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為免生疑，刊發本公告及本文所述的上市文件不應被視為就香港法例第32章公司(清盤及雜項條文)條例而言根據發行人或其代表刊發的招股章程提出的證券發售要約，亦不屬於香港法例第571章證券及期貨條例所指其中載有向公眾人士發出要約以訂立或建議訂立有關購買、出售、認購或包銷證券的協議的廣告、邀請或文件。

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DEXIN CHINA HOLDINGS COMPANY LIMITED
德信中国控股有限公司
(於開曼群島註冊成立的有限公司)
(「本公司」，股份代號：2019)

發行於二零二二年到期的150,000,000美元9.95%的額外優先票據(「額外票據」)(將與於二零二零年十二月三日發行的於二零二二年到期的200,000,000美元9.95%的優先票據合併及形成單一類別)(「票據」，股份代號：40497)

刊發發售備忘錄

本公告乃根據香港聯合交易所有限公司(「**聯交所**」)證券上市規則(「**上市規則**」)第37.39A條而刊發。

請參閱本公告所附日期為二零二一年一月六日有關發行額外票據的補充發售備忘錄(「**發售備忘錄**」)。誠如發售備忘錄所披露，額外票據擬僅供專業投資者(定義見上市規則第37章)購買，並將按此基準於聯交所上市。

發售備忘錄並不構成在任何司法權區向公眾人士提呈出售任何證券的招股章程、通告、通函、宣傳冊或廣告，亦並非邀請公眾人士作出認購或購買任何證券的要約，此外亦非供傳閱以邀請公眾人士作出認購或購買任何證券的要約。

發售備忘錄不應被視為對認購或購買本公司任何證券的勸誘，亦無意作出該等勸誘。任何投資決策不應以發售備忘錄所載資料為依據。

承董事會命
德信中国控股有限公司
主席
胡一平

香港，二零二一年一月十四日

截至本公告日期，本公司董事會成員包括執行董事胡一平先生、費忠敏先生及單蓓女士，非執行董事胡詩豪先生，以及獨立非執行董事王永權博士、丁建剛先生及Chen Hengliu先生。

IMPORTANT NOTICE

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

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

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

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

The communication of the attached document and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the UK'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 UK. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the UK 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 to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the UK, the securities described in the attached document are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the UK that is not a relevant person should not act or rely on the attached document or any of its contents.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS—The New Notes (as defined in the attached document) are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the 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 ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. The attached document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Guotai Junan Securities (Hong Kong) Limited, Credit Suisse (Hong Kong) Limited, UBS AG Hong Kong Branch, Barclays Bank PLC, Deutsche Bank AG, Hong Kong Branch, CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, BNP Paribas, BOCOM International Securities Limited, CMB International Capital Limited, Orient Securities (Hong Kong) Limited, The Bank of East Asia, Limited and Valuable Capital Limited (the "Initial Purchasers"), 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.

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SUPPLEMENTAL OFFERING MEMORANDUM **CONFIDENTIAL**
(to the offering memorandum dated November 26, 2020)

US$150,000,000

DEXIN CHINA HOLDINGS COMPANY LIMITED
德信中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

9.95% Senior Notes due 2022
(to be consolidated and form a single series with the US$200,000,000 9.95% Senior Notes due 2022 issued on December 3, 2020)
Issue Price: 100.827% plus accrued interest from (and including) December 3, 2020 to (but excluding) January 13, 2021

The 9.95% senior notes due 2022 in the aggregate principal amount of US$150,000,000 (the "New Notes") will be issued by Dexin China Holdings Company Limited (the "Company") and will be consolidated and form a single series with the US$200,000,000 9.95% Senior Notes due 2022 issued on December 3, 2020 (referred to as the "Original Notes" and, together with the New Notes and any other additional notes that may be issued from time to time under the Indenture (as defined below), the "Notes"). The terms and conditions for the New Notes are the same as those for the Original Notes in all respects except for the issue date and issue price and the New Notes and the Original Notes will vote together as one series on all matters with respect to the Notes. Upon the issue of the New Notes, the aggregate principal amount of outstanding Notes will be US$350,000,000.

The Notes will bear interest at the rate of 9.95% per annum payable semiannually in arrears on June 3 and December 3 of each year, commencing June 3, 2021 and will mature on December 3, 2022.

The Notes are senior obligations of Dexin China Holdings Company Limited (the "Company") guaranteed (the "Subsidiary Guarantees") by Tak Yick International Limited (德益國際有限公司), DAXIN International Limited (達信國際有限公司), Dexin Holding (Hong Kong) Limited (德信控股(香港)有限公司) and Yinxin Holding (Hong Kong) Limited (銀鑫控股(香港)有限公司).

At any time and from time to time prior to December 3, 2022, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 109.95% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may at our option redeem the Notes, in whole but not in part, at any time prior to December 3, 2022 at a redemption price equal to 100% of the principal amount of the Notes plus a premium as set forth in this supplemental offering memorandum and the accompanying Original Offering Memorandum (as defined herein) and accrued and unpaid interest if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes (the "Indenture")), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (2) 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); (3) guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption "—The Subsidiary Guarantees and the JV Subsidiary Guarantees" and in "Risk Factors—Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees" of the accompanying Original Offering Memorandum; (4) 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 (5) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

See "Description of the Notes" of the Original Offering Memorandum for a more detailed description of the Notes.

Investing in the Notes involves risks. Investors should be aware that the Notes will be guaranteed by Subsidiary Guarantors which do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees and that there are various other risks relating to the Notes, the Company and its subsidiaries, their business and their jurisdictions of operations which investors should familiarize themselves with before making an investment in the Notes. See "Risk Factors" beginning on page 14 and particularly beginning on page 46 for risks relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees of the Original Offering Memorandum.

The Original Notes are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") 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 and in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) ("Professional Investors") only. 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. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Company confirms that the New Notes are intended for purchase by Professional Investors only and will be listed on The Hong Kong Stock Exchange Limited on that basis. Accordingly, the Company confirms that the New Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this supplemental offering memorandum and the accompanying Original Offering Memorandum, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this supplemental offering memorandum and the accompanying Original Offering Memorandum to Professional Investors only have been reproduced in this document. Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the content of this supplemental offering memorandum and the accompanying Original 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 supplemental offering memorandum and the accompanying Original Offering Memorandum.

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

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

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 September 23, 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 January 13, 2021 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Guotai Junan International **Credit Suisse** **UBS** **Barclays**

Deutsche Bank **CCB International**

China International Capital Corporation

Joint Bookrunners and Joint Lead Managers

BNP PARIBAS **BOCOM International** **CMB International**

Orient Securities (Hong Kong) **The Bank of East Asia, Limited** **Valuable Capital Limited**

The date of this supplemental offering memorandum is January 6, 2021

TABLE OF CONTENTS

SUPPLEMENTAL OFFERING MEMORANDUM

ORIGINAL OFFERING MEMORANDUM

This supplemental offering memorandum incorporates by reference the information contained in the attached offering memorandum dated November 26, 2020, or the Original Offering Memorandum, and should be read in conjunction with the accompanying Original Offering Memorandum. The information in this supplemental offering memorandum supersedes the information in the Original Offering Memorandum to the extent inconsistent with the information in the Original Offering Memorandum. Terms used but not defined herein shall have the meanings given to them in the Original Offering Memorandum.

This supplemental offering memorandum and the accompanying Original Offering Memorandum do 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 supplemental offering memorandum and the accompanying Original 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 supplemental offering memorandum or that the information contained in this supplemental offering memorandum and the accompanying Original Offering Memorandum is correct as of any time after that date.

Neither this supplemental offering memorandum nor the accompanying Original Offering Memorandum is a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129 (the "EU Prospectus Regulation"). This supplemental offering memorandum and the accompanying Original Offering Memorandum have been prepared on the basis that all offers of the securities made to persons in the European Economic Area (the "EEA") and the United Kingdom (the "UK") will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the securities.

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

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

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

target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the New Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO UK RETAIL INVESTORS—The 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 ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the 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.

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

We, having made all reasonable inquiries, confirm that: (i) this supplemental offering memorandum and the accompanying Original Offering Memorandum contain all information with respect to us, our subsidiaries and affiliates referred to in this supplemental offering memorandum and the accompanying Original 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 supplemental offering memorandum and the accompanying Original Offering Memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this supplemental offering memorandum and the accompanying Original 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 supplemental offering memorandum and the accompanying Original 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 supplemental offering memorandum and the accompanying Original Offering Memorandum are highly confidential. We are providing them solely for the purpose of enabling you to consider a purchase of the New Notes. You should read this supplemental offering memorandum and the accompanying Original Offering Memorandum before making a decision whether to purchase the New Notes. You must not use this supplemental offering memorandum or the accompanying Original Offering Memorandum for any other purpose, or disclose any information in this supplemental offering memorandum and the accompanying Original 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 supplemental offering memorandum and the accompanying Original 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 supplemental offering memorandum and the accompanying Original Offering Memorandum, and we are solely responsible for their 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" beginning on page 234 of the Original Offering Memorandum.

No representation or warranty, express or implied, is made or given by Guotai Junan Securities (Hong Kong) Limited, Credit Suisse (Hong Kong) Limited, UBS AG Hong Kong Branch[1], Barclays Bank PLC, Deutsche Bank AG, Hong Kong Branch, CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, BNP Paribas, BOCOM International Securities Limited, CMB International Capital Limited, Orient Securities (Hong Kong) Limited, The Bank of East Asia, Limited and Valuable Capital Limited (the "Initial Purchasers"), the Trustee or Agents or any of their respective affiliates or advisors as to the accuracy, completeness or sufficiency of the information set forth herein, and nothing contained in this supplemental offering memorandum and the accompanying Original Offering Memorandum is, or should be relied upon as, a promise, representation or warranty, whether as to the past or the future. The Initial Purchasers have not independently verified any of the information contained in this supplemental offering memorandum and the accompanying Original Offering Memorandum or can give any assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, the Initial Purchasers do not accept any responsibility for the contents of this supplemental offering memorandum and the accompanying Original Offering Memorandum or for any statement made or purported to be made by the Initial Purchasers or on their behalf in connection with us, the Subsidiary Guarantors or the issue and offering of the New Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this supplemental offering memorandum and the accompanying Original Offering Memorandum or any such statement.

Each person receiving this supplemental offering memorandum and the accompanying Original Offering Memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the 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 or the Initial Purchasers.

1 UBS AG is incorporated in Switzerland with limited liability.

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 regulatory authority of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this supplemental offering memorandum and the accompanying Original 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 supplemental offering memorandum and the accompanying Original 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 supplemental offering memorandum and the accompanying Original 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 supplemental offering memorandum and the accompanying Original Offering Memorandum, see the sections entitled "Transfer Restrictions" and "Plan of Distribution" beginning on pages 234 and 229 of the Original Offering Memorandum respectively.

This supplemental offering memorandum and the accompanying Original Offering Memorandum summarize certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this supplemental offering memorandum and the accompanying Original 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 supplemental offering memorandum and the accompanying Original 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 supplemental offering memorandum and the accompanying Original 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 Dexin China Holdings Company Limited itself and its consolidated subsidiaries, as the context requires.

Market data, industry forecast and the PRC and property industry statistics in this supplemental offering memorandum and the accompanying Original 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 possible inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and PRC and property industry statistics.

In this supplemental offering memorandum and the accompanying Original 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 supplemental offering memorandum and the accompanying Original Offering Memorandum, all translations from Renminbi amounts to U.S. dollar amounts were made at the rate of RMB7.0651 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2020, and all translations from H.K. dollar amounts into U.S. dollar amounts were made at the rate of HK$7.7501 to US$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2020. All such translations in this supplemental offering memorandum and the accompanying Original 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" beginning on page 49 of the Original Offering Memorandum.

References to "PRC" and "China," in the context of statistical information and description of laws and regulations in this supplemental offering memorandum and the accompanying Original 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.

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.

For other references, please refer to the section entitled "Certain Definitions, Conventions and Currency Presentation" in the Original Offering Memorandum.

THE OFFERING

Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes" in the accompanying Original Offering Memorandum.

Issuer	Dexin China Holdings Company Limited (the "Company").
New Notes Offered	US$150,000,000 aggregate principal amount of 9.95% Senior Note due 2022 (the "New Notes"), to be consolidated and form a single series with the US$200,000,000 9.95% Senior Notes due 2022 issued by the Company on December 3, 2020 (referred to as the "Original Notes" and, together with the New Notes, the "Notes"). The terms for the New Notes are the same as those for the Original Notes in all respects except for the issue date and issue price.
Offering Price	100.827% of the principal amount of the New Notes plus accrued interest from (and including) December 3, 2020 to (but excluding) January 13, 2021.
Maturity Date	December 3, 2022.
Interest	The Notes bear interest from (and including) December 3, 2020 at the rate of 9.95% per annum, payable semiannually in arrears.
Interest Payment Dates.	June 3 and December 3 of each year, commencing June 3, 2021.
Use of Proceeds	We intend to use the proceeds for the repayment of existing offshore indebtedness.
Transfer Restrictions	The New Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions" in the accompanying Original Offering Memorandum.
Delivery of the New Notes.	The Company expects to make delivery of the New Notes against payment in same-day funds on or about January 13, 2021, which the Company expects will be the fifth business day following the date of this supplemental offering memorandum referred to as "T+5." You should note that initial trading of the New Notes may be affected by the "T+5" settlement. See "Plan of Distribution" of this supplemental offering memorandum.
Ratings.	The Original Notes are rated "B-" by Standard & Poor's Ratings Services and "B3" by Moody's Investors Service, Inc., and we do not expect the ratings of the Original Notes to change as a result of the issuance of the New Notes. The New Notes are expected to be rated "B-" by Standard & Poor's Ratings Services and "BB-" by Lianhe Ratings Global Limited. In addition, we have been assigned a long-term corporate credit rating of B2 with a stable outlook by Moody's Investors Service, a long-term corporate credit rating of B with a stable outlook by Standard & Poor's Ratings Services and a long-term Issuer credit rating of BB- with a stable outlook by Lianhe Global. We cannot assure investors that these ratings will not be adversely revised or withdrawn either before or after delivery of the New Notes.

Listing	The Original Notes are listed on the Hong Kong Stock Exchange. Application will be made to the Hong Kong Stock Exchange for the listing of the New Notes by way of debt issues to Professional Investors only.
Security Codes	**ISIN** XS2262084374 **Common Code** 226208437

For all other terms, please refer to the section entitled "The Offering" in the accompanying Original Offering Memorandum.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately US$150.9 million, which we plan to use for the repayment of existing offshore indebtedness.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments (as defined under "Description of the Notes—Definitions" beginning on page 200 of the Original Offering Memorandum).

The following paragraph replaces the paragraph under risk factor entitled "**A trading market for the Notes may not develop, and there are restrictions on resale of the Notes.**" on page 43 of the accompanying Original Offering Memorandum.

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

The New Notes are a new issue of securities for which there is currently no trading market. Although application will be made to the SEHK for the listing and quotation of the New Notes on the SEHK, we cannot assure you that we will obtain or be able to maintain a listing on the SEHK, or that, if listed, a liquid trading market will develop. If such a market were to develop, the New Notes could trade at prices that may be higher or lower the initial issue price depending on many factors, including prevailing interest rates, our Group's operations and the market for similar securities. Further, the New Notes may be allocated to a limited number of investors, in which case liquidity may be limited. We have been advised that the Initial Purchasers intend to make a market in the New Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. The Initial Purchasers may subsequently elect to sell any Notes purchased by it at varying prices which may differ from the issue price of the New Notes as set forth in this supplemental offering memorandum and the accompanying Original Offering Memorandum. In addition, the New Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "Transfer Restrictions." We cannot predict whether an active trading market for the New Notes will develop or be sustained.

The following paragraph replaces the paragraph under risk factor entitled "**Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees.**" on page 46 of the accompanying Original Offering Memorandum.

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. Therefore, almost all of our revenue and income (as shown in our consolidated financial information included elsewhere in this offering memorandum) are attributed to our PRC operating subsidiaries and any contribution from direct operations of the Subsidiary Guarantors (or JV Subsidiary Guarantors) are immaterial. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the Notes will not be guaranteed by certain of our offshore subsidiaries upon issuance. In addition, certain of our future offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of all our offshore subsidiaries that do not guarantee the Notes (other than Exempted Subsidiaries and Listed Subsidiaries) do not exceed 15% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of such Non-Guarantor Subsidiaries. See "Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees" for a list of the Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors which will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our obligations under Notes if we are unable to do so.

Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues no less than 20% of the Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 15% of our total assets.

In addition, a Subsidiary Guarantee may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of certain minority interest in such subsidiary (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of our last fiscal year-end. See "— Risks Relating to the Notes — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries."

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated cash and cash equivalents, total current borrowings and capitalization as of June 30, 2020 on an actual basis and on an as adjusted basis after giving effect to the net proceeds from the issuance of the Original Notes after deducting the underwriting discounts and commissions and other estimated expenses and the net proceeds from the issuance of the New Notes in this offering after deducting the underwriting discounts and commissions and other estimated expenses payable by us. The following table should be read in conjunction with the selected unaudited interim consolidated condensed financial information and related notes included in the supplemental offering memorandum.

	As of June 30, 2020			
	Actual		As adjusted	
	(RMB)	*(US$)*	*(RMB)*	*(US$)*
	(in thousands)			
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Cash and cash equivalents (excluding restricted cash)[1]	12,199,048	1,726,663	14,612,627	2,068,283
Current debt:[2][3]				
Bank borrowings – secured	220,000	31,139	220,000	31,139
Borrowings from other financial institutions – secured	961,500	136,091	961,500	136,091
Borrowings from other financial institutions – unsecured	–	–	–	–
Current portion of long-term borrowings	4,813,770	681,345	4,813,770	681,345
Total current debt	5,995,270	848,575	5,995,270	848,575
Non-current debt:[3][4]				
Bank borrowings – secured	11,256,490	1,593,253	11,256,490	1,593,253
Borrowings from other financial institutions – secured	2,640,700	373,767	2,640,700	373,767
Borrowings from other financial institutions – unsecured	–	–	–	–
Senior Notes[5][6]	3,647,872	516,323	3,647,872	516,323
Original Notes[6][8]	–	–	1,347,738	190,760
New Notes to be issued[6]	–	–	1,065,841	150,860
Less: Current portion of long-term borrowings	(4,813,770)	(681,345)	(4,813,770)	(681,345)
Total non-current debt	12,731,292	1,801,998	15,144,871	2,143,618
Capital and reserves:				
Share capital	9,200	1,302	9,200	1,302
Reserves	5,442,660	770,359	5,442,660	770,359
Total equity attributable to the owners of the Company	5,451,860	771,661	5,451,860	771,661
Total capitalization[7]	18,183,152	2,573,659	20,596,731	2,915,279

Notes:

(1) As of June 30, 2020, cash and cash equivalents excluded restricted cash of RMB1,094.9 million (US$155.0 million). Restricted cash consists principally of cash deposits with designated banks as security mainly for borrowings and issuance of commercial bills.

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

(3) Our debt does not include any accrual for capital commitments or contingent liabilities. As of June 30, 2020, our consolidated capital commitments were RMB15,246.5 million (US$2,158.0 million) and our contingent liabilities, all of which were in the form of guarantees that we had provided to our customers in relation to their purchase of our properties, amounted to approximately RMB13,928.5 million (US$1,971.5 million), and guarantees that we have provided for the borrowings, amounted to RMB4,581.4 million (US$648.5 million).

(4) Non-current debt excludes current portion of long-term borrowings.

(5) We issued the Senior Notes in the aggregate principal amount of US$200.0 million on August 6, 2019, US$100.0 million on November 18, 2019 and US$200.0 million on January 23, 2020 respectively.

(6) In accordance with HKFRS, the Notes should be recorded at their fair value upon initial recognition, which may be substantially different from the aggregate principal amount of the Notes. For illustrative purposes only, the Notes have been recorded at their aggregate principal amount, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, in the "As adjusted" column of the table above.

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

(8) We issued the Original Notes in the aggregate principal amount of US$200.0 million on December 3, 2020.

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

DESCRIPTION OF THE NEW NOTES

The following provisions should be read in conjunction with the section entitled "Description of the Notes" beginning on page 157 of the Original Offering Memorandum.

The Company will issue the New Notes as additional notes under the Indenture.

The Company is issuing US$150,000,000 aggregate principal amount of New Notes in this offering. The New Notes constitute additional notes under the Indenture and are identical in all respects to the Original Notes except the issue date and issue price, and will be consolidated and form a single series with the Original Notes and vote together as one series on all matters with respect to the Original Notes. Upon the issue of the New Notes, the aggregate principal amount of outstanding New Notes and Original Notes will be US$350,000,000. The Notes will bear interest from (and including) December 3, 2020 at the rate of 9.95% per annum, payable semi-annually in arrears. All references to the Notes in the Original Offering Memorandum include the New Notes and the Original Notes, except as otherwise stated.

The New Notes issued will have the same ISIN and Common Code as those that are assigned to the Original Notes previously sold to investors. The New Notes will be subject to restrictions on transfer as set forth in a legend appearing thereon as described in the section entitled "Transfer Restrictions" beginning on page 234 of the Original Offering Memorandum.

Unless otherwise defined in this supplemental offering memorandum, you can find the definitions of terms used in this section under "Description of the Notes—Definitions" beginning on page 200 of the Original Offering Memorandum.

PLAN OF DISTRIBUTION

Guotai Junan Securities (Hong Kong) Limited, Credit Suisse (Hong Kong) Limited, UBS AG Hong Kong Branch[1], Barclays Bank PLC, Deutsche Bank AG, Hong Kong Branch, CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, BNP Paribas, BOCOM International Securities Limited, CMB International Capital Limited, Orient Securities (Hong Kong) Limited, The Bank of East Asia, Limited and Valuable Capital Limited are acting as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated January 6, 2021, each Initial Purchaser named below has severally but not jointly agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the New Notes set forth opposite such Initial Purchaser's name.

Initial Purchasers	**Principal Amount of Notes**
Guotai Junan Securities (Hong Kong) Limited	US$30,000,000
Credit Suisse (Hong Kong) Limited	US$25,000,000
UBS AG Hong Kong Branch	US$25,000,000
Barclays Bank PLC	US$10,000,000
Deutsche Bank AG, Hong Kong Branch	US$10,000,000
CCB International Capital Limited	US$10,000,000
China International Capital Corporation Hong Kong Securities Limited	US$10,000,000
BNP Paribas	US$5,000,000
BOCOM International Securities Limited	US$5,000,000
CMB International Capital Limited	US$5,000,000
Orient Securities (Hong Kong) Limited	US$5,000,000
The Bank of East Asia, Limited	US$5,000,000
Valuable Capital Limited	US$5,000,000
Total	US$150,000,000

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 certain other conditions. The Initial Purchasers must purchase all the New Notes if they purchase any of the New Notes.

The Initial Purchasers propose to resell the New Notes at the offering price set forth on the cover page of this supplemental offering memorandum only outside the United States in offshore transactions in reliance on Regulation S. See "Transfer Restrictions" in the accompanying Original Offering Memorandum. The price at which the New Notes are offered may be changed at any time without notice.

The New Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions" in the accompanying Original Offering Memorandum.

In addition, the Company has agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the New Notes by their private bank clients.

During the period beginning on the date hereof and continuing to the date that is 15 days after the date on which the New Notes are issued, without the prior written consent of the Initial Purchasers, none of the Company and the Subsidiary Guarantors will offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Company or the Subsidiary Guarantors that are substantially similar to the Securities (other than the Securities and any Additional New Notes (as defined in the Indenture) or any debt securities offered primarily in the PRC).

1 UBS AG is incorporated in Switzerland with limited liability.

The New Notes will constitute a new class of securities with no established trading market. The Original Notes are listed on the Hong Kong Stock Exchange. Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Notes by way of debt issues to professional investors only. However, we cannot assure you that the prices at which the New Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the New Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the New Notes. However, the Initial Purchasers are not obligated to do so and they may discontinue any market-making activities with respect to the New Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the New Notes.

In connection with the offering of the New Notes, the Initial Purchasers may engage in stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the New Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a dealer when the New Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the New Notes. In addition, neither we nor the Initial Purchasers makes any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the New Notes against payment for the New Notes on or about the date specified in the last paragraph of the cover page of this supplemental offering memorandum, which will be the fifth business day following the date of the pricing of the New Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in two business days; purchasers who wish to trade New Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the New Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the New Notes who wish to trade the New Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Initial Purchasers or their affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the New Notes, all to the extent permitted under the Indenture. Our obligations under these transactions may be secured by cash or other collateral to the extent permitted under the Indenture.

In connection with this offering of the New Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up New Notes in the offering, but not with a view to distribute, and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the New Notes. Accordingly, references herein to the New Notes being offered should be read as including any offering of the New Notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

We and the Subsidiary Guarantors have agreed to indemnify the Joint Bookrunners, the Joint Lead Managers and the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Joint Bookrunners, the Joint Lead Managers and the Initial Purchasers may be required to make because of any of those liabilities.

Selling Restrictions

You should refer to the section entitled "Plan of Distribution—Selling Restrictions" in the accompanying Original Offering Memorandum for restrictions on selling of securities in certain jurisdictions other than PRIIPs/Prohibition of Sales to EEA and UK Retails Investors. References to "Notes" in the Plan of Distribution section of the Original Offering Memorandum include the "New Notes."

For PRIIPs/Prohibition of Sales to EEA and UK Retails Investors, please see below.

Each of the Initial Purchasers has 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 European Economic Area. 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 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; 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 News Notes to be offered so as to enable an investor to decide to purchase or subscribe the New Notes.

In addition, each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any New Notes to any retail investor in the UK. 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; and

(b) the expression an "**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.

Furthermore, the New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or the UK. 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 and Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the 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 EEA and the UK may be unlawful under the PRIIPs Regulation and UK PRIIPs Regulation, respectively.

LEGAL MATTERS

Certain legal matters with respect to the New Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law and Hong Kong law, Commerce & Finance Law Offices as to matters of PRC law, Conyers Dill & Pearman as to matters of Cayman Islands law and British Virgin Islands law.

Certain legal matters will be passed upon for the Initial Purchasers by Davis Polk & Wardwell as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the New Notes and the new Subsidiary Guarantees. The entry into the Indenture and the issue of the New Notes have been authorized by a resolution of our board of directors dated November 25, 2020 and the entry into the Indenture and issue of the new Subsidiary Guarantees have also been authorized by the resolutions of the directors of each Subsidiary Guarantor dated November 25, 2020.

LITIGATION

Except as disclosed in this supplemental offering memorandum and the accompanying Original 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.

NO MATERIAL ADVERSE CHANGE

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2020 that is material in the context of the issue of the New Notes.

DOCUMENTS AVAILABLE

For so long as any of the Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified office of the Principal Paying Agent (being at the date of this supplemental offering memorandum at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent.

For so long as any of the Notes is outstanding, copies of the accountant's reports and/or our published financial statements, if any, including the accountant's report set out in the section entitled "Index to Consolidated Financial Statements" in the accompanying Original Offering Memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the paying and transfer agents.

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	Common Code
New Notes	XS2262084374	226208437

LISTING OF THE NEW NOTES

The Original Notes are listed and quoted on the Hong Kong Stock Exchange. 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 supplemental offering memorandum and the accompanying Original Offering Memorandum. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the correctness of any statements made on opinions or reports contained in this supplemental offering memorandum and the accompanying Original Offering Memorandum, make no representation as to their 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 supplemental offering memorandum and the accompanying Original Offering Memorandum. Admission of the New Notes to the official list of the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the New Notes or us.

