and cash equivalents	98,380	333,091	(58,130)	59,072	25,176	4	250	417	44,285

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Details of the Group's subsidiaries that have material non-controlling interests were set out below: (continued)

31 December 2018

	Percentage of equity interest held by non-controlling interests %	Profit/(loss) for the year allocated to non-controlling interests RMB'000	Accumulated balances of non-controlling interests RMB'000
Zhuhai Xingpu Technology Co., Ltd ("Zhuhai Xingpu")	49%	(6,441)	111,290
Qingyuan Jiabo	49%	(923)	101,964
Dongguan Xinhao	35%	27,889	50,742

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Zhuhai Xingpu RMB'000	Qingyuan Jiabo RMB'000	Dongguan Xinhao RMB'000
Revenue	-	-	659,733
Total expenses	(14,621)	(2,480)	(525,895)
Income tax expense	1,476	596	(54,155)
Profit/(loss) and total comprehensive income for the year	(13,145)	(1,884)	79,683
Current assets	1,172,968	218,821	615,607
Non-current assets	7,500	1,048	18,658
Current liabilities	(787,646)	(11,779)	(488,752)
Non-current liabilities	(165,700)	-	(536)
Net cash flows used in operating activities	(192,102)	(8,094)	(51,256)
Net cash flows from financing activities	251,600	-	-
Net increase/(decrease) in cash and cash equivalents	59,498	(8,094)	(51,256)

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses

Year ended 31 December 2019:

(i) Zhongshan Haiyue Real Estate Co., Ltd. ("Zhongshan Haiyue")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Zhongshan Haiyue in January 2019, the Group acquired a 100% equity interest in Zhongshan Haiyue for a total cash consideration of RMB996,000,000. Zhongshan Haiyue is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 31 January 2019. Since then, Zhongshan Haiyue became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Zhongshan Haiyue as at the date of acquisition were as follows:

	RMB'000
Properties under development	839,781
Cash and bank balances	16
Prepayments, deposits and other receivables	1,036,197
Trade payables	(3)
Interest-bearing bank and other borrowings	(800,000)
Deferred tax liabilities	(79,991)
Fair value of net assets acquired	996,000
Goodwill on acquisition	-
Consideration	996,000

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	300,000
Cash and bank balances acquired	(16)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	299,984

Since the acquisition, contributions from Zhongshan Haiyue in respect of revenue and net loss were nil and RMB6.2 million to the Group for the year ended 31 December 2019.

Had the combination taken place at 1 January 2019, the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,966 million and RMB2,522 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(ii) Huizhou Xuye Real Estate Development Co., Ltd. ("Huizhou Xuye")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Huizhou Xuye in April 2019, the Group acquired a 80% equity interest in Huizhou Xuye for a total cash consideration of RMB140,000,000. Huizhou Xuye is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 30 April 2019. Since then, Huizhou Xuye became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Huizhou Xuye as at the date of acquisition were as follows:

	RMB'000
Properties under development	269,237
Property, plant and equipment	27
Cash and bank balances	163,400
Deferred tax assets	11,988
Prepayments, deposits and other receivables	141,558
Other current assets	3,441
Trade payables	(18,699)
Advances from customers	(159,016)
Interest-bearing bank and other borrowings	(160,000)
Deferred tax liabilities	(47,563)
Other current liabilities	(29,373)
Non-controlling interests	(35,000)
Fair value of net assets acquired	140,000
Goodwill on acquisition	-
Satisfied by cash	140,000

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	140,000
Cash and bank balances acquired	(163,400)
Net inflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	(23,400)

Since the acquisition, contributions from Huizhou Xuye in respect of revenue and net loss were nil and RMB18.5 million to the Group for the year ended 31 December 2019.

Had the combination taken place at 1 January 2019, the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,966 million and RMB2,498 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(iii) Zhenjiang Qidi Xiexin Yuantai Real Estate Development Co., Ltd. ("Zhenjiang Yuantai")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Zhenjiang Yuantai in May 2019, the Group acquired a 60% equity interest in Zhenjiang Yuantai for a total cash consideration of RMB376,576,000. Zhenjiang Yuantai is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 31 May 2019. Since then, Zhenjiang Yuantai became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Zhenjiang Yuantai as at the date of acquisition were as follows:

	RMB'000
Properties under development	952,405
Property, plant and equipment	91
Cash and bank balances	661
Deferred tax assets	3,724
Prepayments, deposits and other receivables	5,436
Other current assets	3,276
Trade payables	(10,195)
Interest-bearing bank and other borrowings	(300,000)
Deferred tax liabilities	(19,172)
Other current liabilities	(187,325)
Non-controlling interests	(72,325)
Fair value of net assets acquired	376,576
Goodwill on acquisition	-
Consideration	376,576

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	376,576
Cash and bank balances acquired	(661)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	375,915

Since the acquisition, contributions from Zhenjiang Yuantai in respect of revenue and net loss were nil and RMB5.7 million to the Group for the year ended 31 December 2019.

Had the combination taken place at 1 January 2019, the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,966 million and RMB2,520 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(iv) Huidong Hongcheng Industry Development Co., Ltd. ("Huidong Hongcheng")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Huidong Hongcheng in April 2019, the Group acquired a 51% equity interest in Huidong Hongcheng for a total cash consideration of RMB202,860,000. Huidong Hongcheng is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 30 April 2019. Since then, Huidong Hongcheng became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Huidong Hongcheng as at the date of acquisition were as follows:

	RMB'000
Properties under development	611,770
Cash and bank balances	14,240
Deferred tax assets	104
Prepayments, deposits and other receivables	215,576
Other current assets	3,587
Trade payables	(27,015)
Interest-bearing bank and other borrowings	(271,400)
Deferred tax liabilities	(123,322)
Advances from customers	(25,775)
Non-controlling interests	(194,905)
Fair value of net assets acquired	202,860
Goodwill on acquisition	-
Consideration	202,860

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	202,860
Cash and bank balances acquired	(14,240)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	188,620