OFFERING MEMORANDUM **CONFIDENTIAL**

US$200,000,000

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DEXIN CHINA HOLDINGS COMPANY LIMITED
德信中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

9.95% Senior Notes due 2022
Issue Price: 96.872%

Our 9.95% Senior Notes due 2022 (the "Notes") will bear interest at the rate of 9.95% per annum payable in arrears on June 3 and December 3 of each year, beginning June 3, 2021 and will mature on December 3, 2022.

The Notes are senior obligations of Dexin China Holdings Company Limited (the "Company") guaranteed (the "Subsidiary Guarantees") by Tak Yick International Limited (德益國際有限公司), DAXIN International Limited (達信國際有限公司), Dexin Holding (Hong Kong) Limited (德信控股(香港)有限公司) and Yinxin Holding (Hong Kong) Limited (銀鑫控股(香港)有限公司).

At any time and from time to time prior to December 3, 2022, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 109.95% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may at our option redeem the Notes, in whole but not in part, at any time prior to December 3, 2022 at a redemption price equal to 100% of the principal amount of the Notes plus a premium as set forth in this offering memorandum and accrued and unpaid interest if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes (the "Indenture")), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (2) 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); (3) guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption "—The Subsidiary Guarantees and the JV Subsidiary Guarantees" and in "Risk Factors—Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees" of this offering memorandum; (4) 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 (5) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

For a more detailed description of the Notes. see "Description of the Notes."

Investing in the Notes involves risks. See "Risk Factors" beginning on page 14.

We are concurrently conducting an offer to purchase for cash of our 12.875% Senior Notes Due 2021 (ISIN: XS2035536098) (the "Concurrent Offer to Purchase"). We intend to finance the Concurrent Offer to Purchase with proceeds from this offering.

Application will be made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) (together, "Professional Investors") only. This document is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

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

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

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

The Notes are expected to be rated "B-" by Standard & Poor's Ratings Services (the "S&P") and B3 by Moody's Investors Service, Inc. (the "Moody's"). A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

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 Notes with the NDRC and obtained a certificate from the NDRC on September 23, 2020 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within ten PRC working days after the issue date of the Notes.

It is expected that delivery of the Notes will be made on or about December 3, 2020 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Guotai Junan International **Credit Suisse** **UBS**

Joint Bookrunners and Joint Lead Managers

Barclays	**BNP PARIBAS**	**CCB International**
China CITIC Bank International	**China International Capital Corporation**	**CMBC Capital**
Deutsche Bank	**Orient Securities (Hong Kong)**	**The Bank of East Asia, Limited**

Yue Xiu Securities

The date of this offering memorandum is November 26, 2020

TABLE OF CONTENTS

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 "EU Prospectus Regulation"). The following offering memorandum has been prepared on the basis that all offers of the securities made to persons in the European Economic Area (the "EEA") and the United Kingdom (the "UK") will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the securities.

The communication of this offering memorandum and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the UK'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 UK. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the UK 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 to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the UK, the

securities described in this offering memorandum are only available to, and any investment or investment activity to which this offering memorandum relates will be engaged in only with, relevant persons. Any person in the UK that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or 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 (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or—(ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation.

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

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

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

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

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

No representation or warranty, express or implied, is made or given by Guotai Junan Securities (Hong Kong) Limited, Credit Suisse (Hong Kong) Limited, UBS AG Hong Kong Branch, Barclays Bank PLC, BNP Paribas, CCB International Capital Limited, China CITIC Bank International Limited, China International Capital Corporation Hong Kong Securities Limited, CMBC Securities Company Limited, Deutsche Bank AG, Hong Kong Branch, Orient Securities (Hong Kong) Limited, The Bank of East Asia, Limited and Yue Xiu Securities Company Limited (the "Initial Purchasers"), the Trustee or Agents or 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. The Initial Purchasers have not 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, the Initial Purchasers do not accept any responsibility for the contents of this offering memorandum or for any statement made or purported to be made by the Initial Purchasers or on their behalf in connection with us, the Subsidiary Guarantors or the issue and offering of the Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement.

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

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

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

UBS AG is incorporated in Switzerland with limited liability.

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

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 Dexin China Holdings Company Limited itself and its consolidated subsidiaries, as the context requires.

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

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

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

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

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

References to "share" are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK$0.10, in our share capital.

References to the "January 2020 Notes" are to our 11.875% senior notes due 2022.

References to the "2019 Notes" are to our 12.875% senior notes due 2021.

In this offering memorandum, unless the context otherwise requires, all references to "Affiliate" are to person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to "subsidiary" are used with the meaning ascribed to it in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"), as amended (the "Listing Rules"), which includes: (i) a "subsidiary undertaking" as defined in Schedule 1 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), (ii) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable, and (iii) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable; all references to "associate" are used with the meaning ascribed thereto under the Listing Rules, which includes: (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power, (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding companies and subsidiaries of such holding companies together exercise at least 30% voting power and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a Director, the chief executive or substantial shareholder of a listed issuer; and all references to "controlling shareholder" are used with the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meetings or are in a position to control the composition of a majority of our board of directors, and "controlling interest" will be construed accordingly.

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.

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

Conyers Dill & Pearman, our British Virgin Islands legal advisor, has advised that it is doubtful whether the courts in the British Virgin Islands will enforce judgments obtained in the United States, against us or our directors or officers under the securities laws of the United States or entertain actions in the British Virgin Islands against us or our directors or officers under the securities laws of the United States. We have been further advised by Conyers Dill & Pearman that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the United States courts against us based on the transaction documents relating to the Notes under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon *provided* that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the British Virgin Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands and (f) there is due compliance with the correct procedures under the laws of the British Virgin Islands.

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

(a) was obtained by fraud;

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

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

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

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

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

GLOSSARY OF TECHNICAL TERMS

The following are definitions of certain terms appearing in this offering memorandum that are commonly used in connection with our business. The terms and their meanings may not correspond to standard industry meanings or usages of those terms.

CAGR	compound annual growth rate
certificate of completion	a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection
commodity properties	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion
construction land planning permit	a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China
GFA	gross floor area
land grant confirmation letter	a letter issued by the relevant PRC land and resources bureau confirming that a property developer has been selected as the winner of the tender, auction or listing-for-sale process for the grant of the state-owned land use rights of a parcel of land
land grant contract	an agreement between a property developer and a PRC land authority, typically the local state owned land resources bureaus, in respect of the grant of the state-owned land use rights of a parcel of land to such property developer
land use rights certificate	a state-owned land use rights certificate (國有土地使用證) issued by a local real estate and land resources bureau with respect to the land use rights
LAT	land appreciation tax
low-density	the low-density property that we develop includes stand-alone houses, semi-detached houses and townhouses
pre-sale	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations

pre-sale permit	a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties
properties for sale	our completed properties held for sale and properties under development for sale, collectively
property ownership certificate	a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land
sq.m.	square meter(s)

SUMMARY

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

OVERVIEW

We are a leading comprehensive property developer in Zhejiang Province, China, focusing primarily on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Building on 23 years of experience, we have become a leading comprehensive property developer in Zhejiang Province and are systematically expanding into the broader Yangtze River Delta Region and key hub cities, while establishing a distinctive brand image of developing properties with our fine and distinctive Hangzhou workmanship (杭派精工). From 2014 to 2019, we have also received Top 100 Real Estate Enterprise in China awards jointly issued by the Enterprise Institute of Development Research Center of the State Council, the Real Estate Institute of Tsinghua University and China Index Academy for six consecutive years with our rankings rising steadily from the 74th in 2016 to the 72nd in 2017 and to the 63rd in both 2018 and 2019. Since May 2019, our stock has been included in the MSCI China Small Cap Index.

For the six months ended June 30, 2020, we recorded contracted sales of approximately RMB25,710 million, and as of June 30, 2020 our total land reserve (including land reserve held by our joint ventures and associates) was 15.7 million sq.m., of which 10.9 million sq.m. was located in Zhejiang Province. As of the same date, we owned 149 projects in 24 cities, including 53 completed projects which were saleable or leasable, 78 projects under construction and 18 projects held for future development. We recorded stable growth in 2017, 2018 and 2019 and the six months ended June 30, 2020, and we have won many industry awards which we believe have enhanced our brand awareness.

We focus strategically on middle class customers. We offer four different residential property series to meet the needs and preferences of our target customers comprising high-rise residences, multi-story residences, townhouses, stacked villas and villas. In addition, we develop mixed-use complex projects comprising offices, neighborhood centers, serviced apartments, hotels and other ancillary facilities, both for sale and for long-term investment purposes. We develop a wide range of projects in cities where we have an established presence and expand into other regions that we believe have high growth potential.

We believe our proven track record is attributable to our strong execution capabilities and in-depth understanding of the property markets and development trends in the regions in which we operate. We believe that over the years we have built a highly-recognized brand name and accumulated a large customer base by consistently delivering quality projects to our customers.

As of June 30, 2020, we had 96 property projects in 21 cities which were under development or held for future development. These projects (including projects we develop with our joint ventures and associates) had an aggregate estimated GFA of 8.5 million sq.m. for projects under development and approximately planned GFA of 1.2 million sq.m. for projects held for future development. As of June 30, 2020, we owned 149 projects with a land reserve of approximately 15.7 million sq.m. We believe that our large-scale and strategically located land reserve will provide us with a sufficient project development pipeline in the foreseeable future and contribute to our continued business growth.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our net profit amounted to RMB839.4 million, RMB1,841.0 million, RMB2,256.6 million and RMB1,342.9 million (US$190.1 million), respectively.

OUR STRENGTHS

We believe that the following competitive strengths are key to our many achievements and distinguish us from our competitors:

- Clear business and development strategy;
- Well recognized brand name and quality products;
- Deep cultivation in Zhejiang Province with a presence in the Yangtze River Delta Region and major cities of China and rich land reserves;
- Robust profitability and reasonable cost structure;
- Prudent Financial Management supplemented by diversified domestic and foreign Financing Channels;
- Sound corporate governance and experienced management team.

OUR STRATEGIES

We endeavor to become a leading comprehensive property developer in China. To achieve this goal, we intend to implement the following strategies:

- Continue to be in a leading position in Zhejiang Province, improve the brand influence in the Yangtze River Delta Region, and rely on the long accumulated development experience and ability, expand the business to the key hub cities of China;
- Continuously improve our product quality, competitiveness, customer satisfaction level, and strengthen the construction of intelligent communities;
- Continue the development strategy of "One Body Two Wings" to further expand the commercial property development business, enrich our project portfolio and become an operator with comprehensive strength;
- Improve operation efficiency and optimize our capital structure;
- Continue to attract and motivate talents through systematic training programs and competitive compensation.

RECENT DEVELOPMENTS

Since June 30, 2020, our Group continued deep ploughing in extended cities. In the one month ended July 31, 2020 and August 31, 2020, our Group achieved a contracted sales amount of approximately RMB6,740 million and RMB5,620 million, respectively, and a contracted sales area of approximately 253,000 square meters and 237,000 square meters, respectively. For the eight months ended August 31, 2020, our Group achieved an aggregated contracted sales amount of approximately RMB38,070 million and an aggregated contracted sales area of approximately 1,705,000 square meters.

Since late 2019, COVID-19 has spread across China and globally. Governments across the world have imposed travel restrictions and/or lockdown in an effort to curb the spread of COVID-19. The PRC central and local governments have taken various measures to manage and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. Given the uncertainties as to the development of the COVID-19 outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected in the long run. See "Risk Factors—Risks Relating to Our Business—The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics."

We are currently conducting the Concurrent Offer to Purchase.

GENERAL INFORMATION

We were incorporated in the Cayman Islands on January 16, 2018, as an exempted company with limited liability. Our shares have been listed on the Hong Kong Stock Exchange since February 26, 2019. Our corporate headquarters is at Dexin Group, No. 588 Huanzhan East Road, Jianggan District, Hangzhou, Zhejiang, PRC. Our place of business in Hong Kong Room 4510, 45th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands. Our website is *www.dothinkgroup.com*. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this Offering Memorandum. Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes."

Issuer	Dexin China Holdings Company Limited (the "Company").
Notes Offered	US$200,000,000 aggregate principal amount of 9.95% Senior Notes due 2022 (the "Notes").
Offering Price	96.872% of the principal amount of the Notes.
Issue Date	December 3, 2020.
Maturity Date	December 3, 2022.
Interest	The Notes bear interest from (and including) December 3, 2020 at the rate of 9.95% per annum, payable in arrears.
Interest Payment Dates.	June 3 and December 3 of each year, commencing June 3, 2021.
Ranking 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 and unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); • guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption "—The Subsidiary Guarantees and the JV Subsidiary Guarantees" and in "Risk Factors—Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees" of this offering memorandum; • effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantor and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (defined below).

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 Notes; provided that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. A Subsidiary Guarantee may be released in certain circumstances. See "Description of the Notes—The Subsidiary Guarantees and the JV Subsidiary Guarantees—Release of the Subsidiary Guarantees or JV Subsidiary Guarantees." The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company's Restricted Subsidiaries other than (i) those Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries") and (ii) Chuangde International Limited (創德國際有限公司) and Createrich Holdings Limited (創富控股有限公司) (the "Initial Other Non-Guarantor Subsidiaries"). The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable (and in any event within 30 days) after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC (that is not an Exempted Subsidiary or a Listed Subsidiary) not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (such Restricted Subsidiaries that do not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the Indenture, the "New Non-Guarantor Subsidiaries," and together with the Initial Other Non-Guarantor Subsidiaries, the "Other Non-Guarantor Subsidiaries") at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary; provided that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 15.0% of Total Assets.
Rankings of the Subsidiary Guarantees and JV Subsidiary Guarantees	The Subsidiary Guarantee of each Subsidiary Guarantor: • is a general obligation of such Subsidiary Guarantor; • is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

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

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

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

Use of Proceeds . . . . The net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be US$190.76 million, which we plan to use for the repayment of existing offshore indebtedness, which may include the Concurrent Offer to Purchase. We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments.

Optional Redemption.	At any time and from time to time prior to December 3, 2022, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to December 3, 2022, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 109.95% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.
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 at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest (if any) to (but not including) the Offer to Purchase Payment Date.
Redemption for Taxation Reasons. .	Subject to certain exceptions and as more fully described herein, the Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person for redemption, if the Company or a Surviving Person would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See "Description of the Notes—Redemption for Taxation Reasons."
Covenants.	The Notes and the Indenture governing the Notes will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things: • incur additional indebtedness and issue disqualified or preferred stock; • make investments, dividend payments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets;

	• create liens; • enter into sale and leaseback transactions; • engage in any business other than permitted business; • enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes—Certain Covenants."
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The Notes will be issued only in fully registered form without coupons, in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes deposited with a common depositary and registered in the name of the common depositary or its nominee. Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through the records maintained by Euroclear and Clearstream and their participants.
Book-Entry Only.	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "Description of the Notes—Book-Entry; Delivery and Form."
Delivery of the Notes	The Company expects to make delivery of the Notes against payment in same-day funds on or about December 3, 2020, which the Company expects will be the fifth business day following the date of this Offering Memorandum referred to as "T+5." You should note that initial trading of the Notes may be affected by the "T+5" settlement. See "Plan of Distribution."
Trustee.	China Construction Bank (Asia) Corporation Limited.
Paying and Transfer Agent and Registrar	China Construction Bank (Asia) Corporation Limited.

Listing and Trading	Application will be made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only.
Security Codes	**ISIN**: XS2262084374; **Common Code**: 226208437
Governing Law	The Notes and the Indenture are governed by and construed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "Risk Factors."

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary financial data as of and for each of the years ended December 31, 2017, 2018 and 2019 (except for EBITDA data and amounts presented in U.S. dollars) have been derived from our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019, as audited by PricewaterhouseCoopers, the independent certified public accountant, and included elsewhere in this offering memorandum. The summary financial data as of and for the six months ended June 30, 2019 and 2020 (except for EBITDA data and amounts presented in U.S. dollars) have been derived from our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2020 ("2020 Interim Financial Statements"), as reviewed by PricewaterhouseCoopers, the independent certified public accountant, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and included elsewhere in this offering memorandum. We have changed the presentation of certain financial statement line items in the consolidated balance sheet as of December 31, 2019 and the comparing figures as of December 31, 2018 have been reclassified and re-presented accordingly. For the purpose of this offering memorandum, the summary financial data as of December 31, 2018 has been derived from the audited consolidated financial statement as of and for the year ended December 31, 2018 of which the consolidated balance sheet has not been reclassified and re-presented and may not be comparable to the consolidated balance sheet for the year ended December 31, 2019 and the unaudited interim condensed consolidated balance sheet as of June 30, 2020 accordingly. Potential investors must exercise caution when considering the financial information of our Group contained herein to evaluate the Group's financial condition.

We have adopted HKFRS 16 "Lease" ("HKFRS 16") from the mandatory adoption date of January 1, 2019. We have applied the simplified transition approach and have not restated comparative amounts for the 2018 reporting period. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019. For details of the adoption of HKFRS 16, please refer to Note 2.2(a) to the 2019 Annual Financial Statements. Our financial statements have been prepared and presented in accordance with HKFRS, 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 for the respective years and 2020 Interim Financial Statements and the notes to those statements included elsewhere in this offering memorandum. The 2020 Interim Financial Statements should not be taken as an indication of the expected business, financial condition and results of operations for the full year ended December 31, 2020. The Company's financial results for any past period are not and should not be taken as an indication of the Company's performance, financial position and results of operations in future years.

SUMMARY CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US$'000 *(unaudited)*	RMB'000 *(unaudited)*	RMB'000 *(unaudited)*	US$'000 *(unaudited)*
REVENUE	6,553,989	8,212,074	9,512,995	1,346,477	3,517,718	7,649,353	1,082,696
Cost of sales	(5,021,308)	(5,088,712)	(6,453,672)	(913,458)	(2,301,800)	(5,687,239)	(804,976)
GROSS PROFIT	1,532,681	3,123,362	3,059,323	433,019	1,215,918	1,962,114	277,720
Other income	62,540	37,265	81,583	11,547	35,521	117,454	16,625
Other gains – net	20,834	56,744	88,992	12,596	22,424	(4,645)	(657)
Selling and marketing expenses	(200,734)	(294,318)	(457,555)	(64,763)	(144,254)	(147,857)	(20,928)
Administrative expenses	(262,202)	(451,914)	(720,650)	(102,001)	(264,527)	(247,539)	(35,037)
Fair value gains on investment properties	226,107	191,717	186,153	26,348	57,528	(71,540)	(10,126)
OPERATING PROFIT	1,379,226	2,662,856	2,237,846	316,746	922,610	1,607,987	227,597
Finance income	106,482	95,590	95,382	13,500	56,214	81,616	11,552
Finance costs	(427,931)	(470,862)	(527,320)	(74,637)	(191,169)	(408,715)	(57,850)
Finance costs – net	(321,449)	(375,272)	(431,938)	(61,137)	(134,955)	(327,099)	(46,298)
Share of results of joint ventures and associates	160,284	579,065	1,175,306	166,354	778,720	519,038	73,465
PROFIT BEFORE INCOME TAX	1,218,061	2,866,649	2,981,214	421,963	1,566,375	1,799,926	254,764

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US$'000 *(unaudited)*	RMB'000 *(unaudited)*	RMB'000 *(unaudited)*	US$'000 *(unaudited)*
Income tax expenses.	(378,692)	(1,025,602)	(724,587)	(102,559)	(282,992)	(457,050)	(64,691)
PROFIT FOR THE YEAR/PERIOD.	839,369	1,841,047	2,256,627	319,404	1,283,383	1,342,876	190,073
Profit attributable to:							
Owners of the Company	737,543	1,453,456	1,556,514	220,310	995,813	700,043	99,085
Non-controlling interests	101,826	387,591	700,113	99,094	287,570	642,833	90,988
	839,369	1,841,047	2,256,627	319,404	1,283,383	1,342,876	190,073
Other Financial Data (unaudited)							
EBITDA(1)	1,304,662	3,006,053	3,157,637	446,934	1,631,197	2,218,206	313,967
EBITDA margin(2)	19.9%	36.6%	33.2%	33.2%	46.4%	29.0%	29.0%

Notes:

(1) EBITDA for any period consists of profit for the year/period before income tax, fair value gains/losses on investment properties, finance costs – net, other gains/losses, depreciation of property, plant and equipment and amortization of intangible assets. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. See "Description of the Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

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

The following table reconciles our operating profit for the year/period under HKFRS to our definition of EBITDA for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US$'000 *(unaudited)*	RMB'000 *(unaudited)*	RMB'000 *(unaudited)*	US$'000 *(unaudited)*
Profit before income tax	1,218,061	2,866,649	2,981,214	421,963	1,566,375	1,799,926	254,764
Adjustments							
Finance cost – net	321,449	375,272	431,938	61,137	134,955	327,099	46,298
Depreciation of property, plant and equipment	11,159	11,624	18,796	2,660	9,325	14,515	2,054
Amortization of intangible assets . .	934	969	834	118	494	481	68
Fair value (gains)/losses on investment properties	(226,107)	(191,717)	(186,153)	(26,348)	(57,528)	71,540	10,126
Other (gains)/losses – net	(20,834)	(56,744)	(88,992)	(12,596)	(22,424)	4,645	657
EBITDA	1,304,662	3,006,053	3,157,637	446,934	1,631,197	2,218,206	313,967

SUMMARY CONSOLIDATED BALANCE SHEET DATA

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB'000	RMB'000	RMB'000	US$'000 *(unaudited)*	RMB'000 *(unaudited)*	US$'000 *(unaudited)*
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	106,343	153,149	378,821	53,619	441,000	62,420
Land use rights	28,199	114,835	–	–	–	–
Investment properties	1,254,600	1,768,420	2,924,115	413,882	3,141,150	444,601
Right-of-use assets	–	–	–	–	–	–
Intangible assets	1,090	1,148	1,445	204	1,381	195
Investments accounted for using the equity method	970,214	2,008,869	3,792,338	536,771	5,276,539	746,846
Amounts due from related parties	49,000	41,000	–	–	–	–
Prepayments	169,668	–	–	–	–	–
Financial assets at fair value through profit or loss	184,056	232,255	170,726	24,165	153,849	21,776
Deferred income tax assets	245,332	509,915	748,400	105,929	683,989	96,812
Trade and other receivables and prepayments	–	–	75,179	10,641	224,330	31,752
Total non-current assets	3,008,502	4,829,591	8,091,024	1,145,211	9,922,238	1,404,402
CURRENT ASSETS						
Properties under development	17,044,187	27,684,622	36,657,831	5,188,579	36,394,137	5,151,256
Completed properties held for sale	638,293	345,610	591,370	83,703	589,751	83,474
Trade and other receivables and prepayments	4,044,727	5,838,316	3,512,629	497,180	6,349,112	898,658
Amounts due from non-controlling interests	–	–	4,951,599	700,853	7,255,991	1,027,019
Amounts due from related parties	5,943,108	2,737,822	2,918,668	413,111	3,967,416	561,551
Contract assets	15,810	14,552	13,705	1,940	40,623	5,750
Prepaid income taxes	446,896	538,328	879,318	124,459	1,024,237	144,971
Financial assets at fair value through profit or loss	160,481	132,400	100,743	14,259	38,934	5,511
Restricted cash	164,363	1,295	5,797	821	1,094,948	154,980
Cash and cash equivalents	3,950,854	7,486,911	9,564,316	1,353,741	12,199,048	1,726,663
Total current asset	32,408,719	44,779,856	59,195,976	8,378,646	68,954,197	9,759,833
Total asset	**35,417,221**	**49,609,447**	**67,287,000**	**9,523,857**	**78,876,435**	**11,164,235**
EQUITY						
Capital and reserves attributable to the owners of the Company						
Share capital	–	6,848	9,200	1,302	9,200	1,302
Reserves	1,514,799	2,466,618	5,004,285	708,311	5,442,660	770,359
	1,514,799	2,473,466	5,013,485	709,613	5,451,860	771,661
Non-controlling interests	668,950	4,395,171	5,721,243	809,789	7,420,420	1,050,292
TOTAL EQUITY	**2,183,749**	**6,868,637**	**10,734,728**	**1,519,402**	**12,872,280**	**1,821,953**

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB'000	RMB'000	RMB'000	US$'000 *(unaudited)*	RMB'000 *(unaudited)*	US$'000 *(unaudited)*
LIABILITIES						
NON-CURRENT LIABILITIES						
Borrowings	5,882,601	4,423,858	–	–	–	–
Borrowings from bank and other financial institutions	–	–	9,307,915	1,317,450	12,731,292	1,801,997
Trade and other payables	–	–	247,498	35,031	389,188	55,086
Amounts due to non-controlling interests	–	–	228,598	32,356	452,998	64,118
Amounts due to related parties	–	–	500,000	70,770	453,600	64,203
Deferred income tax liabilities	158,132	277,487	210,650	29,816	153,742	21,761
Lease liabilities	–	–	156,063	22,089	324,012	45,861
Total Non-current liabilities	6,040,733	4,701,345	10,650,724	1,507,512	14,504,832	2,053,026
CURRENT LIABILITIES						
Trade and other payables	4,293,782	5,173,525	4,323,513	611,954	6,100,076	863,410
Amounts due to non-controlling interests	–	–	3,681,099	521,026	4,664,639	660,237
Amounts due to related parties	2,908,471	3,268,072	3,485,010	493,271	6,698,617	948,128
Contract liabilities	15,322,347	20,921,303	27,628,013	3,910,491	26,951,160	3,814,689
Current income tax liabilities	415,066	969,383	1,242,359	175,845	1,079,410	152,780
Borrowings	4,253,073	7,707,182	–	–	–	–
Borrowings from bank and other financial institutions	–	–	5,540,160	784,159	5,995,270	848,575
Lease liabilities	–	–	1,394	197	10,151	1,437
Total current liabilities	27,192,739	38,039,465	45,901,548	6,496,943	51,499,323	7,289,256
Total liabilities	**33,233,472**	**42,740,810**	**56,552,272**	**8,004,455**	**66,004,155**	**9,342,282**
Total equity and liabilities	**35,417,221**	**49,609,447**	**67,287,000**	**9,523,857**	**78,876,435**	**11,164,235**

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

Our business and prospects are heavily dependent on the economic conditions in the PRC and the performance of the PRC property markets, particularly in various major cities in the Yangtze River Delta Region, and any potential decline in property sales or prices or demand for properties in the PRC generally or in the major cities in this region could have a material adverse effect on our business, financial condition and results of operations.

We principally develop and sell properties in cities in Zhejiang Province and other places in the Yangtze River Delta Region. As of June 30, 2020, in terms of proportional interests, we had 149 property projects in various stages of development, among which 41 were located in Hangzhou, 32 were located in Wenzhou, 17 were located in Huzhou, 5 were located in Taizhou, 5 in Zhoushan, 3 were located in Quzhou, 9 were located in Ningbo, 3 were located in Jinhua, 7 were located in Xuzhou, 7 were located in Nanjing, 4 were in Chengdu and other remaining projects were located in Lishui, Changzhou, Suzhou, Shangrao, Jiujiang, Shanghai, Kunshan, Guanzhou, Wuxi, Wuhan, Foshan and United States. Our business is heavily dependent on the property markets in Zhejiang Province and other places in the Yangtze River Delta Region where we have operations. These property markets may be 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 adverse developments in the PRC property market generally or in cities in which we have or expect to have operations, could materially and adversely affect our business, financial condition, results of operations and prospects.