Since the acquisition, contributions from Huidong Hongcheng in respect of revenue and net loss were RMB4.6 million and RMB31.7 million to the Group for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,966 million and RMB2,522 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(v) Huidong Zhongyi Real Estate Co., Ltd. ("Huidong Zhongyi")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Huidong Zhongyi in April 2019, the Group acquired a 51% equity interest in Huidong Zhongyi for a total cash consideration of RMB116,220,000. Huidong Zhongyi is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 30 April 2019. Since then, Huidong Zhongyi became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Huidong Zhongyi as at the date of acquisition were as follows:

	RMB'000
Properties under development	548,014
Property, plant and equipment	11
Cash and bank balances	55,928
Deferred tax assets	10,919
Prepayments, deposits and other receivables	154,850
Other current assets	19,431
Trade payables	(53,642)
Interest-bearing bank and other borrowings	(172,513)
Deferred tax liabilities	(102,868)
Advances from customers	(268,277)
Non-controlling interests	(75,633)
Fair value of net assets acquired	116,220
Goodwill on acquisition	-
Satisfied by cash	116,220

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	116,220
Cash and bank balances acquired	(55,928)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	60,292

Since the acquisition, contributions from Huidong Zhongyi in respect of revenue and net loss were RMB74.1 million and RMB8.0 million to the Group for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,966 million and RMB2,509 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(vi) Yunnan Xihe Real Estate Development Co., Ltd ("Yunnan Xihe")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Yunnan Xihe in June 2019, the Group acquired a 100% equity interest in Yunnan Xihe for a total cash consideration of RMB339,644,000. Yunnan Xihe is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 31 July 2019. Since then,Yunnan Xihe became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Yunnan Xihe as at the date of acquisition were as follows:

	RMB'000
Properties under development	398,889
Property, plant and equipment	279
Cash and bank balances	35,032
Deferred tax assets	17,747
Prepayments, deposits and other receivables	25,578
Other current assets	6,584
Trade payables	(6,603)
Deferred tax liabilities	(60,801)
Advances from customers	(37,747)
Other current liabilities	(39,314)
Fair value of net assets acquired	339,644
Goodwill on acquisition	-
Satisfied by cash	339,644

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	209,644
Cash and bank balances acquired	(35,032)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	174,612

Since the acquisition, contributions from Yunnan Xihe in respect of revenue and net loss were RMB14.3 million and RMB20.4 million to the Group for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,972 million and RMB2,484 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(vii) Tus Union science and Technology Park Development (Suzhou) Co., Ltd ("Qidi Xiexin")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Qidi Xiexin in June 2019, the Group acquired a 50% equity interest in Qidi Xiexin for a total cash consideration of RMB25,000,000. Qidi Xiexin is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 31 July 2019. Since then, Qidi Xiexin became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Qidi Xiexin as at the date of acquisition were as follows:

	RMB'000
Properties under development	313,471
Property, plant and equipment	95
Cash and bank balances	12,013
Deferred tax assets	2,419
Prepayments, deposits and other receivables	28,805
Trade payables	(71,829)
Interest-bearing bank and other borrowings	(230,000)
Deferred tax liabilities	(4,303)
Other current liabilities	(671)
Non-controlling interests	(25,000)
Fair value of net assets acquired	25,000
Goodwill on acquisition	-
Satisfied by cash	25,000

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	6,812
Cash and bank balances acquired	(12,013)
Net inflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	(5,201)

Since the acquisition, contributions from Qidi Xiexin in respect of revenue and net loss were nil and RMB3.4 million to the Group for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,967 million and RMB2,521 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(viii) Guangdong Jiaguan Real Estate Development Co., Ltd("Guangdong Jiaguan")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Guangdong Jiaguan in September 2019, the Group acquired a 100% equity interest in Guangdong Jiaguan for a total cash consideration of RMB340,986,000. Guangdong Jiaguan is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 30 September 2019. Since then, Guangdong Jiaguan became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Guangdong Jiaguan as at the date of acquisition were as follows:

	RMB'000
Properties under development	953,699
Property, plant and equipment	8
Cash and bank balances	34,798
Deferred tax assets	10,656
Prepayments, deposits and other receivables	112,238
Other current assets	62,014
Trade payables	(5,950)
Interest-bearing bank and other borrowings	(120,623)
Deferred tax liabilities	(86,385)
Advances from customers	(619,469)
Fair value of net assets acquired	340,986
Goodwill on acquisition	-
Satisfied by cash	340,986

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	105,000
Cash and bank balances acquired	(34,798)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	70,202

Since the acquisition, contributions from Guangdong Jiaguan in respect of revenue and net loss were RMB299.7 million and RMB15.5 million to the Group for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,966 million and RMB2,498 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(ix) Chongqing Xiexin Yuanzhi Business Investment Development Co., Ltd ("Chongqing Xiexin")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Chongqing Xiexin in June 2019, the Group acquired a 100% equity interest in Chongqing Xiexin for a total cash consideration of RMB323,623,000. Chongqing Xiexin is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 31 October 2019. Since then, Chongqing Xiexin became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Chongqing Xiexin as at the date of acquisition were as follows:

	RMB'000
Properties under development	762,171
Property, plant and equipment	490
Cash and bank balances	2,408
Deferred tax assets	2,764
Prepayments, deposits and other receivables	45,621
Other current assets	7,604
Trade payables	(6,546)
Interest-bearing bank and other borrowings	(392,000)
Deferred tax liabilities	(2,615)
Advances from customers	(5,307)
Other current liabilities	(90,967)
Fair value of net assets acquired	323,623
Goodwill on acquisition	-
Satisfied by cash	323,623

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2019	201,600
Cash and bank balances acquired	(2,408)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2019	199,192

Since the acquisition, contributions from Chongqing Xiexin in respect of revenue and net loss were nil and RMB5.2 million to the Group for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB20,966 million and RMB2,521 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisition of subsidiaries that are business (continued)

Year ended 31 December 2018:

(x) Fuzhou Jiahe Real Estate Development Co., Ltd ("Fuzhou Jiahe")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Fuzhou Jiahe in March 2018, the Group acquired a 100% equity interest in Fuzhou Jiahe at a total cash consideration of RMB161,800,000. Fuzhou Jiahe is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 31 May 2018. Since then, Fuzhou Jiahe became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Fuzhou Jiahe as at the date of acquisition were as follows:

	RMB'000
Properties under development	152,500
Property, plant and equipment	10
Cash and bank balances	2,059
Prepayments, deposits and other receivables	9,103
Deferred tax liabilities	(24,636)
Fair value of net assets acquired	139,036
Goodwill on acquisition	22,764
Satisfied by cash	161,800

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the yearended 31 December 2018	80,874
Cash and bank balances acquired	(2,059)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2018	78,815

Since the acquisition, contributions from Fuzhou Jiahe in respect of revenue and net loss were not material to the Group for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue and the net profit of the Group for the year ended 31 December 2018 would have been RMB17,518 million and RMB2,256 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(xi) Zhuhai Xingpu Technology Co., Ltd ("Zhuhai Xingpu")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Zhuhai Xingpu in October 2017, the Group acquired a 51% equity interest in Zhuhai Xingpu for a total cash consideration of RMB104,000,000. Zhuhai Xingpu is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 30 June 2018. Since then, Zhuhai Xingpu became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Zhuhai Xingpu as at the date of acquisition were as follows:

	RMB'000
Properties under development	652,800
Property, plant and equipment	12,729
Cash and bank balances	7,731
Prepayments, deposits and other receivables	135,095
Other current assets	703
Trade payables	(2,192)
Interest-bearing bank and other borrowings	(293,800)
Other payables	(238,965)
Advances from customers	(15,265)
Deferred tax liabilities	(18,568)
Non-controlling interests	(117,731)
Fair value of net assets acquired	122,537
Gain on bargain purchase of the subsidiary	(18,537)
Satisfied by cash	104,000

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended31 December 2018	25,000
Cash and bank balances acquired	(7,731)
Net outflow of cash and bank balances included in the cash flows from investing activities during the yearended 31 December 2018	17,269

Since the acquisition, contributions from Zhuhai Xingpu in respect of revenue and net profit were not material to the Group for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue and the net profit of the Group for the year ended 31 December 2018 would have been RMB17,518 million and RMB2,256 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(xii) Zhongshan Haohe Real Estate Co., Ltd ("Zhongshan Haohe")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholders of Zhongshan Haohe in May 2018, the Group acquired a 100% equity interest in Zhongshan Haohe for a total cash consideration of RMB580,198,000. Zhongshan Haohe is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 11 June 2018. Since then, Zhongshan Haohe became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Zhongshan Haohe as at the date of acquisition were as follows:

	RMB'000
Properties under development	862,600
Cash and bank balances	1,515
Prepayments, deposits and other receivables	643
Other current assets	8,176
Deferred tax liabilities	(240,846)
Other current liabilities	(2,015)
Fair value of net assets acquired	630,073
Gain on bargain purchase of the subsidiary	(49,875)
Satisfied by cash	580,198

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2018	568,788
Cash and bank balances acquired	(1,515)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2018	567,273

Since the acquisition, contributions from Zhongshan Haohe in respect of revenue and net profit were not material to the Group for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue and the net profit of the Group for the year ended 31 December 2018 would have been RMB17,518 million and RMB2,256 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(xiii) Bazhou Guanchenggangyi Real Estate Development Co., Ltd ("Bazhou Guancheng")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Bazhou Guancheng in December 2017, the Group acquired a 100% equity interest in Bazhou Guancheng for a total cash consideration of RMB620,000,000. Bazhou Guancheng is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 28 February 2018. Since then, Bazhou Guancheng became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Bazhou Guancheng as at the date of acquisition were as follows:

	RMB'000
Properties under development	709,504
Cash and bank balances	1
Deferred tax liabilities	(154,186)
Fair value of net assets acquired	555,319
Goodwill on acquisition	64,681
Satisfied by cash	620,000

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during theyear ended 31 December 2018	313,045
Cash and bank balances acquired	(1)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2018	313,044

Since the acquisition, contributions from Bazhou Guancheng in respect of revenue and net loss were not material to the Group for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue and the net profit of the Group for the year ended 31 December 2018 would have been RMB17,518 million and RMB2,256 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(xiv) Nantong Xinqian Real Estate Development Co., Ltd ("Nantong Xinqian")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Nantong Xinqian in July 2018, the Group acquired a 100% equity interest in Nantong Xinqian for a total cash consideration of RMB226,000,000. Nantong Xinqian is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 31 July 2018. Since then, Nantong Xinqian became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Nantong Xinqian as at the date of acquisition were as follows:

	RMB'000
Properties under development	466,700
Property, plant and equipment	1,287
Cash and bank balances	5,187
Deferred tax assets	2,176
Prepayments, deposits and other receivables	14,906
Intangible assets	11
Trade payables	(3,913)
Advances from customers	(21,402)
Deferred tax liabilities	(111,567)
Other current liabilities	(79,121)
Non-controlling interests	(48,264)
Fair value of net assets acquired	226,000
Goodwill on acquisition	-
Satisfied by cash	226,000

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2018	99,800
Cash and bank balances acquired	(5,187)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2018	94,613

Since the acquisition, contributions from Nantong Xinqian in respect of revenue and net loss were nil and RMB3.9 million to the Group for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue and the net profit of the Group for the year ended 31 December 2018 would have been RMB17,518 million and RMB2,252 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

(xv) Huizhou Shenzhi Real Estate Development Co., Ltd ("Huizhou Shenzhi")

Pursuant to an equity transfer agreement entered into by the Group and the then shareholder of Huizhou Shenzhi in August 2018, the Group acquired a 100% equity interest in Nantong Xinqian for a total cash consideration of RMB331,000,000. Huizhou Shenzhi is a property development company established in the PRC with limited liability. The relevant acquisition was completed on 31 August 2018. Since then, Huizhou Shenzhi became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Huizhou Shenzhi as at the date of acquisition were as follows:

	RMB'000
Properties under development	473,600
Cash and bank balances	1
Deferred tax assets	721
Prepayments, deposits and other receivables	8,601
Deferred tax liabilities	(104,243)
Other current liabilities	(5,473)
Fair value of net assets acquired	373,207
Gain on bargain purchase of the subsidiary	(42,207)
Satisfied by cash	331,000

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Consideration paid during the year ended 31 December 2018	291,000
Cash and bank balances acquired	(1)
Net outflow of cash and bank balances included in the cash flows from investing activities during the year ended 31 December 2018	290,999

Since the acquisition, contributions from Huizhou Shenzhi in respect of revenue and net profit were not material to the Group for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue and the net profit of the Group for the year ended 31 December 2018 would have been RMB17,518 million and RMB2,256 million, respectively.