Furthermore, private ownership of property in China is still at a relatively early stage of development. Demand for private residential property has been increasing rapidly in recent years, which has often been coupled with volatile market conditions and fluctuations in prices. Numerous factors may affect the development of the market and, accordingly, it is very difficult to predict when and how significantly demand will develop.

Limited availability of accurate financial and market information and the general low level of transparency in China's property industry contribute to overall market uncertainty. Purchasers may be discouraged from acquiring new properties due to the lack of a liquid secondary market for residential properties. In addition, the limited amounts and types of mortgage financing available to individuals may also inhibit demand for residential property. The risk of over-supply is also increasing in parts of China where property investment, trading and speculation have become more active.

Due to an increase in demand for residential properties in the PRC in the last few years, the PRC Government adopted measures to limit the price level of properties in order to prevent the market from becoming overheated. Such austerity measures may affect property price level, market demand and supply and our business performance.

If as a result of any one or more of these or similar factors, demand for residential property or market prices decline significantly, our business, results of operations, financial condition and prospects could be materially and adversely affected.

We may not be able to acquire land reserves in desirable locations that are suitable for development at commercially acceptable prices in the future, which may affect our business, financial condition, results of operations and prospects.

The growth and success of our business depend on our ability to continue acquiring land reserves located in desirable locations at commercially reasonable prices that are suitable for our residential projects and our commercial properties including our Commerce Series (商業系列) and Industry City Series (產城系列). Our ability to acquire land may depend on a variety of factors that we cannot control, such as overall economic conditions, our effectiveness in identifying and acquiring land parcels suitable for development and competition for such land parcels. During 2017, 2018 and 2019 and the six months ended June 30, 2020, a majority of our completed projects were developed on land obtained through public tender, auction or listing-for-sale process organized by government authorities, and may continue to acquire land for our property development projects through such methods.

The PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in the PRC. See "Regulation" for details. Furthermore, the rapid development in major cities we plan to enter in recent years has resulted in a limited supply of undeveloped land in desirable locations and increased land acquisition costs. As a result, our cost for acquiring land use rights might rise further in the future. 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 upon sales to our customers.

We may not have adequate financing to fund our future land acquisitions and property developments, and such capital resources may not be available on commercially reasonable terms, or at all.

Property development is capital-intensive. We expect to continue to incur a high level of capital expenditures for land acquisition and construction in the foreseeable future.

During 2017, 2018 and 2019 and the six months ended June 30, 2020, we financed our property projects primarily through a combination of internally generated funds, including proceeds from the pre-sales and sales of our properties, and borrowings from financial institutions comprising CBIRC-licensed commercial banks, trust financing companies, asset management companies and other financing institutions. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including:

- requirements to obtain PRC government approvals necessary for obtaining financing in the domestic or international markets;
- our future results of operations, financial condition and cash flows;
- the condition of the international and domestic financial markets and financing availability thereof;
- changes in the monetary policies of the PRC government with respect to bank interest rates and lending practices; and
- changes in policies regarding regulation and control of the real estate market.

In particular, as of June 30, 2020, we had 16 trust and asset management financing arrangements. The operation of trust financing companies in the PRC is primarily regulated by the CBIRC pursuant to Measures for the Administration of Trust Companies (《信託公司管理辦法》), which came into effect on March 1, 2007. Trust financing companies are therefore under the supervision and monitoring of the

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 and trust financing arrangement in the future.

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

- the PBOC has adjusted the Renminbi deposit reserve ratio several times for major banks since 2010, first upward (to a peak of 21.5%) and more recently downward to its present level of 14.0%;

- the PBOC has adjusted the benchmark one-year bank lending rate many times since 2008. The PBOC lowered the benchmark one-year bank lending rate to 5.35% on March 1, 2015, to 5.10% on May 11, 2015, to 4.85% on June 28, 2015, to 4.6% on August 26, 2015, and further lowered it to 4.35% on October 24, 2015;

- requiring that at least (i) 20% of total investment for affordable housing or ordinary commercial housing development projects is funded by the developer's own capital; and (ii) 25% of the total investment for all other types of property development projects is funded by the developer's own capital;

- restricting commercial banks, trust financing companies and asset management companies from granting loans to property developers which will be used to pay land premium;

- restricting trust companies from providing financing to property developers that have not obtained the relevant land use rights 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;

- restricting trust companies from funding projects developed by property developers which, or whose controlling shareholders, do not have second-level or above qualification;

- prohibiting PRC commercial banks from extending any existing loans or granting any new credit facilities in any form to property developers with noncompliance records in relation to, among other things, holding and speculating idle lands, using the land outside the scope of the designated purpose, postponing construction commencement or completion, hoarding properties and rigging price for properties;

- prohibiting PRC commercial banks from taking commodity properties that have been vacant for more than three years as security for loans to property developers;

- prohibiting property developers from using borrowings obtained from local banks to fund property developments outside the regions in which the lending banks reside; and

- 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 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.

The above measures and other similar government actions and policy initiatives have limited our ability and flexibility in using bank loans, trust financing or other financing arrangements to finance our property projects. There can be no assurance that the PRC government will not introduce other initiatives, which may further limit our access to capital and the ways we finance our property projects, or that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms, or at all. This may increase the financing costs and in turn could have a material adverse effect on our business, financial condition, result of operations and prospects.

Our financing costs are subject to changes in interest rates.

We have incurred and expect to continue to incur a significant amount of interest expense relating to our borrowings from banks, as well as from our trust and other financing arrangements. Accordingly, changes in interest rates have affected and will continue to affect our financing costs, which in turn may affect our profitability and operating results. Because all of our borrowings are in Renminbi, the interest rates on our borrowings are primarily affected by the benchmark interest rates set by the PBOC, which have fluctuated significantly in recent years. The weighted average effective interest rate on our bank borrowings was 6.1%, 6.2%, 6.1% and 6.4%, as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. Future increases in the PBOC benchmark interest rate 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 are subject to risks associated with certain covenants or restrictions under our bank borrowings, trust and other financing arrangements which may adversely affect our business, financial condition and results of operations.

We are subject to certain restrictive covenants in the loan contracts we have with certain banks and the trust and other arrangements. For instance, our loan agreement with certain commercial banks may restrict our operating Subsidiaries from paying dividends to their shareholders without prior consent from the lenders. Our loan agreements with certain banks may contain cross-default clauses. If any cross-default occurs, these banks will be entitled to accelerate repayment of all or any part of the loans from such banks and to take action against all or any of the security for such indebtedness. In addition, some of our PRC operating subsidiaries are subject to certain material covenants that restrict them 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 lenders' written consent. Furthermore, as long as such loans are outstanding, some of our relevant operating subsidiaries may not be able to provide guarantees to any third parties that would impair their ability to repay the relevant loans. In addition, our trust and other financing arrangements may have covenants that, among other things, the project company is required to notify and obtain written consent from the trust financing companies and other financing institutions in advance if, during the term of the trust financing, it is involved in any operation decisions which would lead to any material changes to the trust and other financing arrangement's interests, or if we need to provide guarantees for other financing arrangement's interests, or if we need to provide guarantees for other external loans if there are circumstances which may affect our ability to repay loans. We cannot assure you that we will be able to abide by all restrictive covenants and cross-default provisions of any of our loan contracts in the future. Should we fail to abide by these provisions, our lenders may be entitled to accelerate repayment of our loans, in which case our business, financial condition and results of operations will be adversely affected. Besides, under terms of our certain trust and asset management financing, part of our equity interests in the project company are transferred to, or subscribed by and issued to, the lender ("**Trust Financing Lender**"). Should we transfer additional equity interests in these project companies or holding companies to the Trust Financing Lenders in the future for additional financing, we cannot assure you that these Trust Financing Lenders will not control (either directly or indirectly through its immediate holding companies) of these project companies. Should we lose control of our project companies, our business, financial condition and results of operations could be affected as these Trust Financing Lenders may have economic or business interests or goals or philosophies that are inconsistent with ours.

We may not successfully manage our growth and expansion.

We have focused primarily on the development of residential properties since our inception. We adopt "One Body Two Wings" (一體兩翼) as our development strategy to enrich our product portfolio and leverage on commercial properties and industrial city (產城) developments to derive synergy. We intend to continue to diversify our business after Listing. See "Business—Our Strengths—Deep cultivation in Zhejiang Province with a presence in the Yangtze River Delta Region and major cities of China and rich land reserves".

Expanding into new business segments and geographical locations involves uncertainties and challenges due to our unfamiliarity with new business segments or local regulatory practices and customs, customer preferences and behavior, the reliability of local contractors and suppliers, business practices, business environments and municipal-planning policies. In addition, expanding our business into new geographical locations would entail competition with developers who have a better-established local presence, more familiarity with local regulatory and business practices and customs, and stronger ties with local suppliers, contractors and purchasers.

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 activities. For example, we may have difficulty in accurately predicting market demand for our properties in the cities into which we expand. We may also have difficulty in promoting and maintaining high occupancy rates and/or rental rates in the investment properties that we are currently developing after these properties are completed and commence operations.

Expanding into new business segments and geographic locations requires a significant amount of capital and management resources. We will also need to manage the growth in our workforce to match the expansion of our business. We may also face considerable reputational and financial risks if any new sector of our business is mismanaged or does not meet the expectations of our customers. Any of these factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

False, inaccurate or negative media reports about us or our projects, whether substantiated or not, may cause harm to our reputation, divert our management's attention and adversely affect our business and results of operations.

The development and future trends in the PRC property industry, including business strategies of major property developers, have been the focuses of numerous media reports. As a leading real estate developer in Zhejiang Province, information about us or our projects appears frequently in various media reports. We have also noticed some inaccurate media reports about us or our projects recently. The dissemination of such inaccurate or negative media reports or public allegations about us, whether or not substantiated, may adversely harm our reputation and affect public opinion about us and our projects. In addition, such inaccurate or negative media reports may require us to engage in defensive actions, which may divert our management's attention and adversely affect our business and results of operations. We cannot assure you that there will not be any other false, inaccurate or negative media reports about us or our projects in the future.

In addition, we cannot make any assurance as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in the media is inconsistent or conflicts with the information contained in this offering memorandum, investors should not rely on any such information in making a decision as to whether to purchase our Shares, and should rely only on the information included in this offering memorandum.

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

The property industry in the PRC is heavily regulated. Real estate developers must abide by various laws and regulations, including rules stipulated by national and local governments to enforce these laws and regulations. To engage in property development and management operations, we must apply to relevant government authorities to obtain (and renew for those relating to existing operations) various licenses, permits, certificates and approvals, including but not limited to, qualification certificates, land use rights certificates, construction work commencement permits, construction work planning permits, construction land planning permits and pre-sale permits. Before the government authorities issue or renew any certificate or permit, we must meet specific conditions. See "Regulation" in this offering memorandum for details.

We cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry or that we will not encounter other material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our major property projects, we will not be able to continue with our development plans, and our business, financial condition and results of operations may be adversely affected.

We rely on third-party contractors and any failure by these contractors to provide satisfactory services, our reputation, business, results of operations and financial condition may be adversely affected.

We engage third-party contractors to carry out various services relating to development of our property projects, including design, pile setting, foundation building, construction, equipment installation, electromechanical and pipeline engineering, elevator installation and landscaping. We generally select third-party contractors through a tender process and endeavor to engage companies with a strong reputation and track record, high performance reliability and adequate financial resources. Any such third-party contractor may fail to provide satisfactory services at the level of quality or within the timeline we require. In addition, completion of our property developments may be delayed, and we may incur additional costs, due to a contractor's financial or other difficulties. If the performance of any third-party contractor is not satisfactory, we may need to replace such contractor or take other remedial actions, which could adversely affect the cost structure and development schedule of our projects and could have a negative impact on our reputation, credibility, financial position and business operations. Moreover, we cannot assure you that our employees will be able to consistently applying our quality standards in carrying out quality control, and to detect all defects in the services rendered by third-party contractors. In addition, as we enter into new geographical areas in the PRC, there may be a shortage of third-party contractors that meet our quality standards and other selection criteria in such locations and, as a result, we may not be able to engage a sufficient number of high-quality third-party contractors, which may adversely affect the construction schedules and development costs of our property development projects. Furthermore, if our relationship with any of the third-party 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 prospects.

We may not be able to complete our development projects on time, or at all.

Property development projects require substantial capital expenditures prior to and during the construction period for, among other things, land acquisition and construction. The construction of property projects may take over a year or longer before they generate positive net cash flow through sales, pre-sales or leasing. As a result, our cash flows and results of operations may be significantly affected by our project development schedules and any changes to those schedules. The schedules of our project developments depend on a number of factors, including the performance and efficiency of our third-party contractors and our ability to finance construction. Other specific factors that could adversely affect our project development schedules include:

- natural catastrophes and adverse weather conditions;
- changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
- changes in relevant regulations and government policies;
- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents; and
- errors in judgment on the selection and acquisition criteria for potential regions.

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 within the project may be entitled to penalty charge for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their pre-sale agreements and claim damages. We cannot assure you that we will not experience any significant delays in completion or delivery of our projects in the future or that we will not be subject to any liabilities for any such delays.

We had negative net operating cash flow for the years ended December 31, 2018 and the six months ended June 30, 2018 and we may not be able to obtain sufficient funding for our land acquisitions and future property developments whether through bank loans, corporate bonds, trust financing or other arrangements, on commercially reasonable terms, or at all.

Property development usually requires substantial capital investment during the construction period. During 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our liquidity requirements arose principally from the acquisition of land for, and development of, our property development projects. Our property development projects have been generally funded through cash generated from operations including proceeds from the pre-sale of our properties, bank loans, trust financing and other financing arrangements. We expect to continue to fund our projects through these sources and will look for additional financing opportunities, such as 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. For the years ended December 31, 2018 and 2019, we recorded negative net cash flow used in operating activities of RMB2,952.0 million and RMB169.1 million, respectively. Our negative net operating cash flow was principally attributable to the long-term and capital-intensive nature of property development, our land acquisitions and business expansion during the relevant periods. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Net Cash Flows generated from/used in Operating Activities”. We cannot assure you that we will not experience negative net cash flow from our operating activities in the future again. A negative net cash flow position for operating activities could impair our ability to make necessary capital expenditures, constrain our operational flexibility and adversely affect our ability to expand our business and enhance our liquidity. For example, if we do not have sufficient net cash flow 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.

We may forfeit land to the PRC government if we fail to develop properties in accordance with the terms and timeframe set out in our land grant contracts.

Under PRC laws, if we fail to develop a property project according to the terms of our land grant contract, including those relating to the payment of land grant premium, demolition and resettlement costs and other fees, the designated use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, and/or order us to forfeit the land. Specifically, under current PRC laws, if we fail to commence development within one year from the commencement date stipulated in the land grant contract, the relevant competent authorities of land and resources in the PRC may issue a warning to us and impose an idle land fee on the land of up to 20% of the land grant premium. The relevant competent authorities of land and resources in the PRC may confiscate our land use rights without compensation if we fail to commence development within two years from the construction commencement date set forth in the land grant contract, unless the delay in the development is caused by government actions or force majeure. Moreover, if a property developer commences development of the land in accordance with the timeframe stipulated in the land grant contract and the developed GFA of construction land is less than one-third of the total GFA of construction land or the total invested capital is less than one-fourth of the total investment of the project and the development of the land is suspended for more than one year without government approval, the land may be treated as idle land and subject to risk of forfeiture.

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. 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 registration of the transfer, rent, mortgage or alternation of the land deemed as idle 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.

Our profit margin is sensitive to increase in the cost of construction materials.

A significant component of our cost of sales is construction costs, which are susceptible to the price volatility of construction materials such as steel and cement. The purchase cost for construction materials are generally accounted for as part of the contractor fees pursuant to our arrangements with the relevant contractors. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), we will be required to re-negotiate existing construction contracts to top up payment to, or receive refunds from, the contractors, depending on the price movement. In addition, as we typically pre-sell our properties prior to their completion, we may not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale. As such, our profit margin is sensitive to changes in the market prices for construction materials and our profit margins will be adversely affected if we are not able to pass all of the increased costs onto our customers.

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

Pursuant to PRC regulations on LAT, both domestic and foreign investors in real estate development in the PRC are subject to LAT on income from the sale or transfer of land use right, properties and their attached facilities, at progressive rates ranging from 30% to 60% on the appreciation of land value. During 2017, 2018 and 2019 and the six months ended June 30, 2020, we recorded LAT expenses of RMB59.1 million, RMB537.5 million, RMB308.0 million and RMB99.2 million (US$14.0 million) for the relevant periods, respectively, in our consolidated income statements. In accordance with a circular issued by the State Administration of Taxation, which became effective on February 1, 2007, LAT obligations are required to be settled with the relevant tax bureaus within a specified time after the completion of a property development project.

Provisions for LAT are made upon recognition of revenue. As of the date of this offering memorandum, we had made all prepayments and/or full provisions for LAT in compliance with the relevant LAT laws and regulations in China as interpreted and enforced by the relevant local tax authorities. LAT liabilities are subject to determination by the tax authorities upon the completion of property development projects and may be different from the amounts that were initially provided for. Any such differences may impact our profit after tax and deferred tax provision in the periods in which such taxes are finalized with the relevant tax authorities. Our financial condition may be adversely and materially impacted if our LAT liabilities as calculated by the relevant tax authorities are higher than our provisions. In addition, as we continue to expand our property developments, we cannot assure you that our provision for LAT obligations based on our estimates in new markets will be sufficient to cover our actual LAT obligations in future. As there are uncertainties as to when the tax authorities will enforce the LAT collection and whether they will apply the LAT collection retrospectively to properties sold before the enforcement, any payment as a result of the enforcement of LAT collection may significantly restrict our cash flow position, our ability to finance our land acquisitions and to execute our business plans.

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 are based on multiple assumptions that include elements of subjectivity and uncertainty. The assumptions, on which the appraised value of our properties and land reserves are based, include that:

- we will develop and complete projects on a timely basis in accordance with our latest development proposals provided to the independent property valuer;
- we have obtained or will obtain on a timely basis all approvals from regulators necessary for the development of the projects, absence of delays caused by weather and natural disasters, and the timely completion of demolition and relocation; and
- we have paid all the land premiums and demolition and resettlement costs and obtained all land use rights certificates and transferable land use rights without any obligation to pay additional land premium or demolition and resettlement costs.

If we fail to obtain the approvals from regulators necessary for the development of our projects, some assumptions used by the independent property valuer in reaching the appraised value of our properties will prove inaccurate. Therefore, the appraised value of our properties should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of our property projects as well as national and local economic conditions may affect the value of our property holdings.

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

The cost of construction materials such as steel and cement as well as contractors' labor costs, are subject to high degree of volatility. The risk of fluctuations in construction material and labor costs during the terms of the contracts are absorbed by our construction contractors to a large extent as we outsource our construction work to them as they are responsible for purchasing most of the construction materials and bear relevant labor costs during the terms of the relevant contracts. However, our contracts with construction companies contain price adjustment mechanism, under which contract prices will adjust accordingly if market prices of related materials fluctuate beyond a certain range (normally 3-8%). In addition, if there is any significant increase in the cost of construction materials and labor costs, our construction contractors may require it to renegotiate construction fees or we may be subject to higher construction fees when our existing construction contracts expire. Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if the costs of construction materials and labor increase subsequent to the pre-sale. If any of these occur, our business, financial condition and results of operations may be adversely affected. Any increase in the cost of construction materials may result in additional costs to us and may lead to future increases in construction contract costs. Construction material costs have experienced periods of fluctuation during 2016, 2017 and 2018 and the six months ended June 30, 2020. Any increase in the cost of any significant construction materials will adversely impact our overall construction costs, which is generally one of the largest components of our cost of sales. If we cannot pass any or all of the increased costs on to our customers, our profitability will be adversely affected.

Our results of operations may vary significantly from period to period as we derive our revenue principally from the sales of properties.

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

Accordingly, our interim results for a certain period may not be indicative of our performance for that financial year or otherwise comparable to our results in previous periods. In light of the above, our Directors believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with a greater proportion of recurring revenues. If our operating results in one or more periods do not meet the market's expectations, the price of our Notes could be materially adversely affected.

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

We have included information relating to our contracted sales in this offering memorandum. Contracted sales refer to the aggregate amount set forth in all of the pre-sale and sale property purchase contracts signed between our customers and us during a given year or period. The amount of contracted sales differs from revenue in that the latter is an accounting concept, the amount of which is recognized for a specific year or period according to applicable accounting standard and rules. We compile contracted sales information through our internal records. As these sales and purchase contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms or otherwise, or subject to default by the relevant purchasers, they are not a guarantee of current or future recognized sales. Contracted sales information included 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 in this offering memorandum should not be unduly relied upon as a measure or indication of our current or future operating performance.

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

As of June 30, 2020, our deferred income tax assets amounted to RMB684.0 million (US$96.8 million), representing approximately 0.9% of our total assets. We periodically assess the probability of the realization of deferred income tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred income tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, there is no assurance that our expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of regulatory environment, in which case, we may not be able to recover our deferred income tax assets which thereby could have an adverse effect on our results of operations.

Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our financial assets at fair value through profit or loss due to the uncertainty of accounting estimates in the fair value measurement with the use of significant unobservable inputs in the valuation techniques.

During 2017, 2018 and 2019 and the six months ended June 30, 2020, under limited circumstances, we purchased low-risk investments for cash management purposes, which mainly included wealth management products in financial instruments issued by banks or other financial institutions. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our financial assets at fair value through profit and loss amounted to RMB344.5 million, RMB364.7 million, RMB271.5 million and RMB192.8 million (US$27.3 million), respectively. The wealth management products are measured at fair value with significant unobservable inputs used in the valuation techniques and the changes in their fair value are recorded in our consolidated income statements, and therefore directly affects our results of operations. We did not incur any fair value losses for financial assets at fair value through profit or loss during 2017, 2018 and 2019 and the six months ended June 30, 2020. However, we cannot assure you that we will not incur any such fair value losses in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, it may also change due to the uncertainty of accounting estimates in the valuation of investment properties with the use of significant unobservable inputs in the valuation techniques, which may materially and adversely affect our profitability.

We are required to reassess the fair value of our investment properties at the end of each reporting period. Under HKFRS, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated income statements for the period in which they arise. Our investment properties are appraised by an independent property valuer at each of the relevant reporting date, and are measured at fair value with significant unobservable inputs used in the valuation techniques. We recognized the aggregate fair value of our investment properties and relevant deferred tax on our consolidated balance sheets and changes in fair value of investment properties and the relevant deferred income tax expenses on our consolidated income statements. For the years ended December 31, 2017, 2018 and 2019, our fair value gains on investment properties were RMB226.1 million, RMB191.7 million, and RMB186.2 million (US$26.4 million). Our fair value losses on investment properties were RMB71.5 million (US$10.1 million) for the six months ended June 30, 2020.

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

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

The real estate market volatility may subject us to risks in connection with possible impairment loss for properties under development and completed properties held for sale, if we fail to complete the construction and sell the properties in time at our desired prices. Impairment loss may arise when the carrying value of a property exceeds its recoverable amount. Though we did not record any impairment losses for properties under development and completed properties held for sale during 2017, 2018 and 2019 and the six months ended June 30, 2020, we cannot assure you that we may not incur impairment losses, if any or at similar level, during adverse market conditions in the future. If we incur such impairment losses, our results of operations, financial condition and prospects may be adversely affected.

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

We recorded significant gains on disposal of subsidiaries in 2018, amounting to RMB30.0 million (US$4.4 million), as a result of the disposal of 75% equity interest in Haiyan County Xinfu Real Estate Co., Ltd. (海鹽縣新福房地產開發有限公司) in May 2018, respectively. For details, please see Note 10 and Note 38 of the Accountant's Report included in "Index to Financial Information—Audited Financial Statements as of and for the year ended December 31, 2018". While such gains had a significant impact on our reported profit for the relevant periods, they are non-recurring in nature. Therefore, we may not record such gains in the future, which in turn may materially affect our profitability.

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

We have entered into joint ventures and associated companies with third parties and may continue to do so in the future. The performance of such joint ventures and associated companies has affected, and will continue to affect, our results of operations and financial position. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we recorded amounts due from joint ventures and associates of RMB2,783.5 million, RMB2,397.6 million, RMB2,912.6 million (US$412.3 million) and RMB3,926.3 million (US$555.7 million), respectively. We and our joint venture partners or associated company partners provided such amounts to our joint venture project companies or associated 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 inflow, they will repay such amounts to us on demand. For details, see Note 29 of the Interim Condensed Consolidated Financial Information included in "Index to the Financial Information – Unaudited Interim Condensed Consolidated Financial Information as of and for the six months ended June 30, 2020" and Note 38 of the Accountant's Report included in "Index to Financial Information—Audited Financial Statements as of and for the year ended December 31, 2019". Therefore, the operations and financial performance of our joint ventures and our associated companies and their respective ability to repay such amounts may materially and adversely affect our results of operations and financial conditions.

The success of a joint venture or an associated company 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, our investment in associates and joint ventures are subject to liquidity risk. Our investments in associates and joint ventures are not as liquid as other investment products as there is no cash flow until dividends are received even if our associates and joint ventures reported profits under the equity accounting. Furthermore, our ability to promptly sell one or more of our interests in the associates or joint ventures in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the associates or joint ventures for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquidity nature of our investment in associates or joint ventures may significantly limit our ability to respond to adverse changes in the performance of our associates and joint ventures. In addition, if there is no share of results or dividends from our associates or joint ventures, we will also be subject to liquidity risk and our financial condition or result of operations could be materially affected.

Our consolidated subsidiaries may not be majority owned and a significant portion of our profit may be attributed to non-controlling interests.

Our property development business is primarily conducted through project companies, many of which are not 100% owned by us. We have entered into, and may from time to time enter into, joint ventures, mergers or acquisitions in the course of our business with respect to these project companies. Our non-controlling interests increased from RMB5,721.2 million as of December 31, 2019 to RMB7,420.4 million (US$1,050.3 million) as of June 30, 2020. Due to the significant non-controlling interests, the total comprehensive income attributable to our non-controlling shareholders may account for a significant portion of our total comprehensive income, and the land reserve attributable to us associated with the projects held by our joint ventures or associates may account for a large portion of our total land reserve attributable to us. Any increase in our non-controlling interests may also lead to higher proportion of our profit or total land reserve being attributable to non-controlling interests. In addition, we may make distributions to our non-controlling shareholders in cash, which may reduce the cash available to us.

We are exposed to credit risk in collecting receivables due from non-controlling interests or related parties.

As of June 30, 2020, our amounts due from the non-controlling interests amounted to RMB7,256.0 million (US$1,027.0 million), which primarily consists of cash advances from our non-wholly owned subsidiaries to their non-controlling shareholders for their business operations from time to time. On the other hand, the amounts due from related parties amounted to RMB3,967.4 million (US$561.5 million) as of June 30, 2020. For details of the amounts due from related parties, please see Note 29 of the Interim Condensed Consolidated Financial Information included in "Index to the Financial Information – Unaudited Interim Condensed Consolidated Financial Information as of and for the six months ended June 30, 2020" and Note 38 of the Accountant's Report included in "Index to Financial Information—Audited Financial Statements as of and for the year ended December 31, 2019".

If there is any delay in repayment by the non-controlling shareholders or our related parties, our working capital and cash flow may be adversely affected. There is no assurance that we will be able to collect or settle all or any of our receivables in a timely manner, or at all. If any of such non-controlling shareholders or related parties face unexpected situations, including but not limited to financial difficulties, or under the circumstance that our jointly developed projects cannot be completed in time, we may not be able to receive full or any payment of uncollected sums. Such default or delay in the repayment may materially and adversely affect our business, financial condition and results of operations.

We may not be able to attract and retain quality tenants for our investment properties.

Our investment properties compete for tenants with other property developers on factors including location, quality, maintenance, property management, rental rates, services provided and other lease terms. There can be no assurance that our existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with us would increase the competition for tenants and, as a result, we may have to reduce rental rates or incur additional costs to make our properties more attractive. Also, we may not be able to lease our properties to a desirable mix of tenants to achieve our business objectives or for rental rates that are consistent with our projections. If we are not able to retain our existing tenants, attract new tenants to replace those that leave or lease our vacant properties, our occupancy rates may decline and our investment properties may become less attractive and competitive. This in turn may have an adverse effect on our business, financial condition and results of operations.

If we were unable to successfully retain our current personnel and hire, train and retain senior executives or key personnel, our ability to develop and successfully market our products could be harmed.

The growth and success of our business has depended significantly on our ability to identify, hire, train and retain suitable employees with capable skills and qualifications, including management personnel with relevant professional skills. We provide incentives to attract and retain management and experienced personnel to meet the future development needs. In particular, we rely on the expertize, experience and leadership ability of Mr. Hu Yiping, our executive director and founder and certain key management personnel such as Mr. Fei Zhongmin, our president for the development and operation of our business. If we were to lose the services of any of our senior management for any reason, we may not be able to find suitable replacements for them. As competition in the PRC for senior management and key personnel with experience in property development is intense and the pool of qualified candidates is limited, we may not be able to retain the services of key personnel, or hire, train and retain high quality senior executives or key personnel in the future. In addition, if any member of our senior management team or any of our other key personnel were to join a competitor or carry on a competing business, we may lose customers and key professionals and staff members. Furthermore, as our business continues to grow, we will need to recruit and train additional qualified persons. If any of such incidents occurred, our ability to develop and successfully market our products could be harmed and our business and prospects could be adversely affected.

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

We are subject to a variety of laws and regulations concerning the protection of health and the environment. As required by PRC laws and regulations, property projects in environmentally sensitive regions and with self-built sewage treatment facilities are required to undergo environmental assessments and the related assessment document must be submitted 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 for record-filing. If we fail to meet such requirements, local authorities may issue orders to stop construction and based on the circumstances of the violation and the consequences thereof, impose on us a fine of between one to five percent of the total investment amount of the project, and may also issue orders to restore the original conditions before the construction; and the persons directly in charge and other directly responsible persons of us shall be subject to administrative sanctions under the law. After the completion of construction, we are required to make an acceptance check of the environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council. When making an acceptance check of environmental protection facilities, we are required not to commit fraud. We are also required to make the acceptance report publicly available in accordance with the law unless we are required to keep confidential according to national provisions. If we cannot make an acceptance check of environmental protection facilities in due course, the development of our projects may be delayed.

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

We may from time to time be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction companies, original residents, business or joint venture partners and purchasers. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention from our core business activities. Purchasers of our properties may take legal action against us if our developed properties are perceived to be inconsistent with our representations and warranties made to such purchasers. In addition, we may have compliance issues with regulatory bodies in the course of our operations, in respect of which we may face administrative proceedings and unfavorable decisions that may result in liabilities and cause delays to our property developments. We may be involved in other proceedings or disputes in the future that may have a material adverse effect on our business, financial condition, results of operations or cash flows.

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. 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 in the future. 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 cannot assist them in obtaining 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 within the 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. We generally elect to specify the deadline for the delivery in the property sale and purchase agreements to allow sufficient time for the application and approval process. In accordance with local regulations for pre-sold properties, we are required to submit the documents required for registration, including land use rights certificates, construction work planning permits and construction work commencement permits, to the local bureau of land resources and housing administration to apply for the property ownership initial registration in respect of these properties. We are then required to assist purchasers to obtain the property ownership certificate. Delays by administrative authorities in reviewing the relevant applications and granting approvals, as well as other factors, may affect timely application of the general as well as individual property ownership certificates. There can be no assurance that we will not incur material liability to purchasers in the future for the late application of individual property ownership certificates due to our fault or for any reason beyond our control.

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

Pursuant to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the date of this memorandum, we leased some properties mainly for our office premises and failed to register some lease agreements as the tenant. We also rented out certain properties to third parties. As of the date of this memorandum, we entered into some leases as the landlord and failed to register some leases. The failure to register the lease agreements does not affect the validity of the lease agreements under the relevant PRC laws and regulations. However, there can be no assurance that legal disputes or conflicts concerning such leases and tenancies will not arise in the future. In addition, as advised by our PRC Legal Advisor, we may be required by relevant government authorities to file the lease agreements for registration and may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. In addition, as of the date of this offering memorandum, we have not received the house ownership certificates of some properties we leased, which may adversely influence the registration of our leases and our leasehold. In the event that we are required by relevant authorities to rectify the noncompliance with lease registration requirement, we intend to find alternative locations nearby and relocate. We may incur additional relocation costs and we cannot assure you that we will be able to find alternative locations in a timely manner. The occurrence of any of the above conflicts or disputes or the imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which could materially and adversely impact our business, financial condition and results of operations. The registration of these lease agreements to which we are a party requires additional steps to be taken by the respective other parties to the lease agreement which are beyond our control. There can be no assurance that the other parties to our lease agreements will be cooperative and that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future.

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

Consistent with what we believe to be the industry norm for the property development industry in the PRC, we do not maintain insurance coverage against destruction of or damage to our properties, no matter whether they are under development or held for sale other than those over which our lending banks have securities interests or for which we are required to maintain insurance coverage under the relevant loan agreements. In addition, we do not maintain insurance against any liability arising from allegedly tortious acts committed on our work sites.

If we suffer any losses, damages or liabilities in the course of our business operations, we may not have adequate insurance coverage to provide sufficient funds to cover any such losses, damages or liabilities or to replace any property that has been destroyed. Therefore, there may be instances when we will sustain losses, damages and liabilities because of our lack of insurance coverage, which may in turn materially adversely affect our financial condition and results of operations.

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

Historically, we experienced certain noncompliance incidents during 2017, 2018 and 2019 and the six months ended June 30, 2020. In 2017, 2018 and 2019 and the six months ended June 30, 2020, some of our project companies commenced construction before obtaining construction work permits or construction work planning permits; we did not fully make certain social security insurance and housing provident fund contributions for their employees, and some project companies experienced several noncompliance incidents in relation to taxes, including failure to report an accurate tax base and failure to file accurate tax amount and some project companies experienced several noncompliance incidents regarding the violation of advertising law. We believe these non-compliances did not have a material operational and financial impact on us. There is no assurance that our internal control measures will be effective and there will not be any noncompliance incidents in the future.

In addition, PRC laws, regulations or rules governing our industry have been evolving rapidly, we cannot assure you that we will not be subject to fines or penalties arising from noncompliance 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 operation.

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

We derive a substantial portion of our revenue from sales of our properties. Most purchasers of our properties apply for mortgages to fund their purchases. In accordance with industry practice, banks require us to guarantee mortgage loans taken by purchasers of the properties that we develop. Typically, we guarantee mortgage loans taken out by purchasers up until the earlier of the following two dates (i) the date when we complete the relevant properties and the property ownership certificates and the mortgage are registered in favor of the mortgagee bank, or (ii) the date when mortgage loans are settled between the mortgagee bank and the purchaser, under the circumstance that the purchaser pays off purchase price in advance. These are contingent liabilities not reflected on our balance sheets. If a purchaser defaults on a mortgage loan, the mortgagee bank may auction the underlying property or we may be liable to repay the mortgage loans. In line with industry practice, we do not conduct any independent credit checks on our customers and rely on the credit evaluation conducted by the mortgagee banks on such customers.

As of June 30, 2020, our outstanding guarantees in respect of the residential mortgages of our customers amounted to RMB13,928.5 million (US$1,971.5 million). During 2017, 2018 and 2019 and the six months ended June 30, 2020, we did not encounter any incidents of default by our customers with a material impact on our business or financial condition. Should any material default occur and if we were called upon to honor our guarantees, our financial condition and results of operations could be adversely affected.

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

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》) and the Administrative Measures for Developing and Using the Civil Air Defense Real Estate at Ordinary Times (《人民防空工程平時開發利用管理辦法》) issued by the National Civil Air Defense Office, while an investor in civil air defense properties can use and manage civil air defense properties and derive profit from civil air defense properties in times of peace, such use must not impair their functions as civil air defense properties. The design, construction and quality of the civil air defense properties must also conform to the protection and quality standards established by the PRC government.

In 2017, 2018 and 2019, we have entered into contracts to transfer the right of use of civil air defense works for property development projects to our customers for using as car parks, and we are willing to continue the transfer. If the PRC government declares a state of war, the PRC government may take over our civil air defense works and use them as civil air defense shelters. We may not be able to use the area as car parks, which will no longer be our source of revenue. In addition, although our operations are in accordance with the laws and regulations governing civil air defense works in all material respects, we cannot assure you that the laws and regulations will not be amended in the future, thus making it difficult for us to comply with them and increasing the cost of compliance.

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. 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.

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 regulation and, in particular, we are sensitive to policy changes in the PRC property sector. The PRC government exerts considerable direct and indirect influence on the growth and development of the PRC property market through industry policies and other economic measures such as setting interest rates, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers and imposing restrictions on foreign investment and currency exchange. 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 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 a business tax levy 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 socia security payments for more than a specified time period in certain cities; and

- 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.

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

There are no assurance that the PRC government will relax existing restrictive measures, impose and enhance restrictive measures, or to impose other restrictive policies, regulations or measures in the future.

The existing and other future restrictive measures may limit our access to capital, reduce market demand for our products and increase our finance costs, and any easing measures introduced may also not be sufficient. We currently do not expect the impacts on our overall operation of the abovementioned new restrictive policies, regulations and measures be significant because we are able to modify our operating strategies among different regions accordingly as we currently operate 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 has been cyclical and our property development activities are susceptible to significant fluctuations.

Historically, the PRC property market has been cyclical. The rapid expansion of the property market in certain major provinces and cities in China, including Shanghai and Beijing, in the early 1990s culminated in an over-supply in the mid-1990s and a corresponding fall in property values and rentals in the second half of the decade. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC cities such as Shanghai and Beijing therein have experienced rapid and significant growth. In recent years however, risk of property over-supply is increasing in parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, together with the effect of the PRC government policies to curtail the overheating of the property market, property prices may fall significantly and our revenue and results of operations will be adversely affected. We cannot assure you that the problems of over-supply and falling property prices that occurred in the mid-1990s will not recur in the PRC property market and the recurrence of such problems could adversely affect our business and financial condition. The PRC property market is also susceptible to the volatility of the global economic conditions.

The cyclical nature of the property market in the PRC affects the optimal timing for the acquisition of sites, pace of development as well as the sale of properties. This cyclicality, combined with the lead time required for 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 year to year.

The PRC government may adopt further measures to cool down the overheating of the property sector.

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector.

In the second half of 2008 and 2009, in order to mitigate the impact of the global economic slowdown, the PRC government has adopted measures to encourage domestic consumption in the residential property market and support property development. These policies may not necessarily have a positive effect on our operations and our future business development. Starting from late 2009, the PRC government has revised or terminated such favorable policies according to changes in market conditions and adopted certain new policies to cool down the property market, including, without limitation:

- abolishing certain preferential treatments relating to business taxes payable upon transfers of residential properties by property owners and imposing more stringent requirements on the payment of land premium by property developers;

- imposing property purchase restrictions on non-local citizens, decreasing the maximum loan to value ratio of mortgage loans offered to borrowers;

- restricting purchasers, in certain targeted cities, from acquiring second (or further) residential properties and restricting nonresidents that cannot provide any proof of local tax or social security payments for more than a specified time period from purchasing any residential properties;

- launching new property tax schemes in certain cities such as Chongqing and Shanghai on a trial basis, levying property tax on part of individual residential properties in these two cities;

- levying business tax, which was replaced by value-added tax since May 1, 2016, on the full amount of the transfer price if an individual owner transfers a residential property within two years of purchase;

- urging provincial governments to implement home purchase restrictions to control property prices, listing certain criteria for the implementation of the restrictions, and, in the second half of 2011, extending such home purchase restrictions to certain second- and third-tier cities in addition to the 40-plus first- and second-tier cities which have already adopted home purchase restriction measures;

- strictly enforcing the idle land related law and regulations; and

- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties.

See "—Risks Relating to Our Business—We are dependent on the performance of the PRC property market."

These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not reinstate property-purchase or other limitations that have been removed or adopt additional and more stringent measures, which could further slowdown property development in China. 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 disrupt our business or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Property development in the PRC is still at an early stage and lacks adequate infrastructural support.

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC, particularly in Shanghai and Beijing, has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. We cannot predict how much and when demand will develop, as many social, political, economic, legal and other factors may affect the development of the market. The level of uncertainty is increased by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

Limited availability of accurate financial and market information and the general low level of transparency in China contribute to overall uncertainty. Purchasers and investors may be discouraged from acquiring new properties due to the lack of a liquid secondary market for residential properties. In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit demand for residential property.

Furthermore, risk of property over-supply is increasing in parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, property prices may fall significantly and our revenue and results of operations will be adversely affected.

If as a result of any one or more of these or similar factors as described above, demand for residential property or market prices decline significantly, our business, results of operations and financial condition may be materially and adversely affected.

RISKS RELATING TO THE PRC

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

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

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

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

China's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminum imports from China, and later on July 6, 2018, the United States imposed 25% tariffs on US$34 billion worth of Chinese goods as part of President Donald Trump's tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States' products. On September 18, 2018, President Donald Trump imposed 10% tariffs on approximately US$200 billion worth of Chinese goods and plans to further increase the rate to 25% in January 2019. In return, the PRC responded with tariffs on US$60 billion of U.S. goods. The rhetoric surrounding the trade war continues to escalate and neither side has been willing to resume stalled trade negotiations. The amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the PRC real estate industry uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected.

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

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

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

Our business and operations are primarily conducted in China and is governed by PRC laws and regulations. Our principal operating subsidiaries are located in China and are subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to you may be limited. For example, we have registered the issuance of the Notes with the NDRC with reference to the NDRC Notice and are required to file a post-issuance report with the NDRC within 10 PRC working days in the PRC pursuant to the registration certificate. As the NDRC Notice is a new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. If we fail to complete such filing in accordance with the relevant requirements, due to any change in the relevant regulation we may be subject to penalties or other enforcement actions by relevant PRC government authorities. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. For example, on September 14, 2015, the NDRC issued 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), which provides that enterprises domiciled within the PRC and their overseas subsidiaries or branches should file and register with the NDRC prior to issuance of foreign debt instruments and report relevant information on the issuance of the foreign debt instruments in relation to foreign debt with a maturity of more than one year to the NDRC within ten business days in the PRC after the completion of each issuance. In practice, enterprises incorporated outside of the PRC and controlled by individuals (other than those controlled by PRC enterprises as expressly provided in the NDRC Notice) may also be required by the NDRC to comply with the NDRC Notice. We have registered the issuance of the Notes with the NDRC pursuant to the NDRC Notices. Nevertheless, as the NDRC Notice is a new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

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

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

Since late 2019, COVID-19 has spread across China and globally. Governments across the world have imposed travel restrictions and/or lockdown in an effort to curb the spread of COVID-19. On March 11, 2020, WHO declared COVID-19 outbreak a pandemic. As the pandemic continues to spread worldwide, more countries may impose similar or more severe containment measures. There is no assurance that the current containment measures will be effective in halting the pandemic. The current containment measures and any future containment measures may materially and adversely affect the manufacturing, exports and imports and consumption of goods globally, which may in turn lead to global economy slowdown. As a result, supply of our raw materials and productivity of our employees may be adversely affected. As a result, the completion of our projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in our development costs, late delivery of properties and/or otherwise adversely affect our profitability and cash flows. We cannot assure you that we can maintain the same level of repayment capacity due to the late payment of our sales resulting from late delivery of properties. Moreover, the economic situation may adversely affect the fair value of our investment properties, which may in turn affect our financial conditions and cash flows, and our financial conditions and cash flows may be adversely affected in the year 2020 or the next few years. 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 pandemic. In addition, the COVID-19 outbreak poses risks to the well-being of our employees and the safety of our workplace, which may materially and adversely affect our business operation.

The PRC central and local governments have taken various measures to manage and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. Given the uncertainties as to the development of the COVID-19 outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected in the long run.

Past occurrences of epidemics and pandemics, 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 and pandemics, 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.

It may be difficult to enforce any judgments obtained from non-PRC courts against us in the PRC.

Substantially all of our assets are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United Kingdom, Japan or many other countries. Therefore, it may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts.

RISKS RELATING TO THE NOTES

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

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The 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 Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have significant operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our PRC subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2020, our Non-Guarantor Subsidiaries had total debt in the amount of RMB18,726.6 million (US$2,650.6 million), capital commitments in the amount of RMB15,246.5 million (US$2,158.0 million) and contingent liabilities arising from guarantees in the amount of RMB18,509.9 million (US$2,619.9 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a Subsidiary Guarantee may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to a third party of equity interest of no less than 20% in such subsidiary by its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of our last fiscal year end. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations.

Our total interest-bearing bank and other borrowings as of December 31, 2017 and 2018 were RMB10,135.7 million and RMB12,131.0 million, respectively. Our borrowings from bank and other financial institutions as of December 31, 2019 and June 30, 2020 were RMB14,848.1 million and RMB18,726.6 million (US$2,650.6 million), the current portion of which amounted to RMB5,540.2 million and RMB5,995.3 million (US$848.6 million), and the non-current portion of which amounted to RMB9,307.9 million and RMB12,731.3 million (US$1,802.0 million), respectively.

Since June 30, 2020, we have incurred additional indebtedness, repaid some of our existing indebtedness and in sum, our total borrowings have increased. 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.

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

- limit our ability to satisfy our obligations under the Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures 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, our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the Notes includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenants could be substantially larger when compared to other similarly situated PRC senior notes issuers whose covenants do not typically include such unrealized gains in the definition of consolidated net income. In addition, because our definition of Consolidated Interest Expense for the Notes excludes the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us), our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, including our obligations under the Notes, 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." Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

We may in the future designate certain subsidiaries as Unrestricted Subsidiaries under the Indenture, which will not be subject to various covenants under the Indenture; and we and our Restricted Subsidiaries may be able to make dividend payment in shares of our Unrestricted Subsidiaries under the Indenture.

We have the flexibility under the terms of the Notes to designate any subsidiary in the Restructuring Group (as defined under "Description of the Notes—Definitions") as Unrestricted Subsidiaries, subject to certain conditions. The effects of designation of an entity as an Unrestricted Subsidiary include, but are not limited to:

- the business, assets and liabilities of such entity will no longer be part of the credit underlying the Notes;
- such entity will not be subject to the restrictive covenants applicable to Restricted Subsidiaries under the Indenture;
- as applicable, the Subsidiary Guarantees of such entity may be released, and the shares of such entity previously pledged to the collateral agent or the trustee for the benefit of the holders of the Notes may be released; and
- interest expenses on Indebtedness (as defined in the Indenture) of such entity will not be included in the calculation of our Consolidated Interest Expense (as defined under "Description of the Notes—Definitions"), other than such interest expenses on indebtedness that is guaranteed and is actually paid by us or a Restricted Subsidiary.

As a result of any such designation, the value of assets subject to the restrictive covenants under the Indenture may decrease and the market pricing and trading of the Notes may be materially affected. In addition, we will be able to pay dividends or make distributions on or with respect to our or our Restricted Subsidiaries' capital stock in shares of capital stock of any Unrestricted Subsidiary, as long as there is no default at the time of, and after giving effect to, such dividend payment or distribution under the Indenture. Accordingly, you are cautioned as to our ability to designate further Unrestricted Subsidiaries subject to the conditions set forth in the Indenture.

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 principal and interest payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries are subject to certain dividend distribution limitations. See "Description of Material Indebtedness and Other Obligations—PRC Loan Agreements." Such restrictions may 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 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 Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS 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 and is considered the beneficial owner of the dividend and certain other conditions are met, 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 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 Notes at maturity or as required for any early redemption.

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

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

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

The Notes are denominated in U.S. dollars, while substantially all of our revenue is denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% on March 17, 2014. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the H.K. dollar by approximately 33% from July 21, 2005 to December 31, 2014. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our U.S. dollar-denominated indebtedness. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

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

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

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

In addition, the definition of a Change of Control for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control 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 Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly leveraged transaction or a sale of less than all of our assets may be uncertain.

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

We may be treated as a PRC resident enterprise for PRC tax purposes. If we are deemed a PRC resident enterprise, the interest payable on the Notes may be considered to be sourced within China. In that case, PRC income tax at the rate of 10% will be withheld from interest paid by us to investors that are "nonresident enterprises" so long as such "nonresident enterprise" investors do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the Notes by such investors 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 Notes, or any gains realized from the transfer of Notes, to be income derived from sources within the PRC, such interest or gains earned by nonresident individuals may be subject to PRC tax (which in the case of interest, may be withheld by us) at a rate of 20%. In addition, if we are treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Notes are providing loans to us within the PRC, the holders of the Notes may be subject to value-added tax at a combined rate of approximately 6.72%, which we may be required to withhold. It is uncertain whether we will be considered a PRC "resident enterprise." If we are required under the EIT Law to withhold PRC income tax on interest payable to our noteholders we will be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether in practice if we are considered a PRC "resident enterprise," holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

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

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

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 Notes, or result in a default under our other debt agreements, including the Indenture. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

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

The Indenture includes a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;

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

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

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with third parties, including 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 30% of our total assets, without satisfying the Fixed Charge Coverage Ratio requirement. See "Description of the Notes."

The terms of the Notes permit us to pay substantial amount of dividends.

We pay dividends to our shareholders from time to time. Under the Indenture, any such dividend payment will be a "Restricted Payment", which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and qualifications. Under the terms of the Notes, we may pay dividends on our common stock in an aggregate amount up to 25% of our profit for the year without satisfying the Fixed Charge Coverage Ratio. With such an exception, we may be able pay substantial amount of dividends even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the Notes.

Notes are subject to optional redemption by us.

As set forth in "Description of the Notes—Optional Redemption," the Notes may be redeemed at our option in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the Notes. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be the case prior to any redemption period. We may be expected to redeem Notes when the current financing cost is lower than the interest rate on the Notes. In such case, a Noteholder generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to reinvest so at a significantly lower rate. It may therefore cause a negative financial impact on the holders of the Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

The Notes are a new issue of securities for which there is currently no trading market. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your 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 Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the Notes could be adversely affected.

The ratings assigned to the Notes and our corporate ratings maybe lowered or withdrawn in the future.

The Notes are expected to be assigned a rating of B- by S&P and B3 by Moody's. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, we have been assigned a long-term corporate credit rating of B with a stable outlook by S&P and a corporate family rating of B2 with a stable outlook by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

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

The "Limitation on Transactions with Shareholders and Affiliates" covenant in the Notes only applies to transactions between us or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of our shares or (y) any of our Affiliate, on the other hand. As such, transactions between us or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they are subject to the independent shareholders' requirement under the Listing Rules. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

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

Because we and some of the Subsidiary Guarantors 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 Subsidiary Guarantor or JV Subsidiary Guarantor, even if brought in other jurisdictions, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. In addition, 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 jurisdictions with which the holders of the Notes are familiar.

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

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

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

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

In certain circumstances, the Trustee may at its sole discretion, request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it will take actions on their behalf. The Trustee will not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. Further, the Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Indenture or in circumstances where there is uncertainty or dispute as to such actions' compliance with applicable laws and regulations. In such circumstances, to the extent permitted by any applicable agreements or applicable laws, it will be for the holders of the Notes to take such actions directly.

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and 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 HKFRS and other GAAPs and how those differences might affect the financial information contained in this offering memorandum.

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

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

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

The Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the 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 Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the Notes will be made to the paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global certificate representing the 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 Noteholder under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from 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 Notes.

RISKS RELATING TO THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

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

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the Notes will not be guaranteed by certain of our offshore subsidiaries upon issuance. In addition, certain of our future offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of all our offshore subsidiaries that do not guarantee the Notes do not exceed 15% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of such Non-Guarantor Subsidiaries. See "Description of the Notes—The Subsidiary Guarantees and JV Subsidiary Guarantees" for a list of the Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors which will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our obligations under Notes if we are unable to do so.

Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues no less than 20% of the Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 15% of our total assets.

In addition, a Subsidiary Guarantee may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of certain minority interest in such subsidiary (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of our last fiscal year-end. See "—Risks Relating to the Notes—We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries."

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

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the 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 salable 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 Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be), and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately US$190.76 million, which we plan to use for the repayment of existing offshore indebtedness, which may include the Concurrent Offer to Purchase.

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

EXCHANGE RATE INFORMATION

CHINA

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

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

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
		(RMB per US$1.00)		
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.9430
2017	6.5063	6.7530	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020				
March	7.0808	7.0205	7.1099	6.9244
April	7.0622	7.0708	7.0989	7.0341
May	7.1348	7.1016	7.1681	7.0622
June	7.0651	7.0816	7.1263	7.0575
July	6.9744	7.0041	7.0703	6.9744
August	6.9179	6.9432	6.9799	6.9143
September	6.7896	6.8106	6.8474	6.7529
October (through October 2, 2020)	6.7898	6.7898	6.7898	6.7898

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, no assurance can be given that the Hong Kong government will maintain the link within the current rate range or at all.

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

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
	(HK per US$1.00)			
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020				
March	7.7513	7.7651	7.7863	7.7511
April	7.7514	7.7512	7.7530	7.7498
May	7.7513	7.7519	7.7561	7.7500
June	7.7501	7.7501	7.7514	7.7498
July	7.7500	7.7509	7.7538	7.7499
August	7.7502	7.7502	7.7506	7.7500
September	7.7500	7.7500	7.7504	7.7499
October (through October 2, 2020)	7.7501	7.7501	7.7501	7.7501

Source: Federal Reserve H.10 Statistical Release

Note:

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

CAPITALIZATION AND INDEBTEDNESS

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

	As of June 30, 2020			
	Actual		As adjusted	
	(RMB)	*(US$)*	*(RMB)*	*(US$)*
	(in thousands)			
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Cash and cash equivalents (excluding restricted cash)[(1)]	12,199,048	1,726,663	13,546,786	1,917,423
Current debt:[(2)(3)]				
Bank borrowings – secured	220,000	31,139	220,000	31,139
Borrowings from other financial institutions – secured	961,500	136,091	961,500	136,091
Borrowings from other financial institutions – unsecured	–	–	–	–
Current portion of long-term borrowings	4,813,770	681,345	4,813,770	681,345
Total current debt	5,995,270	848,575	5,995,270	848,575
Non-current debt:[(3)(4)]				
Bank borrowings – secured	11,256,490	1,593,253	11,256,490	1,593,253
Borrowings from other financial institutions – secured	2,640,700	373,767	2,640,700	373,767
Borrowings from other financial institutions – unsecured	–	–	–	–
Senior Notes[(5)(6)]	3,647,872	516,323	3,647,872	516,323
Notes to be issued[(6)]	–	–	1,347,738	190,760
Less: Current portion of long-term borrowings	(4,813,770)	(681,345)	(4,813,770)	(681,345)
Total non-current debt	12,731,292	1,801,998	14,079,030	1,992,758
Capital and reserves:				
Share capital	9,200	1,302	9,200	1,302
Reserves	5,442,660	770,359	5,442,660	770,359
Total equity attributable to the owners of the Company	5,451,860	771,661	5,451,860	771,661
Total capitalization[(7)]	18,183,152	2,573,659	19,530,890	2,764,419

Notes:

(1) As of June 30, 2020, cash and cash equivalents excluded restricted cash of RMB1,094.9 million (US$155.0 million). Restricted cash consists principally of cash deposits with designated banks as security mainly for borrowings and issuance of commercial bills.