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(A) Acquisitions of subsidiaries that are businesses (continued)

A summary of acquisitions of subsidiaries that are businesses during the years is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Properties under development	5,649,437	3,317,704
Cash and bank balances	318,496	16,494
Deferred tax assets	60,321	2,897
Prepayments, deposits and other receivables	1,765,859	168,348
Intangible assets	-	11
Other current assets	105,937	8,879
Property, plant and equipment	1,001	14,026
Trade payables	(200,482)	(6,105)
Interest-bearing bank and other borrowings	(2,446,536)	(293,800)
Other payables	-	(238,965)
Advances from customers	(1,115,591)	(36,667)
Deferred tax liabilities	(527,020)	(654,046)
Other current liabilities	(347,650)	(86,609)
Non-controlling interests	(402,863)	(165,995)
Fair value of net assets acquired	2,860,909	2,046,172
Goodwill on acquisition (note 15)	-	87,445
Gain on bargain purchases of the subsidiaries*	-	(110,619)
Total consideration	2,860,909	2,022,998

An analysis of the summarised cash flows in respect of the acquisitions of above subsidiaries is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Considerations in aggregate paid in the year when acquisitions were completed	1,658,712	1,378,507
Cash and bank balances in aggregate when acquired	(318,496)	(16,494)
Net outflow of cash and bank balances included in the cash flows from investing activities in the year when acquisitions were completed	1,340,216	1,362,013

29. ACQUISITIONS OF SUBSIDIARIES (continued)

(B) Acquisitions of subsidiaries that are not businesses

For the year ended 31 December 2019, the Group acquired equity interests in 10 (2018: 20) companies that are not businesses, respectively. The Group completed these acquisitions for the purpose of obtaining the land use rights possessed by these target companies for its property development business.

A summary of the acquisition of subsidiaries that are not business during the year is as follows:

	2019 RMB'000	2018 RMB'000
Properties under development	1,481,311	3,832,533
Prepaid land lease payment	2,886,116	2,520,576
Cash and bank balances	68,163	12,450
Deferred tax assets	60,841	5,873
Prepayments, deposits and other receivables	959,413	870,535
Other current assets	3,783	10,059
Property, plant and equipment	657	1,567
Intangible assets	9	-
Trade payables	(216,536)	(342)
Interest-bearing bank and other borrowings	(920,000)	-
Advances from customers	(139,125)	-
Other current liabilities	(999,409)	(299,327)
Non-controlling interests	(227,503)	(25,957)
Net assets acquired*	2,957,720	6,927,967
Satisfied by:		
Cash consideration	2,725,220	6,380,307
Delivery of non-monetary assets	232,500	547,660
	2,957,720	6,927,967

* There is an embedded derivative included in the equity transfer agreement entered into by the Group and the then shareholder of Shandong Harbin University of technology robot real estate Co., Ltd., due to certain contract term regarding variable benefit in the agreement, which is recognised as financial liabilities at fair value through profit or loss. Fair value of the embedded derivative is approximately nil as the probability of payment of variable benefit is remote.

An analysis of the summarised cash flows in respect of the acquisition of above subsidiaries is as follows:

	2019 RMB'000	2018 RMB'000
Considerations in aggregate paid in the year when acquisitions were completed	1,712,403	4,221,979
Cash and bank balances in aggregate when acquired	(68,163)	(12,450)
Net outflow of cash and bank balances included in the cash flows from investing activities in the year when acquisitions were completed	1,644,240	4,209,529

30. DISPOSAL OF SUBSIDIARIES

Year ended 31 December 2018:

Details of the assets and liabilities disposed of in respect of the disposal of the subsidiaries during the year ended 31 December 2018 are as follows:

	Guangzhou Huajing Newtown Club Co., Ltd.	Suzhou Helenbergh Real Estate Development Co., Ltd.	Zhongshan Yingrun Real Estate Development Co., Ltd.	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net assets disposed of:					
Property, plant and equipment	70	32	2,279	6,756	9,137
Prepaid land lease payment	-	-	-	18,273	18,273
Intangible assets	-	-	-	602	602
Investment properties	932,700	-	-	-	932,700
Available-for-sale investments	46,126	-	-	-	46,126
Deferred tax assets	5,360	13,073	5,989	5,855	30,277
Properties under development	-	-	94,621	-	94,621
Completed properties held for sales	27,484	15,800	-	-	43,284
Cash and bank balances	409	1,555	6,579	1,114	9,657
Other current assets	121,121	360,348	212,516	85,947	779,932
Deferred tax liability	(206,706)	-	(83)	-	(206,789)
Other current liabilities	(322,332)	(361,127)	(291,901)	(117,252)	(1,092,612)
	604,232	29,681	30,000	1,295	665,208
Capital reserve*	-	(9,681)	-	-	(9,681)
Gain on disposal of subsidiaries	-	-	-	6,305	6,305
Consideration receivable	604,232	20,000	30,000	7,600	661,832

* Equity interests of the entities were disposed of to the Controlling Shareholder as part of the Reorganisation. In the view of the Company's directors, the difference between the consideration and the net assets disposed of are recorded in the account of capital reserve (note 27(b)).