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

(3) Our debt does not include any accrual for capital commitments or contingent liabilities. As of June 30, 2020, our consolidated capital commitments were RMB15,246.5 million (US$2,158.0 million) and our contingent liabilities, all of which were in the form of guarantees that we had provided to our customers in relation to their purchase of our properties, amounted to approximately RMB13,928.5 million (US$1,971.5 million), and guarantees that we have provided for the borrowings, amounted to RMB4,581.4 million (US$648.5 million).

(4) Non-current debt excludes current portion of long-term borrowings.

(5) We issued the Senior Notes in the aggregate principal amount of US$200.0 million on August 6, 2019, US$100.0 million on November 18, 2019 and US$200.0 million on January 23, 2020 respectively.

(6) In accordance with HKFRS, the Notes should be recorded at their fair value upon initial recognition, which may be substantially different from the aggregate principal amount of the Notes. For illustrative purposes only, the Notes have been recorded at their aggregate principal amount, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, in the "As adjusted" column of the table above.

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

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

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary financial data as of and for each of the years ended December 31, 2017, 2018 and 2019 (except for EBITDA data and amounts presented in U.S. dollars) have been derived from our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019, as audited by PricewaterhouseCoopers, the independent certified public accountant, and included elsewhere in this offering memorandum. The summary financial data as of and for the six months ended June 30, 2019 and 2020 (except for EBITDA data and amounts presented in U.S. dollars) have been derived from our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2020 ("2020 Interim Financial Statements"), as reviewed by PricewaterhouseCoopers, the independent certified public accountant, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and included elsewhere in this offering memorandum. We have changed the presentation of certain financial statement line items in the consolidated balance sheet as of December 31, 2019 and the comparing figures as of December 31, 2018 have been reclassified and re-presented accordingly. For the purpose of this offering memorandum, the summary financial data as of December 31, 2018 has been derived from the audited consolidated financial statement as of and for the year ended December 31, 2018 of which the consolidated balance sheet has not been reclassified and re-presented and may not be comparable to the consolidated balance sheet for the year ended December 31, 2019 and the unaudited interim condensed consolidated balance sheet as of June 30, 2020 accordingly. For the purpose of this offering memorandum, the summary financial data as of December 31, 2019 has been derived from the audited consolidated financial statement as of and for the year ended December 31, 2019 of which the consolidated balance sheet has not been reclassified and re-presented and may not be comparable to the 2020 Interim Financial Statements accordingly. Potential investors must exercise caution when considering the financial information of our Group contained herein to evaluate the Group's financial condition.

We have adopted HKFRS 16 "Lease" ("HKFRS 16") from the mandatory adoption date of January 1, 2019. We have applied the simplified transition approach and have not restated comparative amounts for the 2018 reporting period. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019. For details of the adoption of HKFRS 16, please refer to Note 2.2(a) to the 2019 Annual Financial Statements. Our financial statements have been prepared and presented in accordance with HKFRS, 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 for the respective years and 2020 Interim Financial Statements and the notes to those statements included elsewhere in this offering memorandum. The 2020 Interim Financial Statements should not be taken as an indication of the expected business, financial condition and results of operations for the full year ended December 31, 2020. Also, the Company's financial results for any past period are not and should not be taken as an indication of the Company's performance, financial position and results of operations in future years.

SELECTED CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US$'000 *(unaudited)*	RMB'000 *(unaudited)*	RMB'000 *(unaudited)*	US$'000 *(unaudited)*
REVENUE	6,553,989	8,212,074	9,512,995	1,346,477	3,517,718	7,649,353	1,082,696
Cost of sales	(5,021,308)	(5,088,712)	(6,453,672)	(913,458)	(2,301,800)	(5,687,239)	(804,976)
GROSS PROFIT	1,532,681	3,123,362	3,059,323	433,019	1,215,918	1,962,114	277,720
Other income	62,540	37,265	81,583	11,547	35,521	117,454	16,625
Other gains – net	20,834	56,744	88,992	12,596	22,424	(4,645)	(657)
Selling and marketing expenses	(200,734)	(294,318)	(457,555)	(64,763)	(144,254)	(147,857)	(20,928)
Administrative expenses	(262,202)	(451,914)	(720,650)	(102,001)	(264,527)	(247,539)	(35,037)
Fair value gains on investment properties	226,107	191,717	186,153	26,348	57,528	(71,540)	(10,126)
OPERATING PROFIT	1,379,226	2,662,856	2,237,846	316,746	922,610	1,607,987	227,597
Finance income	106,482	95,590	95,382	13,500	56,214	81,616	11,552
Finance costs	(427,931)	(470,862)	(527,320)	(74,637)	(191,169)	(408,715)	(57,850)
Finance costs – net	(321,449)	(375,272)	(431,938)	(61,137)	(134,955)	(327,099)	(46,298)
Share of results of joint ventures and associates	160,284	579,065	1,175,306	166,354	778,720	519,038	73,465
PROFIT BEFORE INCOME TAX	1,218,061	2,866,649	2,981,214	421,963	1,566,375	1,799,926	254,764
Income tax expenses	(378,692)	(1,025,602)	(724,587)	(102,559)	(282,992)	(457,050)	(64,691)

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US$'000 *(unaudited)*	RMB'000 *(unaudited)*	RMB'000 *(unaudited)*	US$'000 *(unaudited)*
PROFIT FOR THE YEAR/PERIOD	839,369	1,841,047	2,256,627	319,404	1,283,383	1,342,876	190,073
Profit attributable to:							
Owners of the Company	737,543	1,453,456	1,556,514	220,310	995,813	700,043	99,085
Non-controlling interests	101,826	387,591	700,113	99,094	287,570	642,833	90,988
	839,369	1,841,047	2,256,627	319,404	1,283,383	1,342,876	190,073
Other Financial Data (unaudited)							
EBITDA(1)	1,304,662	3,006,053	3,157,637	446,934	1,631,197	2,218,206	313,967
EBITDA margin(2)	19.9%	36.6%	33.2%	33.2%	46.4%	29.0%	29.0%

Notes:

(1) EBITDA for any period consists of profit for the year/period before income tax, fair value gains/losses on investment properties, finance costs – net, other gains/losses, depreciation of property, plant and equipment and amortization of intangible assets. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. See "Description of the Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

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

The following table reconciles our operating profit for the year/period under HKFRS to our definition of EBITDA for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US$'000 *(unaudited)*	RMB'000 *(unaudited)*	RMB'000 *(unaudited)*	US$'000 *(unaudited)*
Profit before income tax	1,218,061	2,866,649	2,981,214	421,963	1,566,375	1,799,926	254,764
Adjustments							
Finance cost – net	321,449	375,272	431,938	61,137	134,955	327,099	46,298
Depreciation of property, plant and equipment	11,159	11,624	18,796	2,660	9,325	14,515	2,054
Amortization of intangible assets	934	969	834	118	494	481	68
Fair value (gains)/losses on investment properties	(226,107)	(191,717)	(186,153)	(26,348)	(57,528)	71,540	10,126
Other (gains)/losses – net	(20,834)	(56,744)	(88,992)	(12,596)	(22,424)	4,645	657
EBITDA	1,304,662	3,006,053	3,157,637	446,934	1,631,197	2,218,206	313,967

SELECTED CONSOLIDATED BALANCE SHEET DATA

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB'000	RMB'000	RMB'000	US$'000 *(unaudited)*	RMB'000 *(unaudited)*	US$'000 *(unaudited)*
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	106,343	153,149	378,821	53,619	441,000	62,420
Land use rights	28,199	114,835	–	–	–	–
Investment properties	1,254,600	1,768,420	2,924,115	413,882	3,141,150	444,601
Right-of-use assets	–	–	–	–	–	–
Intangible assets	1,090	1,148	1,445	204	1,381	195
Investments accounted for using the equity method	970,214	2,008,869	3,792,338	536,771	5,276,539	746,846
Amounts due from related parties	49,000	41,000	–	–	–	–
Prepayments	169,668	–	–	–	–	–
Financial assets at fair value through profit or loss	184,056	232,255	170,726	24,165	153,849	21,776
Deferred income tax assets	245,332	509,915	748,400	105,929	683,989	96,812
Trade and other receivables and prepayments	–	–	75,179	10,641	224,330	31,752
Total non-current assets	3,008,502	4,829,591	8,091,024	1,145,211	9,922,238	1,404,402
CURRENT ASSETS						
Properties under development	17,044,187	27,684,622	36,657,831	5,188,579	36,394,137	5,151,256
Completed properties held for sale	638,293	345,610	591,370	83,703	589,751	83,474
Trade and other receivables and prepayments	4,044,727	5,838,316	3,512,629	497,180	6,349,112	898,658
Amounts due from non-controlling interests	–	–	4,951,599	700,853	7,255,991	1,027,019
Amounts due from related parties	5,943,108	2,737,822	2,918,668	413,111	3,967,416	561,551
Contract assets	15,810	14,552	13,705	1,940	40,623	5,750
Prepaid income taxes	446,896	538,328	879,318	124,459	1,024,237	144,971
Financial assets at fair value through profit or loss	160,481	132,400	100,743	14,259	38,934	5,511
Restricted cash	164,363	1,295	5,797	821	1,094,948	154,980
Cash and cash equivalents	3,950,854	7,486,911	9,564,316	1,353,741	12,199,048	1,726,663
Total current assets	32,408,719	44,779,856	59,195,976	8,378,646	68,954,197	9,759,833
Total assets	**35,417,221**	**49,609,447**	**67,287,000**	**9,523,857**	**78,876,435**	**11,164,235**
EQUITY						
Capital and reserves attributable to the owners of the Company						
Share capital	–	6,848	9,200	1,302	9,200	1,302
Reserves	1,514,799	2,466,618	5,004,285	708,311	5,442,660	770,359
	1,514,799	2,473,466	5,013,485	709,613	5,451,860	771,661
Non-controlling interests	668,950	4,395,171	5,721,243	809,789	7,420,420	1,050,292
TOTAL EQUITY	**2,183,749**	**6,868,637**	**10,734,728**	**1,519,402**	**12,872,280**	**1,821,953**

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB'000	RMB'000	RMB'000	US$'000	RMB'000	US$'000
				(unaudited)	*(unaudited)*	*(unaudited)*
LIABILITIES						
NON-CURRENT LIABILITIES						
Borrowings	5,882,601	4,423,858	–	–	–	–
Borrowings from bank and other financial institutions	–	–	9,307,915	1,317,450	12,731,292	1,801,997
Trade and other payables	–	–	247,498	35,031	389,188	55,086
Amounts due to non-controlling interests	–	–	228,598	32,356	452,998	64,118
Amounts due to related parties	–	–	500,000	70,770	453,600	64,203
Deferred income tax liabilities	158,132	277,487	210,650	29,816	153,742	21,761
Lease liabilities	–	–	156,063	22,089	324,012	45,861
Total non-current liabilities	6,040,733	4,701,345	10,650,724	1,507,512	14,504,832	2,053,026
CURRENT LIABILITIES						
Trade and other payables	4,293,782	5,173,525	4,323,513	611,954	6,100,076	863,410
Amounts due to non-controlling interests	–	–	3,681,099	521,026	4,664,639	660,237
Amounts due to related parties	2,908,471	3,268,072	3,485,010	493,271	6,698,617	948,128
Contract liabilities	15,322,347	20,921,303	27,628,013	3,910,491	26,951,160	3,814,689
Current income tax liabilities	415,066	969,383	1,242,359	175,845	1,079,410	152,780
Borrowings	4,253,073	7,707,182	–	–	–	–
Borrowings from bank and other financial institutions	–	–	5,540,160	784,159	5,995,270	848,575
Lease liabilities	–	–	1,394	197	10,151	1,437
Total current liabilities	27,192,739	38,039,465	45,901,548	6,496,943	51,499,323	7,289,256
Total liabilities	**33,233,472**	**42,740,810**	**56,552,272**	**8,004,455**	**66,004,155**	**9,342,282**
Total equity and liabilities	**35,417,221**	**49,609,447**	**67,287,000**	**9,523,857**	**78,876,435**	**11,164,235**

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

The following discussion should be read in conjunction with the section entitled "Selected Consolidated Financial and Other Data" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

Our consolidated financial statements were prepared in accordance with HKFRS, which differ in certain material respects from generally accepted accounting principles in other jurisdictions. In this section of the offering memorandum, references to "2017", "2018" and "2019" refer to our financial years ended December 31, 2017, 2018 and 2019, respectively.

OVERVIEW

We are a leading comprehensive property developer in Zhejiang Province, China, focusing primarily on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Building on 23 years of experience, we have become a leading comprehensive property developer in Zhejiang Province and are systematically expanding into the broader Yangtze River Delta Region and key hub cities, while establishing a distinctive brand image of developing properties with our fine and distinctive Hangzhou workmanship (杭派精工). From 2014 to 2019, we have also received Top 100 Real Estate Enterprise in China awards jointly issued by the Enterprise Institute of Development Research Center of the State Council, the Real Estate Institute of Tsinghua University and China Index Academy for six consecutive years with our rankings rising steadily from the 74th in 2016 to the 72nd in 2017 and to the 63rd both in 2018 and 2019. Since May 2019, our stock has been included in the MSCI China Small Cap Index.

For the six months ended June 30, 2020, we recorded contracted sales of approximately RMB25,710 million, and as of June 30, 2020 our total land reserve (including land reserve held by our joint ventures and associates) was 15.7 million sq.m., of which 10.9 million sq.m. was located in Zhejiang Province. As of the same date, we owned 149 projects in 24 cities, including 53 completed projects which were saleable or leasable, 78 projects under construction and 18 projects held for future development. We recorded stable growth in 2017, 2018 and 2019 and the six months ended June 30, 2020, and we have won many industry awards which we believe have enhanced our brand awareness.

We focus strategically on middle class customers. We offer four different residential property series to meet the needs and preferences of our target customers comprising high-rise residences, multi-story residences, townhouses, stacked villas and villas. In addition, we develop mixed-use complex projects comprising offices, neighborhood centers, serviced apartments, hotels and other ancillary facilities, both for sale and for long-term investment purposes. We develop a wide range of projects in cities where we have an established presence and expand into other regions that we believe have high growth potential.

We believe our proven track record is attributable to our strong execution capabilities and in-depth understanding of the property markets and development trends in the regions in which we operate. We believe that over the years we have built a highly-recognized brand name and accumulated a large customer base by consistently delivering quality projects to our customers.

As of June 30, 2020, we had 96 property projects in 21 cities which were under development or held for future development. These projects (including projects we develop with our joint ventures and associates) had an aggregate estimated GFA of 8.5 million sq.m. for projects under development and approximately planned GFA of 1.2 million sq.m. for projects held for future development. As of June 30, 2020, we owned 149 projects with a land reserve of approximately 15.7 million sq.m. We believe that our large-scale and strategically located land reserve will provide us with a sufficient project development pipeline in the foreseeable future and contribute to our continued business growth.

For the years ended December 31, 2017, 2018 and 2019 and June 30, 2020, our net profit amounted to RMB839.4 million, RMB1,841.0 million, RMB2,256.6 million and RMB1,342.9 million (US$190.1 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

In 2018, the PRC economy continued to grow steadily, along with PRC residents' consumption power as a result of urbanization, changes in the population structure as well as increases in employment rate and per capita disposable income. In general, the PRC real estate market continued to witness an increase in both overall transaction volume and price, while the growth rate of the industry as a whole experienced a considerable slow-down compared with past years.

As for policy orientation, the PRC government is committed to regulating the real estate industry, repeatedly emphasizing the policy tone that "homes are for living, not for speculation." At the same time, driven by deleveraging policies in the financial market, the industry is generally faced with a tight financing situation and a cooling land investment market. With the increasing downward pressure in the second half of the year, the government started to impose differential and city-specific regulatory measures aimed to guarantee that reasonable property purchase demands are satisfied, and gradually transit from short-term regulation to long-term mechanism in respect of polices.

Confronted with the very-changing market environment and the increasingly fierce competition in the industry, we adheres to the strategy of steady of steady and balanced development and focuses on the business development strategy of "One Body Two Wings" (一體兩翼), thus constantly improving operational efficiency and business structure. As a result, we witnessed a significant synergistic effect on our different business and brand and gained wide recognition in the industry and from the clients while achieving good operation results.

Availability and Cost of Land in Strategically Selected Locations

Land acquisition costs are one of the major components of our cost of sales for property development. Our continued business growth is highly dependent on our ability to secure and acquire quality land parcels at reasonable prices that can yield favorable returns. In 2017, 2018 and 2019 and the first half of 2020, we primarily acquire land for our projects through the listing-for-sale process organized by the relevant government authorities, auctions and public tenders. We also acquire land by cooperating with third-party business partners through joint ventures. In addition, we occasionally acquire land from third parties by acquiring equity interests in companies that possess land use rights. As the PRC economy continues to grow and demand for commodity properties remains relatively strong, we expect competition among property developers to intensify, especially in the first- and second-tier cities where most of our properties are located in. In addition, PRC governmental land supply policies and implementation measures are likely to further intensify competition, consequently, increase the land acquisition costs. In order to participate in the public tender, auction and listing-for-sale processes, we are required to pay a deposit upfront, which typically represents a significant portion of the actual cost of the relevant land and we are required to settle the land premium within one year after signing the land grant contract in accordance with relevant regulation, which have accelerated the timing of our payment for land acquisition costs and have had a significant impact on our cash flows. It is generally expected that land premiums will continue to rise in the PRC as the economy continues to grow, which may materially and adversely affect our business and operating results.

Timing of Property Development, Pre-sale and Delivery

The number of property projects that a developer can undertake during any particular period is limited due to substantial capital requirements for land acquisitions and construction costs as well as land supply. The development of a property project may take several months to even years before the commencement of pre-sale, depending on the size and complexity of the project, and no revenue with respect to such project is recognized until it is completed and delivered to the customers. Therefore, our cash flows and results of operation vary from period to period, subject to the selling prices and the GFA pre-sold/sold and delivered in the relevant periods. In addition, delays in construction, regulatory approval and other processes may also adversely affect the timetable of our projects. Timing of pre-sale is subject to not only our internal schedules but also relevant PRC laws and regulations. The relevant pre-sale requirements vary from city to city and pre-sale proceeds of a project are required to be used to finance its development. As a result of the time differences between costs incurred, cash received from pre-sales and revenue recognition, our results of operation have fluctuated in the past and are likely to continue to fluctuate in the future.

Revenue and Product

We derive our revenue primarily from sales of properties and, to a lesser extent, property construction and project management services, lease of commercial properties and hotel operations. For the six months ended June 30, 2020, we recorded a total revenue of approximately RMB7,649.4 million (US$1,082.7 million), representing a period-on-period increase of approximately 117.5%. As a result, our results of operations, including particularly our gross margins, and the sources and amount of cash from operations, have varied and may continue to vary significantly from period to period depending on the mix of our revenues from sale of properties, property construction, project management services, lease of commercial properties and hotel operations. We proactively and closely plan and manage the relative growth of our sales of properties, property leasing, property construction, property management and hotel operations in order to achieve and maintain a desirable revenue mix from these businesses.

With respect to the revenue we generated from sale of properties, we price our properties by taking into account various factors, including prevailing local market prices, supply and demand conditions, the type and positioning of properties being developed. The price of properties in different cities can have significant difference, so are the related construction and land use rights costs. Therefore, our results of operations and cash flows may vary from period to period depending on the types, total GFA and the location of properties delivered and the average selling prices of these properties sold.

Construction Materials and Labor Cost

Construction costs constitute a substantial portion of our cost of sales, of which, construction materials and labor cost are the two major components. Construction costs fluctuate as a result of changes in the price of certain key construction materials, such as steel and cement. Costs for construction materials and construction labor are generally included in the contractor fees agreed between us and our general contractors. However, for certain major construction materials such as steel and cement, where the prices may fluctuate significantly, we and our contractors usually specify the price range within which the total construction contract price will remain fixed. If the price fluctuate outside such initial specified price range, we will be solely responsible for the price increase beyond the agreed scope. If we are unable to successfully pass on such increase in construction costs to our customers, we cannot sell our properties at a price level sufficient to cover all the increased costs, we will not be able to achieve our target margin and our profitability will be adversely impacted as well.

Availability and Cost of Financing

Financing is an important source of funding for property development. From 2016 to 2018, we financed our operations primarily through internally generated cash flow including proceeds from the pre-sale of our properties, provision of property leasing and management services, as well as external financings, such as borrowings from commercial banks, trust and other financing arrangements and funds raised from capital markets, including our initial public offering and the issuance of corporate bonds. The monetary regulations imposed by the PRC government from time to time may affect our access to capital and cost of financing. We are also highly susceptible to any regulations or measures adopted by the PBOC that restrict bank lending, especially those that restrict the ability of real estate developers to obtain bank financing. As commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, we expect that any increase in the benchmark lending rates will increase our borrowing costs. While trust financing providers, asset management companies and other financial institutions generally do not link their interest rates to the PBOC benchmark lending rates, they typically charge higher interest rates than those charged by commercial banks. The PRC government may implement more stringent measures to control risks in loan growth, which may include more stringent review procedures that trust financing providers, asset management companies and other financial institutions are required to adopt when considering applications for trust financing and remedial actions that they are required to take in the event of any noncompliance with applicable laws and regulations. Any such further measures that the PRC government may implement could limit the amount that trust financing providers, asset management companies and other financial institutions can make available for the PRC property development industry as a whole and to us. As such, any increase in interest rates offered to us and the general credit availability may significantly impact our real estate development business.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our total outstanding borrowings amounted to RMB10,135.7 million, RMB12,131.0 million, RMB14,848.1 million and RMB18,726.6 million (US$2,650.6 million), respectively. The weighted average effective interest rates on our total borrowings as of December 31, 2017, 2018 and 2019 and June 30, 2020 were 8.3%, 8.4%, 8.5% and 9.1%, 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 programs and debt offerings, to diversify our financing sources, secure sufficient working capital and to support our business expansion. In addition, a significant portion of our finance costs are capitalized at the time it is incurred to the extent such costs are directly attributable to the land acquisition and project construction. An increase in our finance costs will negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will adversely affect our results of operations.

LAT

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

Fair Value of Our Investment Properties

Property values are affected by, among others, rental income, supply of and demand for comparable properties, the rate of economic growth, interest rates, inflation, political and economic developments, construction costs and the timing of development of properties. We state our investment properties at fair value on our consolidated balance sheet as non-current assets as of each financial statements date based on the valuations prepared by independent property valuer and record changes in fair value of investment properties in our consolidated income statement. See "—Description of Certain Major Components of Our consolidated income statement—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 deducting 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 estimation 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. We develop and hold certain of its commercial properties such as commercial centers, office buildings, shopping malls, serviced apartments and car parks for rental income or capital appreciation, or both. Any increase or decrease in our investment property value is recognized as fair gains or losses in our consolidated financial statement. As of December 31, 2017, 2018 and 2019 and June 30, 2020, the fair value of our investment properties amounted to RMB1,254.6 million, RMB1,768.4 million, RMB2,924.1 million and RMB3,141.2 million (US$444.6 million). For the years ended December 31, 2017, 2018 and 2019, we recorded increase in fair value of investment properties of RMB226.1 million, RMB191.7 million and RMB186.2 million (US$26.4 million), respectively. We recorded fair value losses on investment properties of RMB71.5 million (US$10.1 million) for the six months ended June 30, 2020. 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 profitability. 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 at considerations similar to the valuations. We may therefore experience higher profitability 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 can be sustained in the future.

SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with HKFRS requires us to adopt accounting policies and make judgments, estimates and assumptions that affect amounts reported in our financial statements. In applying these accounting policies, we make subjective judgments, based on experience and other factors that may be complex and frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the real estate industry, while others are specific to our business and operations. Actual results may differ from those estimates and assumptions. The following section discusses the accounting policies applied in preparing our financial statements that we believe are most dependent on the application of these judgments and estimates and certain other significant accounting policies. No material deviation of our estimates as compared to our actual results were noted in the past, no material changes were made to our estimates in the past and no material changes will likely be made to our estimates in the future.

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of our activities. Revenue is shown net of returns, rebates and discounts and after eliminated sales within our Group. Revenue is recognized when (i) the amount of revenue can be readily measured; (ii) when it is probable that future economic benefits will flow to the entity; and (iii) when specific criteria have been met for each of the Group's activities below:

(i) Sales of properties and construction services

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 all of the benefits 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, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales 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.

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 construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognizes revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(ii) Hotel operations

Revenue from hotel operations is recognized in the accounting period in which the related services are rendered.

(iii) Rental income

Rental income from properties leasing under operating leases is recognized on a straight-line basis over the lease terms.

Revenue from sales of properties is recognized over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments.

The Group recognizes property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and salable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods may effect the Group's revenue recognition. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

Investment properties

Investment properties are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable, borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are presented in profit or loss as part of a valuation gain or loss.

Properties under development

Properties under development are stated at the lower of cost and net realizable value. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property mainly comprises cost of land use rights, construction costs, borrowing costs capitalized for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. The normal operating cycle is usually between two and three years.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortized on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

Completed properties held for sale

Completed properties remaining unsold at reporting period end are stated at the lower of cost and net realizable value.

Cost comprises development costs attributable to the unsold properties.

Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

Borrowings and borrowing costs

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

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, such as properties under development, assets under construction and investment properties under construction, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

LAT

The Group is subject to LAT in the PRC. The Group has not finalized its LAT calculations and payments with local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and the related land appreciation taxes. The Group recognized the LAT based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalized with local tax authorities.

Classification of subsidiaries, joint ventures and associates

The classification of an investment as a subsidiary, a joint venture or an associate is based on whether the Group is determined to have control, joint control or significant influence over the investee, which involves judgments through the analysis of various factors, including the Group's representation on the chief decision-making authorities of an investee, such as board of directors' meetings and shareholders' meetings, as well as other facts and circumstances.

Subsidiaries are consolidated, which means each of their assets, liabilities and transactions are included line-by-line in the Group's consolidated financial statements, whereas the interests in joint ventures and associates are equity accounted for as investments on the consolidated balance sheet.

Accordingly, any inappropriate classification as a result of recognition or derecognition of the investments could have a material and pervasive impact on the consolidated financial statements.

Fair value of investment properties

Investment properties, including those completed investment properties and investment properties under construction, are carried at their fair value. The fair value of the investment properties was determined by reference to valuations conducted by independent property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favorable or unfavorable changes to these assumptions may result in changes in the fair value of the joint ventures' investment properties, which will lead to the change of share of results of joint ventures in the Financial Information.

Adoption of HKFRS 9 and HKFRS 15

HKFRS 9, 'Financial instruments' ("**HKFRS 9**") and HKFRS 15, 'Revenue from contracts with customers' ("**HKFRS 15**") have been adopted and applied consistently in the consolidated financial information since the beginning of, and throughout, the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, in the consolidated financial information.