An analysis of the net outflow of cash and bank balances in respect of the disposal of the subsidiaries are as follows:

	Guangzhou Huajing Newtown Club Co., Ltd.	Suzhou Helenbergh Real Estate Development Co., Ltd.	Zhongshan Yingrun Real Estate Development Co., Ltd.	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Considerations received in the year when disposal were completed	-	-	-	-	-
Cash and bank balances disposed of	409	1,555	6,579	1,114	9,657
Net outflow of cash and bank balances included in the cash flows from investing activities in the year when disposal were completed	(409)	(1,555)	(6,579)	(1,114)	(9,657)

30. DISPOSAL OF SUBSIDIARIES (continued)

Year ended 31 December 2019:

Details of the assets and liabilities disposed of in respect of the disposal of the subsidiaries during the year ended 31 December 2019 are as follows:

	Guangzhou Ruirun Real Estate Co., Ltd.	Others	Total
	RMB'000	RMB'000	RMB'000
Net assets disposed of:			
Cash and bank balances	6	27	33
Other current assets	30,000	-	30,000
Other current liabilities	(30,012)	(41)	(30,053)
Gain on disposal of subsidiaries	6	14	20
Consideration receivable	-	-	-

An analysis of the net outflow of cash and bank balances in respect of the disposal of the subsidiaries are as follows:

	Guangzhou Ruirun Real Estate Co., Ltd.	Others	Total
	RMB'000	RMB'000	RMB'000
Considerations received in the year when disposal were completed	-	-	-
Cash and bank balances disposed of	6	27	33
Net outflow of cash and bank balances included in the cash flows from investing activities in the year when disposal were completed	(6)	(27)	(33)

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB12,916,000 and RMB12,916,000 , respectively, in respect of lease arrangements for plant and equipment (2018: Nil).

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Due to related parties	Due to associates	Lease liabilities	Total liabilities from financing activities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018	28,307,536	318,332	26,612	-	28,652,480
Effect of adoption of IFRS 16	-	-	-	5,561	5,561
At 1 January 2019 (restated)	28,307,536	318,332	26,612	5,561	28,658,041
Cash flows from financing activities	5,688,094	(277,894)	344,103	(8,225)	5,746,078
Cash flows from non-financing activities	51,634	22,154	-	-	73,788
Increase arising from acquisition of subsidiaries	3,366,536	-	-	-	3,366,536
New leases	-	-	-	12,916	12,916
Interest expense	-	-	-	1,292	1,292
Interest paid classified as operating cash flows	-	-	-	(1,292)	(1,292)
At 31 December 2019	37,413,800	62,592	370,715	10,252	37,857,359
At 1 January 2018	20,503,646	847,787	-	-	21,351,433
Cash flows from financing activities	7,471,361	(556,447)	26,612	-	6,941,526
Cash flows from non-financing activities	38,729	26,992	-	-	65,721
Increase arising from acquisition of subsidiaries	293,800	-	-	-	293,800
At 31 December 2018	28,307,536	318,332	26,612	-	28,652,480

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2019
	RMB'000
Within operating activities	23,152
Within financing activities	8,225
	31,377

32. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties - amounts drawn by the purchasers	27,521,534	25,827,398

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

In February 2020, the Group received a court notice that Huizhou Xuye, one of its subsidiaries, among others, it was named as the co-defendant alleging that it was obligated to repay a loan and the associated interest amounting to RMB25.6 million. In March 2020, Huizhou Xuye received another court notice that, among others, it was named the co-defendant alleging that it should undertake the repayment obligations concerning a corporate guarantee with an amount up to RMB220 million provided to its former shareholders' related parties who were charged to be in default on their debts.

The Directors, based on the advice from the Group's legal counsel, believed that Huizhou Xuye has a valid defense against the above allegations and, accordingly, has not provided for any claim arising from the litigations.

33. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Contracted, but not provided for:		
Property development activities	33,892,875	25,420,025
Acquisition of land use rights	2,578,332	2,699,609
Capital contributions payable to joint ventures and associates	165,552	-
	36,636,759	28,119,634

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties under operating lease arrangements, negotiated for terms of 1 to 5 years with an option for renewal after the end of the lease terms, at which time all terms will be renegotiated.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018
	RMB'000
Within one year	6,864
In the second to fifth years, inclusive	4,295
	11,159

34. RELATED PARTY TRANSACTIONS

(1) Name and relationship

Name of related party	Relationship with the Group
Helenbergh Holding	The former ultimate holding company of the Company
廣州海倫堡物業管理有限公司 Guangzhou Helenbergh Property Management Co., Ltd.("Guangzhou Helenbergh Property Management")	Company controlled by the Controlling Shareholder
廣州市旭卓企業管理有限公司 Guangzhou Xuzhuo Enterprise Management Co., Ltd.("Guangzhou Xuzhuo")	Company controlled by the Controlling Shareholder
廣州善躍房地產仲介服務有限公司 Guangzhou Shanyue Real Estate Intermediary Service Co., Ltd.("Guangzhou Shanyue")	Company controlled by the Controlling Shareholder
廣州市海倫堡大酒樓有限公司 Guangzhou Helenbergh Restaurant Co., Ltd.("Guangzhou Helenbergh Restaurant")	Company controlled by the Controlling Shareholder
廣州市海茗堡會所有限公司 Guangzhou Haimingbao Club Co., Ltd.("Guangzhou Haimingbao")	Company controlled by the Controlling Shareholder
廣州市華景新城會所有限公司 Guangzhou Huajing Newtown Club Co., Ltd.("Guangzhou Huajing")	Company controlled by the Controlling Shareholder
廣州通澤置業有限公司 Guangzhou Tongze Real Estate Co., Ltd.("Guangzhou Tongze")	Company controlled by a close family member of the Controlling Shareholder
廣州市留學人員家園創業有限公司 Guangzhou Home of Overseas Student Venture Capital Co., Ltd.("Guangzhou Home of Overseas Student")	Company controlled by the Controlling Shareholder
廣州市蕃秀創業投資有限公司 Guangzhou Fanxiu Venture Capital Co., Ltd.("Guangzhou Fanxiu")	Company controlled by the Controlling Shareholder
廣州市永名企業投資諮詢有限公司 Guangzhou Yongming Enterprise Investment Consulting Co., Ltd.("Guangzhou Yongming")	Company controlled by the Controlling Shareholder
廣州耀理企業投資諮詢有限公司 Guangzhou Yaoli Enterprise Investment Consulting Co., Ltd.("Guangzhou Yaoli")	Company controlled by the Controlling Shareholder
廣東海倫堡投資有限公司 Guangdong Helenbergh Investment Co., Ltd.("Guangdong Helenbergh Investment")	Company controlled by the Controlling Shareholder
海倫普惠實業發展有限公司 Helen Puhui Industrial Development Co., Ltd.("Helen Puhui")	Company controlled by the Controlling Shareholder
昆明海倫堡物業服務有限公司 Kunming Helenbergh Property Service Co., Ltd.("Kunming Helenbergh Property Service")	Company controlled by the Controlling Shareholder
深圳市永恒基業置地有限公司 Shenzhen Yongheng Foundation Real Estate Co., Ltd.("Shenzhen Yongheng Foundation")#	Company controlled by the Controlling Shareholder
株洲市華海湘文化地產開發有限公司 Zhuzhou Huahaixiang Cultural Real Estate Development Co., Ltd.("Zhuzhou Huahaixiang")	Company controlled by the Controlling Shareholder

34. RELATED PARTY TRANSACTIONS (continued)

(1) Name and relationship (continued)

Name of related party	Relationship with the Group
蘇州市海倫堡房地產開發有限公司 Suzhou Helenbergh Real Estate Development Co., Ltd.("Suzhou Helenbergh")#	Company controlled by the Controlling Shareholder
廣州市番禺華景房地產開發有限公司 Guangzhou Panyu Huajing Real Estate Development Co., Ltd.("Huajing")#	Company controlled by the Controlling Shareholder
佛山市頤海房地產開發有限公司 Foshan Yihai Real Estate Development Co., Ltd.("Foshan Yihai")	Company controlled by the Controlling Shareholder
廣州市雅成貿易有限公司 Guangzhou Yacheng Trading Co., Ltd.("Guangzhou Yacheng")	Company controlled by the Controlling Shareholder
中山市盈潤房地產開發有限公司 Zhongshan Yingrun Real Estate Development Co., Ltd.("Zhongshan Yingrun")#	Company controlled by the Controlling Shareholder
廣州市海商物業管理有限責任公司 Guangzhou Helenbergh Business Property Management Co., Ltd.("Guangzhou Helenbergh Business")	Company controlled by the Controlling Shareholder
上海和潤投資管理有限公司 Shanghai Herun Investment Management Co., Ltd.("Shanghai Herun")	Company controlled by the Controlling Shareholder
西安海倫堡物業管理有限公司 Xi'an Helenbergh Property Management Co., Ltd.("Xi'an Helenbergh Property Management")	Company controlled by the Controlling Shareholder
成都市海商物業管理有限公司 Chengdu Helenbergh Business Property Management Co., Ltd.("Chengdu Helenbergh Business")	Company controlled by the Controlling Shareholder
昆明海商物業管理有限公司 Kunming Helenbergh Business Property Management Co., Ltd.("Kunming Helenbergh Business")	Company controlled by the Controlling Shareholder
廣州恒基酒店有限公司 Guangzhou Hengji Hotel Co., Ltd.("Guangzhou Hengji")	Company controlled by a close family member of Controlling Shareholder
武漢海倫堡物業管理有限公司 Wuhan Helenbergh Property Management Co., Ltd.("Wuhan Helenbergh Property Management")	Company controlled by the Controlling Shareholder
中山市中頤物業管理有限公司 Zhongshan Zhongyi Property Management Co., Ltd.("Zhongshan Zhongyi")	Company controlled by the Controlling Shareholder
雲南海築房地產開發有限公司 Yunnan Haizhu Real Estate Development Co., Ltd ("Yunnan HaiZhu")	Company controlled by the Controlling Shareholder
Blue Antrix Holdings Limited ("Blue Antrix")	Company controlled by the Controlling Shareholder
廣州朗廷酒店有限公司 Guangzhou Langting Hotel Co., Ltd. ("Langting Hotel")	Company controlled by the Controlling Shareholder
廣州潤元酒店管理有限公司 Guangzhou Runyuan Hotel Management Co., Ltd.("Guangzhou Runyuan")	Company controlled by the Controlling Shareholder

34. RELATED PARTY TRANSACTIONS (continued)

(1) Name and relationship (continued)

Name of related party	Relationship with the Group
仁寿德胜房地产开发有限公司 Renshou Desheng Real Estate Development Co., Ltd.("Renshou Desheng")	Jointly-controlled entity
無錫協能企業管理有限公司 Wuxi Xieneng Enterprise Management Co., Ltd ("Wuxi Xieneng")	Jointly-controlled entity
杭州啟迪協信智慧企業發展有限公司 Hangzhou Qidi Xiexin Intelligent Enterprise Development Co., Ltd ("Hangzhou Qidi Xiexin")	Jointly-controlled entity
雲南嘉卓房地產開發有限公司 Yunnan Jiazhuo Real Estate Development Co., Ltd.("Yunnan Jiazhuo")	Associate
雲南嘉遜房地產開發有限公司 Yunnan Jiaxun Real Estate Development Co., Ltd. ("Yunnan Jiaxun")	Associate
武漢寶業信富置業投資有限公司 Wuhan Baoye Xinfu Real Estate Investment Co., Ltd ("Wuhan Baoye")	Associate
寧波市騁越企業管理有限公司 Ningbo Chengyue Enterprise Management Co., Ltd ("Ningbo Chengyue")	Associate
杭州馨盈投資合夥企業（有限合夥）Hangzhou Xinying investment partnership (limited partnership) ("Hangzhou Xinying")	Associate

These companies were the former subsidiaries of the Group and disposed of to the Controlling Shareholder during the year. As a result, they were regarded as related parties of the Group subsequent to the date of their disposal.