DESCRIPTION OF CERTAIN MAJOR COMPONENTS OF OUR CONSOLIDATED INCOME STATEMENT

Revenue

Our revenue from 2017 to 2019 and the first half of 2020 consists of revenue derived from (i) sales of properties, (ii) property construction and management services, (iii) rental income and (iv) hotel operations. The table below sets forth our revenue for each of the components described above and the percentage of total revenue represented for the periods indicated:

	For the year ended December 31,							For the six months ended June 30,				
	2017		2018		2019			2019		2020		
	(RMB)	%	*(RMB)*	%	*(RMB)*	*(US$)* *(unaudited)*	%	*(RMB)* *(unaudited)*	%	*(RMB)*	*(US$)*	% *(unaudited)*
						(in thousands)						
Revenue from sales of properties	6,501,385	99.2	8,130,049	99.0	9,460,776	1,339,086	99.5	3,473,066	98.7	7,582,690	1,073,260	99.1
Revenue from construction and project management services	29,657	0.5	41,077	0.5	(14,599)	(2,067)	(0.2)	13,097	0.4	11,895	1,684	0.2
Rental income	6,819	0.1	27,011	0.3	54,709	7,744	0.6	26,583	0.8	49,890	7,061	0.6
Hotel income	16,128	0.2	13,937	0.2	12,109	1,714	0.1	4,972	0.1	4,878	691	0.1
Total	**6,553,989**	**100.0**	**8,212,074**	**100.0**	**9,512,995**	**1,346,477**	**100.0**	**3,517,718**	**100.0**	**7,649,353**	**1,082,696**	**100.0**

Sales of Properties

Revenue from sales of properties has constituted, and is expected to continue to constitute, a substantial majority of our total revenue. Our operating results for any given period are dependent upon the GFA and the 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. Our GFA delivered fluctuated from period to period depending on the size of the projects and the stage of their development. The recognized ASP of properties sold also fluctuated from period to period depending on the selling prices for properties in cities and regions where we developed and sold property projects. The table below sets forth the total revenue recognized from sale of properties and the GFA sold, the recognized ASP per sq.m. for the periods of each city in the six months ended June 30, 2020 indicated:

	For the six months ended June 30, 2020			
	Recognized GFA	**Recognized ASP**	**Recognized Revenue**	
	(sq.m)	*(RMB/sq.m)*	*(RMB'000)*	*US$'000 (unaudited)*
Wenzhou	142,774	21,395.5	3,054,716	432,367
Huzhou	106,969	16,828.6	1,800,134	254,792
Zhoushan	94,939	15,603.0	1,481,337	209,670
Ningbo	95,305	12,414.1	1,183,125	167,460
Others	3,425	18,504.5	63,378	8,971
Total	**443,412**	**17,100.8**	**7,582,690**	**1,073,260**

Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. In general, there is a time difference, typically from several months to one year, between the time we commence the pre-selling properties under development and the completion of the construction of such properties. We do not recognize any revenue from the pre-sales of the properties until such properties are completed and the possession of such properties has been delivered to the customers. Proceeds from customers of pre-sold properties are recorded as "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 other payables and accruals to fluctuate from period to period.

The increases in our revenue from sale of properties from 2017 to 2019 and from the six months ended June 30, 2019 to the same period in 2020 were primarily attributable to an increase in the number of property projects completed and delivered and therefore the total GFA, as we continue to expand into our target regions in PRC. The growth of both our GFA delivered and average selling prices from 2017 to 2019 and from the six months ended June 30, 2019 to the same period in 2020 were also attributable to our successful continued expansion into the Yangtze River Delta Region, which has higher average selling prices than those of other regions we operate, and key hub cities. Macroeconomic factors, growing popularity and market demand of high quality residential properties, our enhanced efforts to secure new land reserves in our targeted regions and to construct new residential property projects all contributed to our rapid expansion.

Construction and Project Management Services

Our revenue from construction and project management services was generated from property construction and project management services rendered by certain of our subsidiaries to third party owners of the relevant properties. For the six months ended June 30, 2020, revenue from construction and project management services decreased by approximately 9.2% period-to-period to approximately RMB11.9 million (US$1.7 million), accounting for approximately 0.2% of our total revenue. The decrease in construction and project management services was primarily attributable the property management projects which was under construction during the six months ended June 30, 2020 which is of a smaller scale as compared with the property management project in the same period in 2019.

Rental Income

We also generate rental income from our lease of commercial properties, office space and certain other retail spaces accompanying our residential properties. We hold these commercial properties for capital appreciation and lease them to generate rental income or operate them to generate income. For the six months ended June 30, 2020, the revenue from rental income increased by approximately 87.7% period-on-period to approximately RMB49.9 million (US$7.1 million), accounting for approximately 0.6% of our total revenue. The increase was primarily attributable to the leasing out of additional GFA of Dexin Digital Industrial Building (德信數字大廈) to tenants in Hangzhou during the period while there was no GFA leased out in the six months ended June 30, 2019.

Hotel Income

Our hotel income mainly represents hotel room rent, dining fees and meeting venue fees generated from our Deqing Narada Boutique Hotel (德清德藍君亭酒店). This revenue is recognized over the period during which the related services are rendered. For the six months ended June 30, 2020, the revenue from hotel operations income decreased slightly by approximately 1.9% period-on-period to approximately RMB4.9 million (US$0.7 million), accounting for approximately 0.1% of our total revenue. The decrease was primarily attributable to the decline in average room rate as a result of the increase in the discount of group customers on online platforms and customers' orders.

Cost of Sales

Our cost of sales primarily consists of the costs incurred directly in relation to the property development and sales activities, property construction and project management services, lease of commercial properties and hotel operations.

Other Income and Gains – Net

Our other income primarily consists of income from the management and consulting services that we provided to the Group's joint ventures and associates in relation to property development projects. The management and consulting services provided by us mainly include project procurement, cost management, product development, human resources management, planned operations management, financial management and other services. Our clients are mainly our Group's joint ventures and associates, such as Zhejiang Dexin Dongcheng Property Co., Ltd. (浙江德盛置業有限公司), Hangzhou Binrun Real Estate Development Co., Ltd. (杭州濱潤房地產開發有限公司) and Zhejiang Jinao Real Estate Co., Ltd. (浙江金澳置業有限公司). The relevant income is determined based on the type of services we provided to our clients and mutual agreement of both parties, and in general with reference to certain proportion of the total contracted sales of the relevant property development projects.

Our other gains – net primarily include realized and unrealized gains on financial assets at fair value through profit or loss and gains on disposal of subsidiaries.

Selling and Marketing Expenses

Selling and marketing expenses consist primarily of marketing and advertising expenses (including publicity expenses and expenses relating to exhibitions, trade fairs and sales commissions), employee benefit expenses, property management fees as well as office and traveling and other administrative expenses in relation to selling and marketing activities.

Administrative Expenses

Administrative expenses consist primarily of administrative staff expenses, depreciation, traveling expenses, rental payments, entertainment expenses and other office expenses.

Fair Value Gains on Investment Properties

We develop and hold certain of its commercial properties such as commercial centers, office buildings, shopping malls, serviced apartments and car parks for rental income or capital appreciation, or both. Any increase or decrease in our investment property value is recognized as fair gains or losses in our consolidated financial statements. Our investment properties are recorded as non-current assets in our consolidated balance sheet 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 income statement, 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 China. Our investment properties are appraised annually by our independent property valuer. The fair value gains on investment properties for the years ended December 31, 2017, 2018 and 2019 were RMB226.1 million, RMB191.7 million and RMB186.2 million, respectively, which are primarily related to the continuing expansion of our investment property portfolio such as Hangzhou Artificial Intelligence Industrial Park (杭州AI產業園), Hangzhou ONE(杭州ONE), Sky City Phase I(天空之翼一期) and Shenxian Garden(神仙居文化主題樂園). We recorded fair value losses on investment properties of RMB71.5 million (US$10.1 million) for the six months ended June 30, 2020, which was primarily attributable to the fair value loss of AI Intelligence Park (AI產業園) and Sky City (天空之翼) of approximately RMB39.4 million and RMB26.3 million respectively.

Finance Cost (Income) – Net

Our net finance cost primarily consist of interest expenses on bank loans and trust and other financing arrangements less capitalized interest and finance income. Interest on borrowings relating to project development is capitalized to the extent such borrowings are directly attributable to a particular project and are used to finance the development of that project. As a result, our net finance costs fluctuate from period to period depending on the amount of interest costs that are capitalized within the relevant reporting period.

The following table sets forth our net finance costs for the period indicated.

	Year ended December 31,				Six months ended June 30,		
	2017	**2018**	**2019**		**2019**	**2020**	
	RMB'000	*RMB'000*	*RMB'000*	*US$'000* *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*	*US$'000* *(unaudited)*
Finance costs							
– Bank and other borrowings	912,652	1,088,334	1,298,000	183,720	683,337	858,547	121,520
– Net exchange losses on financing activities	–	–	–	–	–	22,878	3,238
– Less: capitalized interest	(484,721)	(617,472)	(770,680)	(109,083)	(492,168)	(472,710)	(66,908)
	427,931	470,862	527,320	74,637	191,169	408,715	57,850
Finance income							
Interest income from							
– bank deposits	(18,346)	(31,164)	(44,724)	(6,330)	(19,696)	(27,532)	(3,897)
– other receivable	(47,407)	(22,110)	(25,437)	(3,600)	(20,955)	(28,068)	(3,973)
– amounts due from related parties	(40,729)	(42,316)	(25,221)	(3,570)	(15,563)	(26,016)	(3,682)
	(106,482)	(95,590)	(95,382)	(13,500)	(56,214)	(81,616)	(11,552)
Finance costs – net	**321,449**	**375,272**	**431,938**	**61,137**	**134,955**	**327,099**	**46,298**

Income Tax Expenses

Income tax expenses include provisions made for PRC corporate income tax, LAT and deferred income tax. We calculate our effective corporate income tax rate (deducting the tax effect from LAT) by using the quotient of (a) the result of PRC corporate income tax plus deferred income tax, divided by (b) the result of profit before income tax minus share of results of joint ventures and associates. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our effective corporate income tax rate was 30.2%, 21.3%, 23.1% and 27.9%, respectively.

CONSOLIDATED INCOME STATEMENT

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

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB'000)	*(RMB'000)*	*RMB'000*	*US$'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*US$'000 (unaudited)*
Revenue	6,553,989	8,212,074	9,512,995	1,346,477	3,517,718	7,649,353	1,082,696
Cost of sales	(5,021,308)	(5,088,712)	(6,453,672)	(913,458)	(2,301,800)	(5,687,239)	(804,976)
Gross profit	**1,532,681**	**3,123,362**	**3,059,323**	**433,019**	**1,215,918**	**1,962,114**	**277,720**
Other income	62,540	37,265	81,583	11,547	35,521	117,454	16,625
Other gains – net	20,834	56,744	88,992	12,596	22,424	(4,645)	(657)
Selling and marketing expenses	(200,734)	(294,318)	(457,555)	(64,763)	(144,254)	(147,857)	(20,928)
Administrative expenses	(262,202)	(451,914)	(720,650)	(102,001)	(264,527)	(247,539)	(35,037)
Fair value gains on investment properties	226,107	191,717	186,153	26,348	57,528	(71,540)	(10,126)
Operating Profit	**1,379,226**	**2,662,856**	**2,237,846**	**316,746**	**922,610**	**1,607,987**	**227,597**
Finance income	106,482	95,590	95,382	13,500	56,214	81,616	11,552
Finance costs	(427,931)	(470,862)	(527,320)	(74,637)	(191,169)	(408,715)	(57,850)
Finance costs – net	(321,449)	(375,272)	(431,938)	(61,137)	(134,955)	(327,099)	(46,298)
Share of results of joint ventures and associates	160,284	579,065	1,175,306	166,354	778,720	519,038	73,465
Profit before income tax	**1,218,061**	**2,866,649**	**2,981,214**	**421,963**	**1,566,375**	**1,799,926**	**254,764**
Income tax expenses	(378,692)	(1,025,602)	(724,587)	(102,559)	(282,992)	(457,050)	(64,691)
Profit for the year	**839,369**	**1,841,047**	**2,256,627**	**319,404**	**1,283,383**	**1,342,876**	**190,073**
Attributable to:							
Owners of the Company	737,543	1,453,456	1,556,514	220,310	995,813	700,043	99,085
Non-controlling interests	101,826	387,591	700,113	99,094	287,570	642,833	90,988

RESULTS OF OPERATIONS

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Revenue

Our revenue increased by 117.5% from RMB3,517.7 million in the six months ended June 30, 2019 to RMB7,649.4 million (US$1,082.7 million) in the six months ended June 30, 2020. The increase was primarily due to: (i) an increase in the sales of properties to RMB7,582.7 million (US$1,073.3 million) in the six months ended June 30, 2020 from RMB3,473.1 million in the six months ended June 30, 2019. The significant increase was primarily attributable to the increase of GFA delivered to the buyers during the period compared with the corresponding period in 2019. For the six months ended June 30, 2020, we recognized total GFA of approximately 0.4 million sq.m., representing an increase of approximately 87.6% as compared to the corresponding period in 2019. The ASP of the properties recognized as property sales was approximately RMB17,100.8 per sq.m., representing an increase of approximately 16.4% period-on-period. The increase of ASP was mainly due to the increase in the recognized GFA of areas with higher ASP; and (ii) an increase in rental income from the lease of commercial properties to RMB49.9 million (US$7.1 million) in the six months ended June 30, 2020 from RMB26.6 million in the six months ended June 30, 2019. The increase was primarily attributable to the leasing out of additional GFA of Dexin Digital Industrial Building (德信數字大廈) to tenants in Hangzhou during the period while there was no GFA leased out in the last corresponding period in 2019.

Cost of sales

Our cost of sales increased by 147.1% from RMB2,301.8 million in the six months ended June 30, 2019 to RMB5,687.2 million (US$805.0 million) in the six months ended June 30, 2020.

Gross profit

As a result of the foregoing, our gross profit increased by 61.4% from RMB1,215.9 million in the six months ended June 30, 2019 to RMB1,962.1 million (US$277.7 million) in the six months ended June 30, 2020.

Other income

Our other income increased significantly from RMB35.5 million in the six months ended June 30, 2019 to RMB117.5 million (US$16.6 million) in the six months ended 30 June 2020, primarily due to the increase in income from management and consulting services provided to our joint ventures and associates in relation to the property development projects of approximately RMB90.5 million.

Other losses – net

We recorded other gains of RMB22.4 million in the six months ended June 30, 2019 and we recorded other losses of RMB4.6 million (US$0.7 million) in the six months ended 30 June 2020. Our other losses were due to the loss on disposal of subsidiaries of approximately RMB11.2 million which was partially offset by gains on financial assets at fair value through profit or loss of RMB9.4 million.

Fair value losses on investment properties

We recorded fair value gains on investment properties of RMB57.5 million in the six months ended June 30, 2019 and we recorded fair value losses on investment properties of approximately RMB71.5 million (US$10.1 million) in the six months ended June 30, 2020, which was primarily attributable to the fair value loss of AI Intelligence Park (AI產業園) and Sky City (天空之翼) of approximately RMB39.4 million and RMB26.3 million respectively.

Selling and marketing expenses

Our selling and marketing expenses slightly increased by 2.5% from RMB144.3 million in the six months ended June 30, 2019 to RMB147.9 million (US$20.9 million) in the six months ended June 30, 2020. Our selling and marketing expenses remained stable during the period mainly due to our implementation of strict cost control on marketing and advertising expenses.

Administrative expenses

Our administrative expenses slightly decreased by 6.4% from RMB264.5 million in the six months ended June 30, 2019 to RMB247.5 million (US$35.0 million) in the six months ended June 30, 2020. Our administrative expenses remained stable during the period, primarily attributable to (i) our strict cost control on administrative expenses and (ii) no expenses and professional fees incurred in connection with the Global Offering during the period.

Finance costs – net

Our net finance costs increased by 142.3% from RMB135.0 million in the six months ended June 30, 2019 to approximately RMB327.1 million (US$46.3 million) for the six months ended June 30, 2020, primarily attributable to the increase in interest-bearing debts for the purposes of land acquisition and property development business and issuance of senior notes with a principal amount of US$300 million and US$200 million during the second half of 2019 and in January 2020, respectively.

Share of results of joint ventures and associates

Our share of profits of joint ventures and associates decreased by 33.4% from RMB778.7 million in the six months ended June 30, 2019 to RMB519.0 million (US$73.5 million) in the six months ended June 30, 2020, primarily attributable to (i) the decrease of average gross profit margin of the properties delivered by the joint ventures and associates during the six months ended June 30, 2020; and (ii) the decrease of the percentage of the Group's equity interests held in the joint ventures and associates which delivered properties during the six months ended June 30, 2020.

Income tax expenses

Our income tax expense increased by 61.5% from RMB283.0 million in the six months ended June 30, 2019 to RMB457.1 million (US$64.7 million) in the six months ended June 30, 2020, which was primary attributable to the increase in the profit before tax (after excluding share of results of joint ventures and associates) during the period and the increase in land appreciation tax expenses as more projects were delivered during the six months ended June 30, 2020.

Profit and total comprehensive income for the period

As a result of the foregoing, our profit and total comprehensive income increased by 4.6% from RMB1,283.4 million in the six months ended June 30, 2019 to RMB1,342.9 million (US$190.1 million) in the six months ended June 30, 2020.

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

Revenue

Our revenue increased by 15.8% from RMB8,212.1 million in 2018 to RMB9,513.0 million (US$1,346.5 million) in 2019. The increase was primarily due to (i) an increase in the sales of properties to RMB9,460.8 million (US$1,339.1 million) in 2019 from RMB8,130.0 million in 2018 and (ii) an increase in rental income from the lease of commercial properties to RMB54.7 million (US$7.7 million) in 2019 from RMB27.0 million in 2018.

Cost of sales

Our cost of sales increased by 26.8% from RMB5,088.7 million in 2018 to RMB6,453.7 million (US$913.5 million) in 2019, primarily due to an increase in land and construction cost as a result of an increased number of projects delivered during the year.

Gross profit

As a result of the foregoing, our gross profit of decreased by 2.1% from RMB3,123.4 million in 2018 to RMB3,059.3 million (US$433.0 million) in 2019.

Other income

Our other income increased by 118.8% from RMB37.3 million in 2018 to RMB81.6 million (US$11.5 million) in 2019, primarily due to an increase in income from the management and consulting services provided to the Group's joint ventures and associates in relation to the property development projects of RMB51.9 million.

Other gains – net

We recorded net other gains of RMB56.7 million RMB89.0 million (US$12.6 million) in 2018 and 2019, respectively. Our net other gains mainly included gains on financial assets at fair value through profit or loss of RMB34.3 million and exchange gains of RMB25.5 million..

Fair value gains on investment properties

We recorded fair value gains on investment properties of approximately RMB186.2 million (US$26.4 million), which was primarily attributable to the continuing expansion of its investment property portfolio such as Dexin • Zhizao 368 Project (德信•智造368項目), Hangzhou Artificial Intelligence Industrial Park (杭州AI產業園) and Nanjing Xianlinzhigu Industrial Park (南京仙林智谷產業園).

Selling and marketing expenses

Our selling and marketing expenses increased by 55.5% from RMB294.3 million in 2018 to RMB457.6 million (US$64.8 million) in 2019, primarily attributable to the increase in marketing and advertising costs and staff costs, driven by the rapid growth in our contracted sales and the number of sales staff during the year.

Administrative expenses

Our administrative expenses increased by 59.5% from RMB451.9 million in 2018 to RMB720.7 million (US$102.0 million) in 2019, primarily attributable to (i) the increase in employee benefit expenses, driven by the increase in number of new development projects and the rise in staff salaries and benefits; and (ii) the increase in consulting and project management fees, and office expenses, driven by (a) our effort to penetrate and expand to more cities in its targeted regions and (b) the increased number of projects during the year.

Finance costs – net

Our finance costs increased by 15.1% from RMB375.3 million in 2018 to RMB431.9 million (US$61.1 million) in 2019, primarily attributable to (i) the increase in interest-bearing debts for the purposes of land acquisition and properties development business, and (ii) issuance of senior notes with a principal amount of US$300 million in 2019.

Share of results of joint ventures and associates

Our share of profits of joint ventures and associates increased significantly by approximately 103.0% from RMB579.1 million in 2018 to RMB1,175.3 million (US$166.4 million) in 2019, primarily attributable to the increase in revenue from sales of properties of the joint ventures and associates as ten projects were completed and delivered by the joint ventures and associates of our Group during the year.

Income tax expenses

Our income tax expenses decreased by 29.3% from RMB1,025.6 million in 2018 to RMB724.6 million (US$102.6 million) in 2019, primarily attributable to (i) the decrease of land appreciation tax as the land appreciation rate of the projects whose revenue was recognised during 2019 was relatively low; and (ii) the decrease of corporation income tax as profit before income tax after excluding share of results of joint ventures and associates was lower In 2019.

Profit and total comprehensive income for the year

As a result of the foregoing, our profit and total comprehensive income increased by 22.6% from RMB1,841.0 million in 2018 to approximately RMB2,256.6 million (US$319.4 million) in 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 25.3% from RMB6,554.0 million in 2017 to RMB8,212.1 million in 2018. This increase was primarily due to (i) an increase in the sales of properties to RMB8,130.0 million in 2018 from RMB6,501.4 million in 2017, (ii) an increase in construction and project management services to RMB41.1 million in 2018 from RMB29.7 million in 2017, and (iii) an increase in the rental income to RMB27.0 million in 2018 from RMB6.8 million in 2017.

Cost of sales

Our cost of sales increased by 1.3% from RMB5,021.3 million in 2017 to RMB5,088.7 million in 2018, primarily due to the increase in construction costs driven by the increase in sales of properties.

Gross Profit

As a result of the foregoing, our gross profit increased by 103.8% from RMB1,532.7 million in 2017 to RMB3,123.4 million (US$455.0 million) in 2018.

Other Income and Gains

Our other income and gains increased by 12.8% from RMB83.4 million in 2017 to RMB94.0 million (US$13.7 million) in 2018, primarily due to the gain on disposal of a subsidiary of approximately RMB30.0 million.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 46.6% from RMB200.7 million in 2017 to RMB294.3 million (US$42.9 million) in 2018, primarily attributable to the increase in marketing and advertising expenses and staff cost, driven by the rapid growth in our contracted sales and the number of sales staff during the year.

Administrative Expenses

Our administrative expenses increased by 72.4% from RMB262.2 million in 2017 to RMB451.9 million (US$65.8 million) in 2018, primarily due to (i) the increase in employee benefit expenses, driven by the increase in the number of new development projects and the rise in staff salaries and benefits; (ii) the increase in office, traveling and entertainment expenses, driven by (a) us to penetrate and expand to more cities in its targeted regions and (b) the increase in office expenditures associated with the increased number of projects during the year; and (iii) expenses and professional fees incurred in connection with the Global Offering.

Fair Value Gains on Investment Properties

Our fair value gains on investment properties decreased by 15.2% from RMB226.1 million in 2017 to RMB191.7 million (US$27.9 million) in 2018.

Finance Costs – Net

Our net finance costs increased by 16.8% from RMB321.4 million in 2017 to RMB375.3 million (US$54.7 million) in 2018, primarily due to an increase in our borrowings for the purposes of land acquisition and properties development business. See "—Indebtedness and contingent liabilities."

Share of Results of Joint Ventures and Associates

Our share of results of joint ventures and associates substantially increased from RMB160.3 million in 2017 to RMB579.1 million (US$84.4 million) in 2018, primarily due to the revenue from sales of properties of six projects that were completed and delivered during the year by our joint ventures and associates.

Profit Before Income Tax

As a result of the foregoing, our profit before income tax increased by 135.3% from RMB1,218.1 million in 2017 to RMB2,866.6 million (US$417.6 million) in 2018.

Income Tax Expenses

Our income tax expenses increased by 170.8% from RMB378.7 million in 2017 to RMB1,025.6 million in 2018, primarily because (i) the land value appreciation rate of our projects whose revenue was recognized during the year was relatively high; and (ii) the land value appreciation rate of some of our projects whose revenue was recognized in 2017 was under 20%, which were exempt from tax pursuant to the applicable laws and regulations of the PRC.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 119.3% from RMB839.4 million in 2017 to RMB1,841.0 million in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

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

	For the year ended December 31,				For the six months ended June 30,	
	2017	2018	2019		2020	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(US$'000) (unaudited)*	*(RMB'000) (unaudited)*	*(US$'000) (unaudited)*
Net cash generated from/ (used in) operating activities. .	256,430	(2,952,028)	(169,137)	(23,940)	871,914	123,411
Net cash generated from/ (used in) investing activities . .	(2,313,469)	2,457,302	(4,136,468)	(585,479)	(5,899,734)	(835,053)
Net cash generated from financing activities	4,618,875	4,030,783	6,379,023	902,892	7,615,511	1,077,906
Net increase in cash and cash equivalents.	**2,561,836**	**3,536,057**	**2,073,418**	**293,473**	**2,587,691**	**366,264**
Cash and cash equivalents as of the beginning of the year/period.	1,389,018	3,950,854	7,486,911	1,059,703	9,564,316	1,353,741
Exchange gains on cash and cash equivalents	–	–	3,987	564	47,041	6,658
Cash and cash equivalents as of the end of the year/period . . .	**3,950,854**	**7,486,911**	**9,564,316**	**1,353,740**	**12,199,048**	**1,726,663**

Net Cash Generated from/(Used in) Operating Activities

Our cash generated from operating activities principally comprises of proceeds we receive from the sales of our properties, including pre-sales of properties under development, as well as rental income from our property leasing business and income from our construction services. Our cash used in operating activities is principally from the payment for our property development activities, including land acquisitions and construction works.

For the six months ended June 30, 2020, our net cash generated from operating activities was RMB871.9 million (US$123.4 million), which was the result of cash generated from operations of RMB2,715.8 million (US$384.4 million) and interest received of RMB61.8 million (US$8.7 million), adjusted by (i) income tax paid of RMB915.1 million (US$129.5 million) and (ii) interest paid of RMB990.7 million (US$140.2 million).

For the year ended December 31, 2019, our net cash used in operating activities was RMB169.1 million, which was the result of cash generated from operations of RMB2,004.2 million, adjusted by (i) income tax paid of RMB1,067.9 million, (ii) interest paid of RMB1,201.2 million and (iii) interest received of RMB95.8 million. Net cash used in operating activities was primarily attributable to the profit before income tax of RMB2,981.2 million, mainly adjusted by the following items: (i) an increase in contract liabilities of RMB6,706.7 million, (ii) an increase in trade and other payables of RMB1,395.2 million and (iii) interest expense of RMB527.3 million, which were partially offset by (i) an increase in properties under development and completed properties held for sale of RMB8,636.0 million, (ii) share of results of joint ventures and associates of RMB1,175.3 million and (iii) fair value gains on investment properties of RMB186.2 million.

For the year ended December 31, 2018, our net cash used in operating activities was RMB2,952.0 million, which was the result of cash used in operations of RMB1,267.5 million, adjusted by (i) income tax paid of RMB714.0 million, (ii) interest paid of RMB1,104.4 million and (iii) interest received of RMB133.8 million. Net cash used in operating activities was primarily attributable to the profit before income tax of RMB2,866.6 million, adjusted by the following items: (i) an increase in contract liabilities of RMB5,695.9 million, (ii) interest expense of RMB470.9 million and (iii) an increase in trade and other payables of RMB209.7 million, which were partially offset by (i) an increase in properties under development and completed properties held for sale of RMB9,232.7 million, (ii) share of results of joint ventures and associates of RMB579.1 million and (iii) fair value gains on investment properties of RMB191.7 million.