34. RELATED PARTY TRANSACTIONS (continued)

(2) Significant related party transactions

The following transactions were carried out with related parties during the year:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Advance from Controlling Shareholder:		
Mr. Huang Chiheng	-	45
Advances from related companies:		
Guangzhou Helenbergh Property Management	-	1,103,399
Guangzhou Shanyue	-	55,361
Guangzhou Tongze	-	179,203
Guangdong Helenbergh Investment	-	1,000
Helenbergh Holding	-	9,686,753
Helen Puhui	-	320,500
Suzhou Helenbergh	-	318,377
Huajing	-	324,550
Kunming Helenbergh Business	-	3,402
Langting Hotel	-	230
Zhongshan Yingrun	-	200
Yunnan Jiazhuo	241,279	-
Yunnan Jiaxun	129,436	-
Guangzhou Yacheng	-	4,968
	370,715	11,997,943
Repayment of advance from Controlling Shareholder:		
Mr. Huang Chiheng	-	345
Repayment of advances from related companies:		
Guangzhou Helenbergh Property Management	-	1,139,916
Guangzhou Shanyue	-	55,345
Guangzhou Tongze	-	3,815
Guangzhou Fanxiu	-	94,166
Guangzhou Yaoli	-	5,584
Helenbergh Holding	277,895	6,659,312
Xi'an Helenbergh Property Management	-	3,374
Chengdu Helenbergh Business	-	54
Kunming Helenbergh Property Service	-	309
Guangdong Helenbergh Investment	-	1,000
Langting Hotel	-	230
Huajing	-	3,000
Guangzhou Yacheng	-	4,968
	277,895	7,971,073

34. RELATED PARTY TRANSACTIONS (continued)

(2) Significant related party transactions (continued)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Advances to related companies:		
Guangzhou Xuzhuo	-	1
Guangzhou Shanyue	-	16
Guangzhou Huajing	-	321,550
Guangzhou Tongze	-	435,843
Guangzhou Home of Overseas Student	-	1,304
Guangzhou Yongming	-	220,580
Helenbergh Holding	-	5,627,515
Helen Puhui	-	320,500
Kunming Helenbergh Property Service	-	51,652
Shenzhen Yongheng Foundation	-	10,000
Suzhou Helenbergh	-	318,377
Guangzhou Yacheng	-	28,733
Guangzhou Helenbergh Business	-	42
Shanghai Herun	-	8,970
Kunming Helenbergh Business	-	5,558
Renshou Desheng	41	30
Guangzhou Hengji	-	48,674
Yunnan HaiZhu	-	10
Blue Antrix	-	30
Wuhan Baoye	173,123	-
Ningbo Chengyue	10,048	-
Yunnan Jiaxun	-	15,849
	183,212	7,415,234
Repayment of advances to related companies:		
Guangzhou Helenbergh Property Management	-	96,266
Guangzhou Xuzhuo	-	12
Guangzhou Tongze	-	260,455
Guangzhou Fanxiu	-	49,000
Guangzhou Yongming	-	226,735
Helenbergh Holding	-	2,154,092
Kunming Helenbergh Property Service	-	51,961
Shenzhen Yongheng Foundation	-	10,000
Zhuzhou Huahaixiang	-	1,561
Guangzhou Yacheng	-	28,633
Guangzhou Helenbergh Business	-	45
Guangzhou Haimingbao	-	350
Guangzhou Hengji	-	71
Renshou Desheng	-	30
Guangzhou Home of Overseas Student	-	58
Yunnan HaiZhu	-	10
Blue Antrix Holdings Liminted	31	-
Yunnan Jiaxun	15,849	-
	15,880	2,879,279

34. RELATED PARTY TRANSACTIONS (continued)

(2) Significant related party transactions (continued)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Property management services fee paid/payable to		
Guangzhou Helenbergh Property Management	97,473	45,876
Kunming Helenbergh Property Service	12,437	11,093
Wuhan Helenbergh Property Management	9,333	6,269
Xi'an Helenbergh Property Management	7,125	5,572
Zhongshan Zhongyi	2,292	717
	128,660	69,527
Lease of properties income		
Guangzhou Helenbergh Property Management	-	639
Hotel services fee		
Guangzhou Runyuan	54	67
Consulting services income		
Yunnan JiaZhuo	6,430	-

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(3) Other transactions with related parties

During the reporting period, the Group's banking facilities were guaranteed by its related parties with details set out in note 25 to the financial statements.

34. RELATED PARTY TRANSACTIONS (continued)

(4) Outstanding balances with related parties

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Due from related companies:		
Non trade-related:		
Blue Antrix	-	31
	-	31
Due from a joint venture:		
Non trade-related:		
Renshou Desheng	41	-
Due from an associate:		
Non trade-related:		
Yunnan Jiaxun	-	15,849
Wuhan Baoye	173,123	-
Ningbo Chengyue	10,048	-
	183,171	15,849
Trade-related:		
Yunnan Jiazhuo	6,430	-

The maximum outstanding balances due from related parties during the year were as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Non trade-related	183,212	15,880
Trade-related	6,430	-

34. RELATED PARTY TRANSACTIONS (continued)

(4) Outstanding balances with related parties (continued)

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Due to related companies:		
Non trade-related:		
Helenbergh Holding	-	277,895
	-	277,895
Trade-related:		
Guangzhou Helenbergh Property Management	37,335	24,518
Kunming Helenbergh Property Service	17,119	11,983
Wuhan Helenbergh Property Management	1,893	3,580
Xi'an Helenbergh Property Management	5,323	28
Zhongshan Zhongyi	922	328
	62,592	40,437
Due to an associate:		
Non trade-related:		
Yunnan Jiaxun	129,436	-
Yunnan Jiazhuo	241,279	26,612
	370,715	26,612

Amounts due from related parties were unsecured and non-interest-bearing and with repayment terms within one year.

Amounts due to the related parties were unsecured and non-interest-bearing and repayable on demand.