For the year ended December 31, 2017, our net cash generated from operating activities was RMB256.4 million, which was the result of cash generated from operations of RMB1,285.4 million, adjusted by (i) income tax paid of RMB290.3 million, (ii) interest paid of RMB830.2 million and (iii) interest received of RMB91.4 million. Net cash generated from operating activities was primarily attributable to the profit before income tax of RMB1,218.1 million, adjusted by the following items: (i) an increase in contract liabilities of RMB7,496.8 million associated with our increased pre-sale of new property projects and (ii)interest expense of RMB427.9 million and (iii) a decrease in trade and other receivables of RMB188.9 million, which were partially offset by (i) an increase in properties under development and completed properties held for sale of RMB6,474.3 million as a result of our increased property development activities, (ii) an increase in prepayment of RMB1,187.3 million due to an increase in prepayments for the acquisitions of land use rights and (iii) fair value gains on investment properties of RMB226.1 million.

Net Cash Generated from/(Used in) Investing Activities

Our net cash used in our investing activities is primarily related to cash outflow in connection with our investment properties, acquisition of financial assets at fair value through profit or loss and purchase of property, plant and equipment as well as investment in joint ventures and associates and advances to joint ventures and associates. Our net cash generated from our investing activities is primarily related to cash inflow in connection with disposal of financial assets at fair value through profit or loss and repayment advances for joint ventures and associates.

For the six months ended June 30, 2020, our net cash flows used in investing activities was RMB5,899.7 million (US$835.0 million), primarily consisted of (i) advances to non-controlling shareholders, (ii) advances to joint ventures and associates, (iii) investments in associates, (iv) payments for purchase of investment properties, (v) Investments in joint ventures and (vii) purchase of financial assets at fair value through profit or loss, partially offset by (i) collection of advances from joint ventures and associates, (ii) dividends received from joint ventures and associates, (iii) repayment of advances from non-controlling shareholders and (iv) proceeds from disposal of financial assets at fair value through profit or loss.

For the year ended December 31, 2019, our net cash flows used in investing activities was RMB4,136.5 million, primarily consisted of (i) advances to non-controlling shareholders of RMB2,865.2 million, (ii) advances to joint ventures and associates of RMB2,727.3 million, (iii) investments in associates of RMB1,084.3 million, (iv) payments for acquisition of subsidiaries which do not contain a Business of RMB922.6 million, (v) payments for purchase of investment properties of RMB695.3 million, (vi) Investments in joint ventures of RMB587.3 million and (vii) purchase of financial assets at fair value through profit or loss of RMB543.8 million, partially offset by (i) collection of advances from joint ventures and associates of RMB2,212.4 million, (ii) dividends received from joint ventures and associates of RMB1,349.6 million, (iii) repayment of advances from non-controlling shareholders of RMB1,049.4 million, and (iv) proceeds from disposal of financial assets at fair value through profit or loss of RMB671.3 million.

For the year ended December 31, 2018, our net cash flows generated from investing activities was RMB2,457.3 million, primarily consisted of (i) repayment of advances from other related parties of RMB2,827.6 million, (ii) repayment of advances from joint ventures and associates of RMB1,678.2 million and (iii) repayment of advances from third parties of RMB465.6 million, partially offset by

(i) advances to joint ventures and associates of RMB1,292.2 million, (ii) investments in associates of RMB488.0 million, (iii) purchase of financial assets at fair value through profit or loss of RMB361.6 million, and (iv) investments in joint ventures of RMB233.3 million.

For the year ended December 31, 2017, our net cash flows used in investing activities was RMB2,313.5 million, primarily consisted of (i) repayment of advances from joint ventures and associates of RMB745.2 million, (ii) proceeds from disposal of financial assets at fair value through profit or loss of RMB414.9 million, (iii) repayment of advances from other related parties of RMB350.4 million, and (iv) dividends received from joint ventures and associates of RMB135.2 million, partially offset by (i) advances to joint ventures and associates of RMB2,257.0 million, (ii) advances to other related parties of RMB552.3 million, (iii) payments for purchase of investment properties of RMB343.9 million, and (iv) investments in joint ventures of RMB312.7 million.

Net Cash Generated from Financing Activities

Our cash generated from financing activities is primarily related to proceeds from interest-bearing bank and other borrowings and advances from shareholders. Our cash used in financing activities is primarily related to repayment of advances from shareholders and proceeds from interest-bearing bank and other borrowings.

For the six months ended June 30, 2020, our net cash flows from financing activities was RMB7,615.5 million (US$1,077.9 million), which consisted of (i) proceeds from borrowings from bank and other financial Institutions, (ii) advances from non-controlling interests of RMB3,207.8 million, (iii) advances from joint ventures and associates, (iv) advances from joint ventures and associates of, partially offset by (i) repayments of borrowings from bank and other financial Institutions of, (ii) repayment of advances to non-controlling interests of and (iii) repayment of advances to joint ventures and associates.

For the year ended December 31, 2019, our net cash flows from financing activities was RMB6,379.0 million, which consisted of (i) proceeds from borrowings from bank and other financial Institutions of RMB12,193.0 million and (ii) advances from non-controlling interests of RMB3,707.2 million, (iii) advances from joint ventures and associates of RMB1,478.6 million, (iv) proceeds from the Company's listing of RMB1,429.0 million, partially offset by (i) repayments of borrowings from bank and other financial Institutions of RMB7,217.7 million, (ii) repayment of advances to non-controlling interests of RMB4,205.3 million and (iii) repayment of advances to joint ventures and associates of RMB1,579.1 million.

For the year ended December 31, 2018, our net cash flows from financing activities was RMB4,030.8 million, which consisted of (i) proceeds from borrowings of RMB9,662.7 million, (ii) advances from non-controlling interests of RMB7,165.8 million, (iii) capital injection from non-controlling interest of RMB3,418.1 million, and (iv) advances from joint ventures and associates of RMB2,065.1 million, partially offset by (i) repayments of borrowings of RMB8,940.5 million, (ii) repayment of advances to non-controlling interests of RMB7,354.6 million, (iii) repayment of advances to joint ventures and associates of RMB1,261.3 million, and (iv) distributions and dividends paid to our then shareholders of RMB471.6 million.

For the year ended December 31, 2017, our net cash flows from financing activities was RMB4,618.9 million, which consisted of (i) proceeds from borrowings of RMB9,393.7 million, (ii) advances from non-controlling interests of RMB2,487.7 million, and (iii) advances from joint ventures and associates of RMB1,786.7 million, partially offset by (i) repayments of borrowings of RMB7,380.6 million, and (ii) repayment of advances to non-controlling interests of RMB1,219.8 million.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

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

	As of 31 December,				As of June 30,	
	2017	2018	2019		2020	
	RMB'000	*RMB'000*	*RMB'000*	*US$'000 (unaudited)*	*RMB'000 (unaudited)*	*US$'000 (unaudited)*
Borrowings included in non-current liabilities:						
Bank borrowings						
– Secured	2,077,502	3,183,000	7,632,580	1,080,322	11,256,490	1,593,253
– Unsecured	91,463	–	–	–	–	–
Borrowings from other financial institutions						
– Secured	–	–	4,442,162	628,747	2,640,700	373,767
– Unsecured	–	–	–	–	–	–
Other borrowings						
– Secured	4,206,042	4,295,400	–	–	–	–
– Unsecured	2,262,508	1,281,820	–	–	–	–
Senior Notes	–	–	2,162,333	306,058	3,647,872	516,323
Less: current portion of non-current borrowings	(2,754,914)	(4,336,362)	(4,929,160)	(697,677)	(4,813,770)	(681,345)
	5,882,601	4,423,858	9,307,915	1,317,450	12,731,292	1,801,998
Borrowings included in current liabilities:						
Bank borrowings						
– Secured	100,000	599,000	–	–	220,000	31,139
– Unsecured	27,252	–	–	–	–	–
Borrowings from other financial institutions						
– Secured	–	–	611,000	86,481	961,500	136,091
– Unsecured	–	–	–	–	–	–
Other borrowings						
– Secured	526,000	741,000	–	–	–	–
– Unsecured	844,907	2,030,820	–	–	–	–
Current portion of non-current borrowings	2,754,914	4,336,362	4,929,160	697,677	4,813,770	681,345
	4,253,073	7,707,182	5,540,160	784,158	5,995,270	848,575
Total borrowings	**10,135,674**	**12,131,040**	**14,848,075**	**2,101,608**	**18,726,562**	**2,650,573**

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 are outstanding in 2017, 2018, 2019 and the six months ended June 30, 2020 were 8.3%, 8.4%, 8.5% and 9.1%, respectively. The increase in average effective interest rates on our borrowings from 2017 to 2018 was primarily due to the increase of other borrowings from 2017 to 2018.

Subsequent to June 30, 2020, we have, from time to time, in the ordinary course of business, entered into additional bank borrowings to finance our property developments or for general corporate purposes. See "Description of Material Indebtedness and Other Obligations."

Bank and Other Borrowings

Our outstanding current and non-current bank and other borrowings amounted to RMB10,135.7 million, RMB12,131.0 million, RMB16,945.8 million and RMB23,110.9 million (US$3,271.1 million) as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. Our outstanding current and non-current borrowings from bank and other financial institutions amounted to RMB18,726.6 million (US$2,650.6 million) as of June 30, 2020. Our total outstanding borrowings from other financial institutions, including local trust institutions, security companies and asset management companies, amounted to RMB4,353.0 million, RMB4,705.3 million, RMB5,053.2 million and RMB3,602.2 million (US$510.0 million) as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively.

As of June 30, 2020, our borrowings were secured by certain buildings, land use rights, investment properties, equity interests of group companies, properties under development and completed properties held for sale and our secured borrowings amounted to RMB20,630.0 million (US$2,920.0 million).

Trust and Other Financing Arrangements

Certain group companies in the PRC have entered into fund arrangements with trust companies and assets management companies, respectively, pursuant to which these financial institutions raised funds and injected them to our Group. Certain equity interests of our Group were held by the financial institutions as collateral of which we are obligated to redeem at predetermined prices. The funds bear fixed interest rates and have fixed repayment terms. Thus, we did not derecognize its equity interests in the subject group companies but treated the fund arrangements as other borrowings in the consolidated financial statements.

Contingent Liabilities

Our contingent liabilities include mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customer. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on the mortgage loan, we are typically required to repurchase the underlying property by paying off the mortgage loan. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of June 30, 2020, the outstanding guarantee amounts provided by us amounted to RMB18,509.9 million (US$2,620.0 million).

We are also 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 Compliance" for more details.

Commitments

We intend to fund our expenditure commitments by using our cash flow generated from pre-sales/sales, bank and other financings, issuance of corporate bond and the net proceeds received from the initial global offering of our shares.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had the following commitments that are contracted but not provided:

	As of December 31,			As of June 30,	
	2017	**2018**	**2019**	**2020**	
	(RMB'000)	*(RMB'000)*	*RMB'000*	*(RMB'000) (unaudited)*	*(US$'000) (unaudited)*
Property development activities	1,999,451	5,664,496	10,690,499	13,426,629	1,900,416
Property, plant and equipment	–	8,622	12,630	9,642	1,365
Investments in joint ventures and associates	132,602	60,284	370,239	1,529,484	216,484
Investment properties	162,155	163,225	345,320	280,705	39,731
Total	**2,294,208**	**5,896,627**	**11,418,688**	**15,246,460**	**2,157,996**

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. Our capital risk management strategy aims to safeguard our ability to continue as a going concern in order to provide returns for our shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates. Our exposure to changes interest rates is mainly attributable to our borrowings from bank and other borrowings. Borrowings at floating rates expose us to cash flow interest rate risk, while borrowings at fixed rates expose us to fair value interest rate risk. We have not hedged our cash flow or fair value interest rate risk.

Credit Risk

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

Liquidity Risk

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

NON-GAAP FINANCIAL MEASURES

We use EBITDA and EBITDA margin to provide additional information about our operating performance. EBITDA refers to our profit before income tax plus finance income/(costs)—net, depreciation of property, plant and equipment and amortization of intangible assets. EBITDA margin is calculated by dividing EBITDA by revenue.

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

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

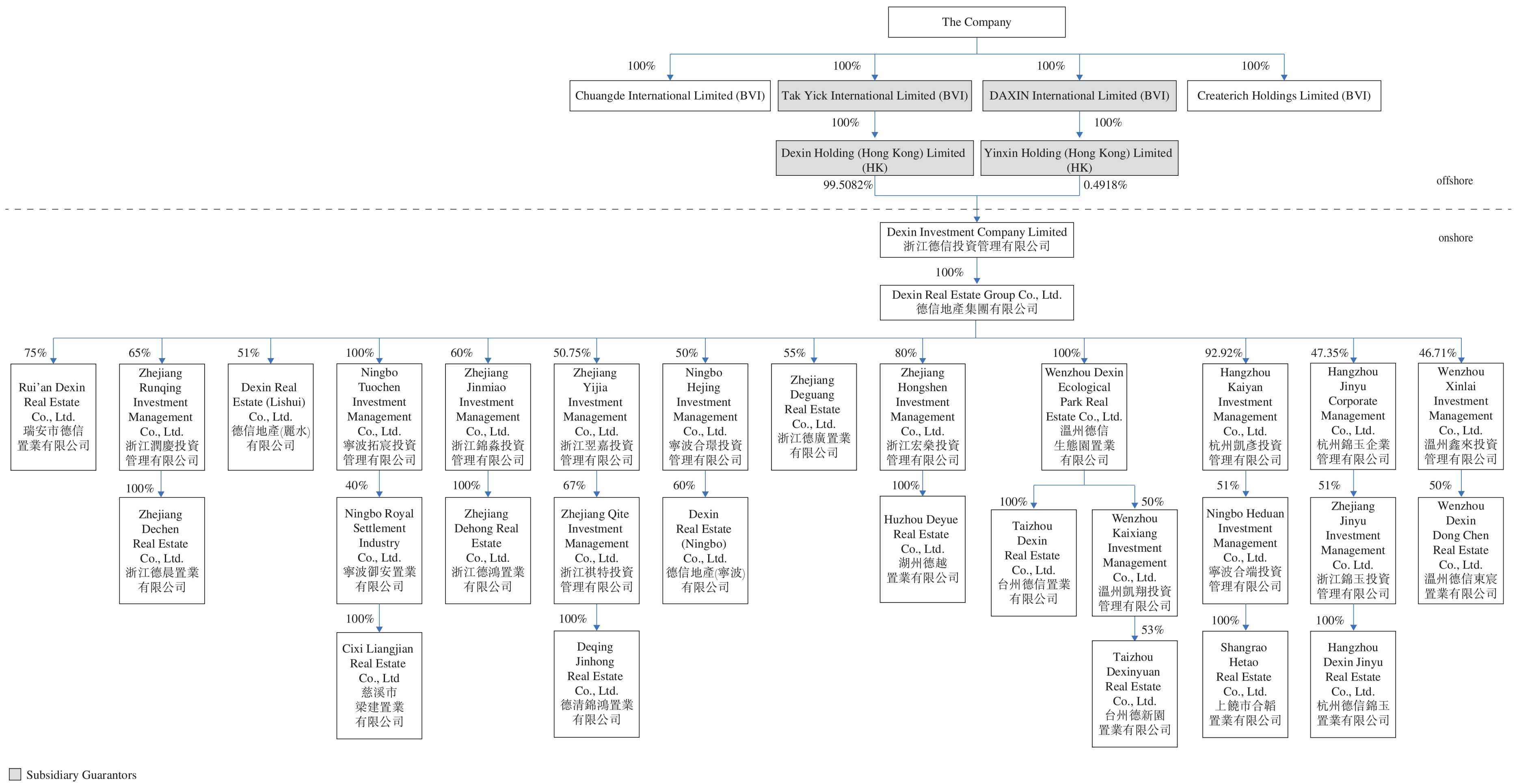
The following table reconciles our profit for the year or period under HKFRS to our definition of EBITDA for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US$'000	RMB'000	RMB'000	US$'000
				(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Profit before income tax	1,218,061	2,866,649	2,981,214	421,963	1,566,375	1,799,926	254,764
Adjustments							
Finance cost – net	321,449	375,272	431,938	61,137	134,955	327,099	46,298
Depreciation of property, plant and equipment	11,159	11,624	18,796	2,660	9,325	14,515	2,054
Amortization of intangible assets	934	969	834	118	494	481	68
Fair value (gains)/losses on investment properties	(226,107)	(191,717)	(186,153)	(26,348)	(57,528)	71,540	10,126
Other (gains)/losses – net	(20,834)	(56,744)	(88,992)	(12,596)	(22,424)	4,645	657
EBITDA	1,304,662	3,006,053	3,157,637	446,934	1,631,197	2,218,206	313,967

You should not consider our definition of EBITDA in isolation or construe is as an alternative to operating profit or as an indicator of operating performance or any other standard measure under HKFRS. Our definition of EBITDA does not account for taxes and other non-operating cash expenses. Our EBITDA measure may not be comparable to similarly titled measures used by other companies. You should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

CORPORATE STRUCTURE

The following chart sets forth our simplified corporate structure as of the date of this offering memorandum.



BUSINESS

OVERVIEW

We are a leading comprehensive property developer in Zhejiang Province, China, focusing primarily on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Building on 23 years of experience, we have become a leading comprehensive property developer in Zhejiang Province and are systematically expanding into the broader Yangtze River Delta Region and key hub cities, while establishing a distinctive brand image of developing properties with our fine and distinctive Hangzhou workmanship (杭派精工). From 2014 to 2018, we have also received Top 100 Real Estate Enterprise in China awards jointly issued by the Enterprise Institute of Development Research Center of the State Council, the Real Estate Institute of Tsinghua University and China Index Academy for five consecutive years with our rankings rising steadily from the 74th in 2016 to the 72nd in 2017 and to the 63rd both in 2018 and 2019. Since May 2019, our stock has been included in the MSCI China Small Cap Index.

For the six months ended June 30, 2020, we recorded contracted sales of approximately RMB25,710 million, and as of June 30, 2020 our total land reserve (including land reserve held by our joint ventures and associates) was 15.7 million sq.m., of which 10.9 million sq.m. was located in Zhejiang Province. As of the same date, we owned 149 projects in 24 cities, including 53 completed projects which were saleable or leasable, 78 projects under construction and 18 projects held for future development. We recorded stable growth in 2017, 2018 and 2019 and the six months ended June 30, 2020, and we have won many industry awards which we believe have enhanced our brand awareness.

We focus strategically on middle class customers. We offer four different residential property series to meet the needs and preferences of our target customers comprising high-rise residences, multi-story residences, townhouses, stacked villas and villas. In addition, we develop mixed-use complex projects comprising offices, neighborhood centers, serviced apartments, hotels and other ancillary facilities, both for sale and for long-term investment purposes. We develop a wide range of projects in cities where we have an established presence and expand into other regions that we believe have high growth potential.

We believe our proven track record is attributable to our strong execution capabilities and in-depth understanding of the property markets and development trends in the regions in which we operate. We believe that over the years we have built a highly-recognized brand name and accumulated a large customer base by consistently delivering quality projects to our customers.

As of June 30, 2020, we had 96 property projects in 21 cities which were under development or held for future development. These projects (including projects we develop with our joint ventures and associates) had an aggregate estimated GFA of 8.5 million sq.m. for projects under development and approximately planned GFA of 1.2 million sq.m. for projects held for future development. As of June 30, 2020, we owned 149 projects with a land reserve of approximately 15.7 million sq.m.. We believe that our large-scale and strategically located land reserve will provide us with a sufficient project development pipeline in the foreseeable future and contribute to our continued business growth.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our net profit amounted to RMB839.4 million, RMB1,841.0 million, RMB2,256.6 million and RMB1,342.9 million (US$190.1 million), respectively.

OUR STRENGTHS

We believe that the following competitive strengths are key to our many achievements and distinguish us from our competitors:

Clear business model and development strategy

We are one of the fastest growing property development companies with comparable strategic development plans. According to the CRIC, in terms of contracted sales, we achieved a CAGR from 2017 to 2019 and a year-on-year growth rate from 2018 to 2019 of 16.2% and 14%, respectively. We develop rapidly and solidly with our clear business model and development strategy.

We are not only a recognized real estate developer but also a comprehensive urban operator and service provider with clear development strategy and business model. We have established an integrated urban operation and service ecosystem consisting of residential properties, commercial properties, shopping centers, industrial synthesis, community centers, office buildings, culture and tourism towns, service apartments and hotels, in order to meet the updated needs and continue to enhance our product quality.

While we focus on residential property development as our core business, we adopt "One Body Two Wings" (一體兩翼) as our development strategy to enrich our product portfolio and leverage our Commerce Series (商業系列) and Industrial City Series (產城系列) to derive synergy. Our residential properties are mainly divided into four series, including the Haipai Series (海派系), Berlin Series (泊林系), Courtyard Series (大院系) and Zhenyue Series (臻悅系), covering various types of customers ranging from first-time homebuyers to high-net-worth families. Our non-residential products are primarily divided into two major series. Our Commerce Series is mainly divided into three types of properties being regional shopping centers, neighborhood living centers and complexes catering to the needs of family. Our representative projects developed under our Commerce Series include "Hangzhou・Hangzhou Wings" (杭州・杭州之翼), "Hangzhou・Center Hangzhou" (杭州・時代之心) and "Hangzhou・Sky City" (杭州・天空之翼). Our Industrial City Series include the development of office, research buildings, cultural tourism towns (such as Nanjing Xianlin Zhigu Industrial Park (南京仙林智谷產業園)) and also projects such as Shenxian Garden (神仙居文化主題樂園) that integrate tourism, leisure, culture and lifestyle through ecological planning and innovation. We believe that our complementary portfolio comprising residential properties, Commerce Services and Industrial City Series provides us with the strategic synergies that we need.

In addition, our business model and development strategy have enabled us to maintain high operation efficiency while meeting our customers' individual demands, with an objective to enhance product premium and brand reputation and achieve a balanced development on scale, profitability and brand image. We highly focus on quality growth. To pursue a reasonable profit level, we achieve our turnover through efficient development and rapid destocking, with a goal of achieving "3080/1290/95", which means: the first lot of properties for sale are targeted to reach at least 30% of the whole lot, the sell-through rate on the first lot of properties for sale during the first month of the first opening is targeted to reach at least 80%, the sale of the whole lot within twelve months of the first opening is targeted to reach at least 90%, and the sale of the whole lot before delivery is targeted to be at least 95%. We maintain cooperative relationships with financial institutions, which enables us to successfully obtain the support of funding and pre-sales repayments.

Our efficient operation benefits from our modern management, development and operation model characterized by standardization and high efficiency. We have strong operational standardization capabilities and a complete product standardization system. Our standardized development process covers our entire business operation, from land acquisition to design, procurement, construction, quality control, and customer services. Efficient operations and high turnover of capital have effectively ensured the safety of our funds and enabled us to enlarge our scale of operation.

While maintaining our standardization and efficient operation, we place great emphasis on developing a customer-oriented, continuous and differentiated product development and operation strategy. While the development process for most of our properties is standardized, it can also be modified to fit individual as well as market's specific demands. We have a well-established database with constant update and optimization. This database enables us to accurately analyze customers' needs according to the characteristics of different urban populations and environments, to edit the templates suitable for each region to design and construct adaptive properties, and to ensure the timing and cost efficiency of our operation. We conduct research on our customers' needs that run through the entire development cycle of our properties. We analyze the demands and intentions of visiting customers after a project has been launched, examine the characteristics of customers who purchased or chose not to purchase our properties, and conduct customer satisfaction surveys within two months after our property has been delivered. Through such market research, we have dynamically adjusted our property development strategies to meet our customers' needs, while pursuing innovation as well as a premium price for our properties, which we believe has led to customers' higher satisfaction and loyalty. According to a report released by China Index Academy in 2019, our customers' satisfaction index ranked 5th and 2nd in Hangzhou and Wenzhou, and our customers' loyalty index ranked 4th and 1st in Hangzhou and Wenzhou. We achieved a higher premium over the ASP for some of our projects as compared with the ASP of similar properties in the relevant cities, which we believe was attributable to our brand recognition and product quality.

Not only have we focused on enhancing our product development and operation strategy, we have also carried out in-depth cooperation with a number of large and medium-sized real estate developers and have achieved resource optimization as well as multi-dimensional comprehensive development. Based on market condition and our own resources, we make overall planning and immediate adjustment and explore potential cooperation opportunities. We also have conducted in-depth cooperation with a number of large and medium-sized real estate developers and have maintained good cooperation through strategic selection of high-quality partners.

Well recognized brand name and quality products

We take "Your Life Companion" ("你的生活知己") as our brand motto. Guided by this motto, we continuously strengthen our product type, space layout, functional structure, research and development of material matching, and systematically improve energy efficiency. Our residential properties include high-rise residences, multi-story residences, townhouses, stacked villas and villas. We have four series of residential properties to satisfy the needs of different types of customers. Our Haipai Series (海派系) adopts a British architectural style to target first-time homebuyers; our Berlin series (泊林系) adopts a European neo-classical architectural style to target mid-to-high income families and first-time home upgraders; our Courtyard Series (大院系) adopts a new Asian architectural style to target mid-to-high income families, first-time or second-time home upgraders; and our Zhenyue Series (臻悅系) uses a modern and elegant architectural style to target high net worth families.

With the increase in the number of our developed projects and the continued improvement of our market reputation, we have gradually set the common features of our property portfolio, reflecting the synergy, integration and unity of our unique design, material selection and choice of construction materials. In recent years, we followed the idea of "knowing, believing and companionship" ("相知、相信、相伴"), and formulated the "Trusted Life Value System" ("知己生活價值體系") to understand more about our customers and enhance customer loyalty. We also created the "G+ residential system" ("G+住區體系"), which focuses on the six major aspects being architecture, landscape, housing types, refined decoration, ancillary facilities, and science and technology, to comprehensively improve the quality of residential buildings, explore the potential for appreciation in value, and strengthen their attractiveness to our customers. Besides, our "Rainbow Bridge Park Supporting System" ("彩虹橋園區配套體系") mainly focuses on improving the ancillary facilities and promoting community culture. Such system is designed to utilize the overhead layer of the community as its core carrier, cater to the need of customers of all ages and provide ancillary facilities for daily social, sports and parent-child interaction. Amongst them, our Dexin · Rose Manor (德信·玫瑰莊園) won the "Best Building Quality Award in China's Real Estate" ("中國房地產最佳建築品質名盤") in 2010 jointly awarded by China Real Estate Developers Association (中國房地產開發商協會) China Enterprise Sincerity Construction Work Association (中國企業誠信建設工作協會) and other institutions; our Dexin · Polin Apartment (德信 · 泊林公寓) won the "'West Lake Cup' High-quality Project in Hangzhou in 2010" ("二〇一〇年度杭州市'西湖杯'優質工程") in 2011 awarded by Hangzhou Architecture Industry Association (杭州市建築業協會), the highest award recognizing construction quality in Hangzhou; our Dexin · Zhenyuan (德信 · 臻園) had won the "High-quality Project

Award in East China" (華東地區優質工程獎) in 2014 jointly awarded by Shanghai Construction Trade Association (上海市建築施工行業協會) and the architecture industry associations of five provinces, as well as "Zhejiang Construction Work Qianjiang Cup Award (High-quality Project)" ("浙江省建設工程錢江杯獎(優質工程)") in 2014 jointly awarded by Zhejiang Housing and Urban-Rural Construction Bureau (浙江省住房和城鄉建設廳), Zhejiang Architecture Industry Association (浙江省建築業行業協會) and Zhejiang Construction Quality Management Association (浙江省工程建設質量管理協會); and our Huaneng Mansion (華能大廈) won "Zhejiang Construction Work Qianjiang Cup Award (High-quality Project)" ("浙江省建設工程錢江杯獎(優質工程)") in 2015 awarded by Zhejiang Housing and Urban-Rural Construction Bureau (浙江省住房和城鄉建設廳). Our Dexin・Jiuxi Mansion (德信・九溪雲莊) won the Silver Award (銀獎) in 2019 awarded by A'Design Award, which is the world's largest, most prestigious and influential design accolade and the highest achievement in design.