(5) Compensation of key management personnel of the Group:

	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Short-term employee benefits	23,801	11,491
Pension scheme contributions	622	565
Total compensation paid to key management personnel	24,423	12,056

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year are as follows:

At 31 December 2019

Financial assets

	Financial assets at amortised cost
	RMB'000
At amortised cost:	
Financial assets included in prepayments, deposits and other receivables (note 19)	2,684,054
Trade receivables	208,861
Amounts due from associates	189,601
Amounts due from jointly-controlled entities	41
Restricted cash	7,128,689
Pledged deposits	265,691
Cash and cash equivalents	10,522,176
	20,999,113

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
At amortised cost:	
Trade and bills payables	17,597,569
Financial liabilities included in other payables, deposits received and accruals (note 23)	5,881,792
Amounts due to related parties	62,592
Amounts due to associates	370,715
Interest-bearing bank and other borrowings (note 25)	37,413,800
Lease Liabilities	4,711
	61,331,179

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

At 31 December 2018

Financial assets

	Financial assets at amortised cost
	RMB'000
At amortised cost:	
Financial assets included in prepayments, deposits and other receivables (note 19)	2,059,439
Trade receivables	320,759
Amounts due from an associate	15,849
Amounts due from related parties	31
Restricted cash	5,473,192
Pledged deposits	523,164
Cash and cash equivalents	4,778,218
	13,170,652

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
At amortised cost:	
Trade and bills payables	9,943,082
Financial liabilities included in other payables, deposits received and accruals (note 23)	2,881,359
Amounts due to related parties	318,332
Amounts due to an associate	26,612
Interest-bearing bank and other borrowings (note 25)	28,307,536
	41,476,921

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of the reporting period, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	At 31 December 2019	
	Carrying amount	Fair value
	RMB'000	RMB'000
Financial liabilities		
Interest-bearing bank and other borrowings (other than lease liabilities) (note 25)	37,413,800	39,819,952

	At 31 December 2018	
	Carrying amount	Fair value
	RMB'000	RMB'000
Financial liabilities		
Interest-bearing bank and other borrowings (note 25)	28,307,536	30,101,637

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of cash and cash equivalents, restricted cash, pledged deposits, amounts due from related parties, trade receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables, deposits received and accruals and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the chief finance officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for annual financial reporting.

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The change in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings at the end of the reporting period were assessed to be insignificant.

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

At 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings (other than lease liabilities)	-	39,819,952	-	39,819,952

At 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	-	30,101,637	-	30,101,637

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted cash, pledged deposits, trade and other receivables, trade and bills payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as available-for-sale investments, interest-bearing bank and other borrowings, amounts due to related parties and amounts due from related parties. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 25. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

For the year ended 31 December 2019, if the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB 100,920,000 (2018: RMB66,822,000).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk

The Group trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end
The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

At 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade receivables*	-	-	-	209,196	209,196
Financial assets included in prepayments, deposits and other receivables	2,697,466	-	51,889	-	2,749,355
Amounts due from associates	189,601	-	-	-	189,601
Amounts due from related parties	41	-	-	-	41
Restricted cash	7,128,689	-	-	-	7,128,689
Pledged deposits	265,691	-	-	-	265,691
Cash and cash equivalents	10,522,176	-	-	-	10,522,176
	20,803,664	-	51,889	209,196	21,064,749

At 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade receivables*	-	-	-	321,424	321,424
Financial assets included in prepayments, deposits and other receivables	2,068,660	-	39,751	-	2,108,411
Amounts due from an associate	15,849	-	-	-	15,849
Amounts due from related parties	31	-	-	-	31
Restricted cash	5,473,192	-	-	-	5,473,192
Pledged deposits	523,164	-	-	-	523,164
Cash and cash equivalents	4,778,218	-	-	-	4,778,218
	12,859,114	-	39,751	321,424	13,220,289

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

*For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 18 to the financial statements.

(c) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019					
Trade and bills payables	-	17,597,569	-	-	17,597,569
Other payables, deposits received and accruals	-	5,881,792	-	-	5,881,792
Amounts due to related parties	62,592	-	-	-	62,592
Amounts due to associates	370,715	-	-	-	370,715
Interest-bearing bank and other borrowings	-	16,267,354	24,952,803	1,927,549	43,147,706
Lease liabilities	-	-	4,711	-	4,711
Total	433,307	39,746,715	24,957,514	1,927,549	67,065,085
At 31 December 2018					
Trade and bills payables	-	9,943,082	-	-	9,943,082
Other payables, deposits received and accruals	-	2,881,359	-	-	2,881,359
Amounts due to related parties	318,332	-	-	-	318,332
Amounts due to an associate	26,612	-	-	-	26,612
Interest-bearing bank and other borrowings	-	11,564,910	20,018,162	1,350,925	32,933,997
Total	344,944	24,389,351	20,018,162	1,350,925	46,103,382

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank and other borrowings, trade and bills payables, other payables, deposits received and accruals, amounts due to related parties less cash and cash equivalents. Capital represents equity attributable to owners of the Company. The gearing ratios as at the end of the reporting period were as follows:

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Trade and bills payables	17,597,569	9,943,082
Other payables, deposits received and accruals	8,766,656	5,040,325
Amounts due to related parties	62,592	318,332
Amount due to an associate	370,715	26,612
Interest-bearing bank and other borrowings	37,413,800	28,307,536
Less: Cash and cash equivalents	(10,522,176)	(4,778,218)
Net debt	53,689,156	38,857,669
Equity attributable to owners of the Company	15,329,038	12,748,244
Capital and net debt	69,018,194	51,605,913
Gearing ratio	78%	75%

38. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed certain lawsuits in Note 32, significant event of the Group after the reporting period is set out as below.

Assessment on the impact of the novel coronavirus's (COVID-19)

The outbreak of COVID-19 in early January 2020 continued to spread throughout Mainland China and beyond. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries		359,218	359,218
CURRENT ASSETS			
Prepayments, deposits and other receivables		1,028,086	1,249
Cash and bank balances		1,036,136	52
		2,064,222	1,301
CURRENT LIABILITIES			
Other payables and accruals		(7,535)	(655)
NON-CURRENT LIABILITIES			
Other borrowings		(2,113,525)	-
NET ASSETS		302,380	359,864
EQUITY			
Share capital	26	-	-
Reserves	27	302,380	359,864
TOTAL EQUITY		302,380	359,864

Huang Chiheng
Director

Wang Meng
Director

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserve is as follows:

	Share premium	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2018	-	-	-
Capital contribution	360,543	-	360,543
Loss of the year	-	(679)	(679)
At 31 December 2018 and 1 January 2019	360,543	(679)	359,864
Loss for the year	-	(57,484)	(57,484)
At 31 December 2019	360,543	(58,163)	302,380

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 May 2020.

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