We adhere to a high-standard construction quality management system of "prototype-oriented, strict construction standards, refined management and continuous innovation technology" ("(樣板先行,嚴苛施工標準,精細化管理,不斷創新技術)") to create quality projects and achieve the characteristics of our fine and distinctive Hangzhou workmanship (杭派精工). We build different process models based on different cities and projects. Throughout the entire process from the commencement of construction to delivery, we check each step strictly to ensure that each project is completed on time with high quality and efficiency. We carefully monitor the construction works through a third-party evaluation system, actual measurement, process assessment, delivery evaluation and Internet mobile quality inspection. We have also established a complete customer feedback mechanism. Prior to the delivery, we allow customers to provide their feedback to us through organizing open experience day for owners or potential owners of our properties. According to E-House, our average on-time delivery rate had exceeded 97% in 2018 and our housing design indicator was much higher than the industry average based on a survey report of customers' satisfaction conducted by the China Index Academy in December 2018 which was commissioned by us.

Deep cultivation in Zhejiang Province with a presence in the Yangtze River Delta Region and the major cities of China and rich land reserves

Founded in 1995 and headquartered in Hangzhou since 2005, we are a leading comprehensive property developer based in Zhejiang Province, China, focusing on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Based and deeply rooted in Zhejiang Province with a presence in Yangtze River Delta Region and the key hub cities of China, we have become a leading comprehensive property developer in Zhejiang Province and have established a characteristic brand image of our fine and distinctive Hangzhou workmanship (杭派精工). According to the CRIC, in 2019, we ranked the 5th in terms of total contracted sales of residential properties in all of the 11 prefecture-level cities in Zhejiang Province. We have also received the Top 100 Real Estate Enterprise in China award jointly awarded by the Enterprise Institute of Development Research Center of the State Council, the Real Estate Institute of Tsinghua University and the China Index Academy for five consecutive years from 2014 to 2019 with our rankings rising each year. According to the List of Top 100 Real Estate Enterprise released in 2016, 2017, 2018, 2019 and 2020, we ranked the 74th, 72th, 63th, 63th and 56th, respectively. In 2020, we were ranked 22nd among the listed real estate companies in China in terms of comprehensive strength by Beijing Beta Consulting Center (北京貝塔諮詢中心) and Securities Market Weekly (《證券市場週刊》). We were also awarded the "Top 10 Debt-Paying Ability among China Listed Real Estate Companies" in 2020 by Guandian.cn (觀點指數).

We adhere to the strategic layout of "based in Zhejiang, deep cultivation of the Yangtze River Delta, expansion in China" to acquire land reserves with strategical and geographical advantages in the country, which provide strong support to our long-term development. Most of our projects are located along high-speed railways or major cities of the core urban agglomeration in China with convenient transportation. We believe that we can maintain an efficient business model within a controllable degree of risks with our superior land reserves.

As of June 30, 2020, our total land reserve (including land reserve held by our joint ventures and associates) was 15.7 million sq.m. of land reserves, of which 13.1 million sq.m. was located in the Yangtze River Delta Region.

As of June 30, 2020, our total land reserves include (i) completed properties with a total GFA of 1.6 million sq.m., representing approximately 9.9% of our total land bank, (ii) developing properties with a GFA of 10.6 million sq.m., representing approximately 73.8% of our total land bank, and (iii) held for future development properties with GFA of 2.7 million sq.m., representing approximately 16.3% of our total land bank. By company types, our land reserves contain 7.9 million sq.m. from subsidiaries, 1.8 million sq.m. from associated companies, and 6.0 million sq.m. from joint venture companies, representing 50.0%, 11.7% and 38.3%, respectively. We believe that our land reserves are in line with the current market preference, providing us considerable advantages in the current regional layout and land reserves. According to the land acquisition ranking list for real estate enterprises nationwide published by the China Index Academy, we ranked the 45th and 46th, in 2017 and 2018, respectively. We believe our land reserve at strategic and advantageous locations will provide strong support for our long-term growth.

Leveraging our deep understanding of the property markets in the Yangtze River Delta Region and intensive study on our target cities, we have strategically selected and acquired parcels of land at strategic and advantageous locations in those regions and cities that will enable us to further develop our presence in those markets. We have a systematic development strategy and have obtained high-quality land reserves through a variety of ways. In pursuing our development into new cities, we established a comprehensive platform and research center to study urban development and market indicators, and conducted screening of target cities based on extensive and in-depth research. In considering the growth potential of a city, we analyze various indicators such as its economy, industries, population, transportation, and urban construction planning, and we conduct long-term continuous monitoring of those cities with good performance. We also analyze a series of market indicators such as local customer structure, property inventory, consumer demand and price level to determine the key areas of our development. We have set up a market research center and a product research center to accurately grasp the appropriate marketing timing and select project sites in prime locations to add to our land reserves in major cities during the counter-cyclical phase, laying the foundation for solid growth.

We acquire land via various methods, including public tender, auction, listing-for-sale process, and mergers and acquisitions. Most of our land is acquired through public tender, auction and listing-for-sale process held by governmental agencies. We cooperate with other domestic real estate companies extensively and form strategic alliances to achieve the win-win goal of utilizing the respective strengths of both parties, jointly developing and sharing the value increment and risks; meanwhile, we seek further product innovation and greater room for improving profitability in order to develop a strong competitive advantage. At present, we have established cooperative relationships with more than 30 domestic real estate companies.

In accordance with our expansion plan, we will continue to increase our land reserves at competitive costs to achieve a sustainable growth. We will continue to maintain our product advantages, consider project locations, rail transportation and surrounding infrastructure, and optimize our product portfolio, to enhance the value of our land reserves and tap their potential. At the same time, we will strategically select quality land reserves in the Yangtze River Delta Region and other areas with great economic development potential that are suitable for the development of community businesses, industrial towns and integrated residential properties. We believe that with our well-known brand name and track record in the development of quality property projects, we will have the opportunity to continue to acquire the land reserves needed for residential and mixed-use purpose complex projects.

Leveraging our rich development experience, our positioning in the industry, our high-quality product and good reputation, as well as our land reserves in Zhejiang Province and the Yangtze River Delta Region, we believe that we can grasp the opportunities for the future development of the real estate industry in China.

Robust profitability and reasonable cost structure

We continue to maintain a high level of profitability, reflecting good resource integration ability and profitability through strict cost control and reasonable cost structure. In 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our gross profit margin was 23.4%, 38.0%, 32.2%, 34.6% and 25.7%, respectively. In the same period, our EBITDA margin was 19.9%, 36.6%, 33.2%, 46.4% and 29.0%, respectively. Our gross profit margin has maintained a steady growth in the past years, and is expected to remain relatively stable within a reasonable range in the future, mainly due to:

- ***Lower land costs.*** We have formulated a set of comprehensive and standardized land acquisition mode to provide abundant land supply. We also continue to develop high-quality plots, increase its land reserves in major cities in the counter-cyclical phase, and achieve lower land costs.

- ***Relatively firm selling price.*** We focus on the core areas of Zhejiang Province and the Yangtze River Delta, which are in line with our national strategic layout, and strategically enter other central and southern areas with huge growth potentials. We also focus on the superior locations of core cities and emerging urban areas with growing potentials, to achieve a relatively firm selling price.

- ***Good pricing power.*** In the past real estate development projects and brand building process, we have accumulated social credit, established a good reputation, adhered to innovation, and launched quality products to the market, which in turns helps us to achieve a relatively good pricing power, and maintain high customer satisfaction and loyalty.

- ***Efficient cost control measures.*** Our senior management monitors the central budget and target costs. We supervise the whole process of pre-control, in-process monitoring and post-audit, which helps effectively reduce costs and maintain a high gross profit margin in the future.

- ***Strong resources integration ability.*** We have accumulated the whole chain of experience in the process of real estate development and operation, including land reserves, preliminary work, project planning and design, project construction and commercial operation, with prominent synergies and clear platform advantages.

- ***Rick experience and professional knowledge.*** Our management team has accumulated average work experience of over 20 years. Their risk experience and professional knowledge helps us to establish a leading market position, which can hardly be replicated by other developers.

We have established a vigorous cost control system, and our costs control measures include initial stage management, project management, project construction management and project expenses management. In the initial stage, we take bidding management, which includes implementation of the bill of quantities pricing and bidding principles, and implement quota design management. In the stages of bidding, negotiation and contract signing, we clarify management methods and avoid adverse risks caused by contract terms. In the stage of project construction, we supervise the conduct construction preparation in advance, review construction drawings, and identify and solve problems accordingly. We also correct deviations, strengthen process management and on-site management in this stage. In terms of project expenses, we formulate an efficient project development mode and supervise the appropriate project development cycle. For example, on the basis of reasonable land cost, through branding effect and good cooperation with external parties, we strictly control the costs of construction and sales, maintain a relatively optimized cost structure and strike a balance between controlling project expenses and avoiding adverse risks caused by raising expenditure standard.

Prudent financial management supplemented by diversified domestic and foreign financing channels

Our consideration of multiple financial objectives includes maintaining relatively lower land costs, maintaining the liquidity of our operating cash flow, and ensuring the payment of dividend. In the future, we will increase or decrease land costs according to our overall strategies while maintaining relatively lower land costs. Our cash from operations mainly comes from property pre-sale and sales income, rental income and investment income. Therefore, the headquarters draw a line and calculate the necessary expenditure according to the rolling fund use plan and cash flow forecast, including construction expenditure, tax expenditure, principal and interest repayment, daily management expenses, etc. In terms of dividend policy, the board of directors will make decisions on paying dividends to our shareholder from time to time.

We finance our property projects primarily through a combination of internal funds, project loans from banks, capital contributions from shareholders, proceeds from pre-sales and sales of our developed properties and other financing sources such as our issuances of offshore senior notes. As of June 30, 2020, our borrowings from bank and other financial institutions was approximately RMB18,726.6 million (US$2,650.6 million). After listing, we have obtained enhancement of overall credit from various banks, such as Agricultural Bank of China, Bank of China and Industrial Commercial Bank of China and Bank of Shanghai. In terms of capital market operation, we successfully listed on the Main Board of the Stock Exchange on February 26, 2019. We issued a total of 601.3 million ordinary shares (including over-allotment of 69.3 million) at a price of HK$2.80 per share as a result of the completion of the global offering. We will continue to expand more ways of equity financing channels in the future. We also plan to try various kinds of debt financing methods such as overseas dollar bond issuance, asset securitization, to continuously expand financing channels, and further optimize and improve the debt structure.

We also maintain long-term cooperative relationships with major banks and financial institutions. We have cultivated stable relationships with reputable PRC banks and large financial institutions, such as China Construction Bank, Industrial Commercial Bank of China and Agricultural Bank of China. Beside domestic banks, we also maintain cooperative relationships with financial institutions, such as China Huarong, CCB International and Guotai Junan Securities. In addition, we continue to maintain strong cooperative relationships with China Construction Investment Trust, China Credit Trust, Guotong Trust, Hangzhou Industrial and Commercial Trust, Bohai Trust, Western Trust and other financial institutions.

As a result, our financial management is rigorous. As of June 30, 2020, our interest-bearing debt due within one year is RMB6.0 billion and interest-bearing debt maturing at least one year was RMB12.7 billion. Our cash and cash equivalents at the end of June 30, 2020 amounts to RMB12.2 billion, and we have developed a sound refinancing and repayment plan with adequate liquidity. In 2017, 2018 and 2019 and the first half of 2020, our historical gearing ratio is 73.0%, 67.6%, 68.7% and 76.3%, respectively. During the same period, our net debt is RMB6,020 million, RMB4,643 million, RMB7,381 million and RMB9,817 million (US$1,390 million), respectively, and our total equity is RMB2,183.7 million, RMB6,868.6 million, RMB10,734.7 million and RMB12,872.3 million (US$1,822.0 million), respectively. Our weighted average effective interest rate on our financing cost as of 2017, 2018 and 2019 and the first half of 2020 was 8.3%, 8.4%, 8.4% and 8.9%, respectively. It is expected that the annual average financing cost will stay in this range in the next few years. We maintains a low financing cost and a good repayment record. In the future, we will continue to expand financing channels, optimize financing structure and reduce financing cost.

Sound corporate governance and experienced management team

We have established a complete and rigorous project management process, internal control process and risk management and control system, implementing real-time supervision and feedback mechanism and conducting regular audits. Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability. In terms of project and operation management, we have established a thorough internal process of project and operation management, implemented project and operation management step by step through scientifically developed and thorough standards, and managed the existing and potential conflicts of interest. In terms of project investment management, we have set up internal processes such as data sorting, project preliminary judgment, project positioning, feasibility study report and initial investment decision meeting. In terms of project management and operation, we have set up internal processes such as project launching meeting, project positioning meeting and project organization and marketing meeting. In terms of fund management, we have set up an early-warning mechanism for fund risk, which clearly divides the management and control of fund level, and a multi-layer early-warning mechanism for risk management and control.

As to our internal control, our audit department supervises senior management and makes recommendations to management on the upgrading of the internal control system. Our management is responsible for formulating and implementing the internal control system, making decisions on the objectives and strategies of the internal control system, and establishing the main risk prevention and control mechanism. We also hired an external independent consultant to evaluate our internal control system. We took corrective measures against the defects and shortcomings of our internal control system based on the recommendations of the internal control consultant.

In response to potential risks, our Board of Directors is responsible for managing and supervising risk management and internal control systems, assessing the nature and level of risks, supervising risk management as well as the design, implementation, monitoring of the internal monitoring system and making major business decisions involving significant risks. Our headquarters management team is charge of supervising and approving major business decisions of project companies and adopting a centralized approval framework for review and approval. For example, our financial accounting matters are directly controlled and reviewed by headquarters; our cost management centralizes procurement and construction contracts and monitors the risks associated with such contracts; our audit risk control division and legal affairs division ensure regulatory and contract compliance. Further, our senior management will regularly review our risk management policies and systems, and report the risk management situation to the audit committee; providing regular training to directors and senior management and conducting internal evaluation and training to management and employees. We also have relevant departments to formulate and implement risk response plans for their respective businesses.

Since our establishment, our experienced senior management team has greatly contributed to our business growth. Mr. Hu Yiping, our Chairman, has obtained an EMBA from Xiamen University in Xiamen, and has eight years of experience in design institutes as both senior economist and engineer, and over 23 years experience in real estate industry. He currently serves as vice president of the Zhejiang Province Real Estate Industry Association, chairman of Huzhou Chamber of Commerce in Hangzhou and various other positions of importance. As our founder, he has rich industry experience, a forward-looking strategic outlook and international vision. We believe his prudent and balanced management philosophy and pragmatism have a profound impact on us and have laid a solid foundation for our sustainable and healthy growth.

The core members of our senior management team are highly experienced, with sufficient knowledge in real estate development, rich operational experience, and average work experience of over 20 years. Mr. Fei Zhongmin, our executive Director and president, holds an EMBA from Shanghai Jiaotong University. He has more than 20 years of experience in real estate development. We believe his rich work experience, leadership, market vision and business strategy can help us better understand the development and changes in the Chinese real estate market and seize market opportunities.

In addition, we have a dedicated team of employees with diversified experience in property development, planning, design, construction, financing and other relevant fields. We introduce talents from leading real estate enterprises in China to enrich our middle tier management. We also recruit outstanding graduates from top universities worldwide and in China. We adhere to the principle of empowerment in organizational management, fostering employees' self-motivation and creativity, creating a platform for co-creating, co-sharing, co-assuming and co-growth, realizing optimization of talent structure, and helping our employees to grow with us. For detail, see "Management".

We are committed to building a team that is professional, specialized, with excellent execution abilities, and that shares and recognizes our value, vision and corporate culture. We believe that under the leadership of our experienced management team, together with the support of our highly skilled operation team, we will be able to achieve long-term sustainable growth to maximize the benefits of our shareholders, customers and employees.

OUR STRATEGIES

We endeavor to become a leading comprehensive property developer in China. To achieve this goal, we intend to implement the following strategies:

Continue to be in a leading position in Zhejiang Province, improves the brand influence in the Yangtze River Delta region, and relies on the long accumulated development experience and ability, expands the business to the key hub cities of China

Capitalizing on the sustained and rapid economic development, we plan to continue enhancing our influence in the Yangtze River Delta Region. Being the largest economic circle in China, the demand for real estate in the Yangtze River Delta Region is relatively high. Our properties have covered the Yangtze River Delta Region for many years and we have a geographical advantage in the property market in this region. Our brand name is well recognized by customers. In the 16 cities of this region that we have a presence, we intend to cover our target customers by our four series of residential properties to further increase our market share. In addition to focusing on the hub cities such as Hangzhou, Nanjing, Ningbo, Wenzhou, Hefei and Changzhou, we plan to expand to other cities with significant growth potential in the Yangtze River Delta Region, such as Shanghai, Suzhou, Wuxi and Nantong.

In addition, relying on our long-term development experience and capabilities, we have developed a national expansion strategy. We plan to focus on the hub cities across China, paying attention to key provincial capital cities and opportunistic cities with continuous population inflows and good industrial development, such as Wuhan, Zhengzhou and Changsha. We plan to expand into selected high-quality urban centers, as well as their surrounding locations. In the future, we plan to expand into central cities nationwide with huge growth potential such as Chengdu, Guangzhou, Zhengzhou and Changsha.

Continuously improve the our product quality, competitiveness, customer satisfaction level, and strengthen the construction of intelligent communities

With our in-depth understanding of the local market and strategic thinking complemented by our experience, we will continue to enhance the competitiveness of our product quality and our brand influence. We focus on the quality of our products. Through continuous improvement of our property service, building community culture and improving our customer relationship management system, we continuously improve the living experience and customer satisfaction level of our projects, which we believe enhances our customers' willingness to purchase and recommend our other products to other potential customers, and further enhance our influence and brand reputation.

With the continuing development of Chinese society, customers' demand will be further diversified. We carefully monitor and lead changes in customer demand, and continuously optimize our product lines to improve product competitiveness. We continuously strengthen the development of intelligent communities, and we have selectively implemented intelligent devices such as face recognition systems, intelligent ladder control systems, intelligent equipment such as the indoor alarm systems, online intelligent services, variable smart home and Icar basement to certain of our properties.

Continue the development strategy of "One Body Two Wings" to further expand the commercial property development business, enrich our project portfolio and become an operator with comprehensive strength

Relying on our strength in the residential property development market, in 2017, 2018 and 2019 and the six months ended June 30, 2020, we have developed a multi-purpose complex building project integrating office buildings, neighborhood center, serviced apartments, hotels and other ancillary facilities, mainly for sale and for long-term investment. We believe that with the robust economy in China, the demand for commercial properties will continue to increase. We will develop more community commercial and industrial towns that have a strong synergy with our residential projects. We believe that developing and expanding these commercial properties will diversify our income and promote business diversification, thereby spreading the risks we face in the residential property market and leading to the comprehensive development of a diversified business and services offering.

Improve operation efficiency and optimize our capital structure

We have formulated a series of systems to standardize and regulate our business process and intend to continually optimize our business processes and establish delayering management models and improve operation efficiency by streamlining burdensome procedures and shortening decision-making process. This will help us achieve faster opening and destocking, so as to achieve the goal of efficient operation.

We will continue to adopt robust financial control policies, closely monitor important financial indicators including gearing ratio and interest coverage ratio, and prudently manage capital structure, cash flow and circulating capital to control costs and monitor risks.

We also intend to further optimize our capital structure via diversified financing channels. At present, our debt ratio is at a healthy level, and we expect to further increase our profit margin. Therefore, we believe we have flexibility for financing activities. In our financial management, we put more weigh on the time value and the cost of capital. Our headquarters will continue to exercise overall and centralized control over the cash we have to further increase capital use efficiency.

Continue to attract and motivate talents through systematic training programs and competitive compensation

We are committed to building a professional and specialized team, with strong execution abilities, which shares and recognizes our value, vision and corporate culture. We believe that our success and future growth strategy depends on our ability to attract professionals. We will continue to attract and recruit veterans and university graduates with potential to enrich our team.

We also plan to provide a competitive compensation system to attract talents. We will provide employees with a variety of performance incentives such as bonuses and equity incentives, so that the interests of our employees are closely related to our interests and enhance employees' recognition and identification of our values and culture. In addition, we formulate project co-investment scheme to fully enhance the enthusiasm of our employees.

We will further improve the professional qualification and sense of belongings of our employees through providing our in-house trainings such as sailing plan (啟航計劃), voyage plan (遠航計劃) and pilot plan (領航計劃) and other systemic training.

OUR BUSINESS

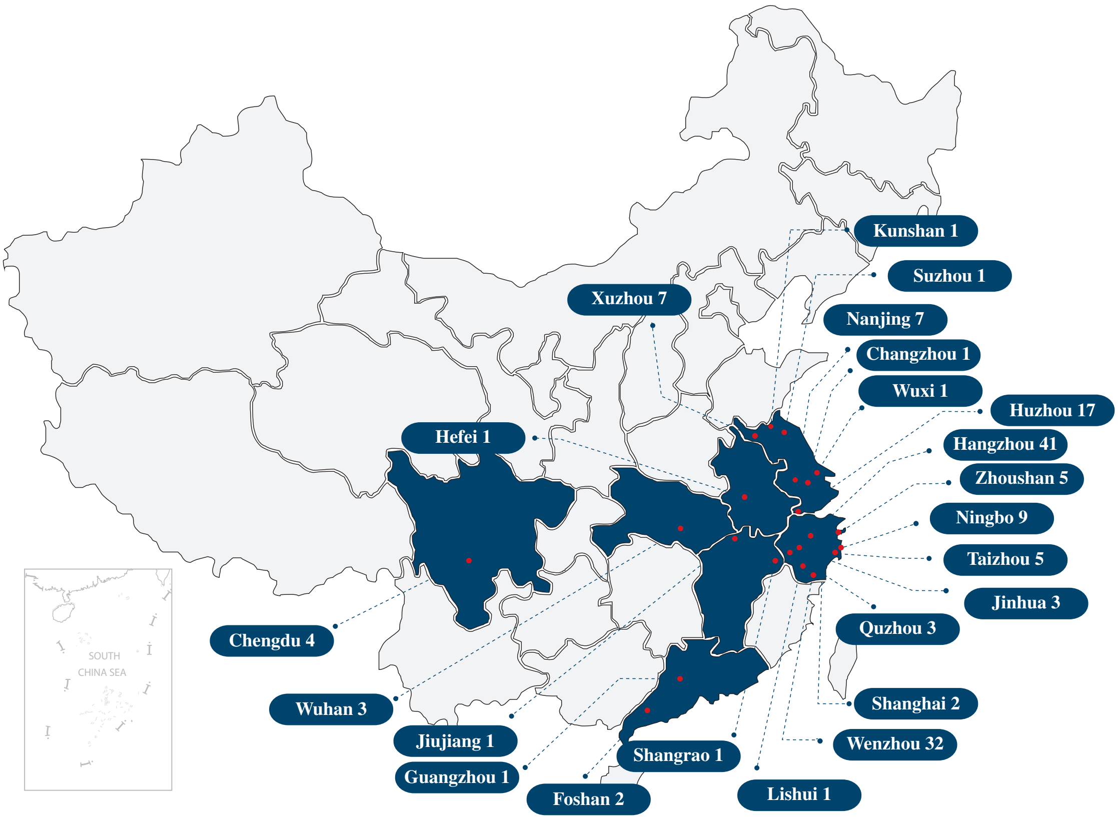
Our business operations consist of four principal business segments: (i) property development and sales; (ii) property construction services; (iii) hotel operations; and (iv) property leasing. We derive our revenue from sales of residential properties and accompanying retail spaces developed by us, providing real estate construction services, rental and service income derived from our hotels, and rental income derived from commercial property investment and others. The table below sets forth a breakdown of our total revenue by business lines for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
Business lines	**2017**	**2018**	**2019**		**2020**	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(US$'000) (unaudited)*	*(RMB'000) (unaudited)*	*(US$'000) (unaudited)*
Property development and sales	6,501,385	8,130,049	9,460,776	1,339,086	7,582,690	1,073,260
Property construction services	29,657	41,077	(14,599)	(2,067)	11,895	1,684
Hotel operations	16,128	13,937	12,109	1,714	4,878	691
Property leasing	6,819	27,011	54,709	7,744	49,890	7,061
	6,553,989	8,212,074	9,512,995	1,346,477	7,649,353	1,082,696

Property Development and Sales

As of June 30, 2020, our portfolio of property development projects consisted of 149 projects (including projects we develop with our joint venture partners) under various stages of development in 24 cities in China and the United States, including Hangzhou, Changzhou, Huzhou, Jinhua, Jiujiang, Lishui, Nanjing, Ningbo, Quzhou, Shangrao, Taizhou, Wenzhou, Wuhan, Xuzhou, Zhoushan, Hefei, Chengdu, Guangzhou, Kunshan, Wuxi, Shanghai and New Jersey. We divide our property developments into three categories: (i) completed property developments; (ii) properties under development; and (iii) properties held for future development. As our projects typically comprise multiple-phase developments on a rolling basis, one project may include different phases at various stages, including completion, under development or held for future development. As of June 30, 2020, we had, in terms of GFA in our 149 projects, completed properties unsold of approximately 0.4 million sq.m., properties under development of approximately 8.5 million sq.m. and properties held for future development of approximately 1.2 million sq.m. As of June 30, 2020, our projects (including projects we develop with our joint venture partners) held for future development included an aggregate planned GFA of approximately 1.1 million sq.m. for which we had not obtained land use rights certificates but had entered into land grant contracts or obtained land grant confirmation letters and were in the process of applying for the relevant land use rights.

The following map shows the geographic locations of our 149 property development projects as of June 30, 2020:



Residential Properties: Our residential properties are located in urban and newly urbanized areas with convenient access to transportation facilities and surrounding infrastructures. Some of these residential properties include accompanying retail spaces or office spaces. We divide our residential properties into four categories as follows:

- Haipai Series (海派系)—it features a British architectural style and targets first-time homebuyers. Examples include our Hyde Park (海德公園) in Hangzhou, Gentle House (一里洋房) in Deqing, Haipai Mansion Phase I (海派嘉園一期) in Wenzhou and Dexin • Haipai Mansion Phase II (海派嘉園二期) in Wenzhou.

- Berlin Series (泊林系)—it features an European neoclassical architectural style and targets mid-to-high income families or first-time home upgraders. Examples include our East Mansion (東宸) in Hangzhou, No. 1 Lakeside (湖濱一號) in Wenzhou, Berlin Mansion (泊林公館) in Wenzhou and Berlin Impression (泊林印象) in Hangzhou.

- Courtyard Series (大院系)—it features a neo-Asian architectural style and targets mid-to-high income families, first-time or second-time home upgraders. Examples include our River Qiantang (大江源著) in Hangzhou and Courtyard in Jiangnan (江南大院) in Ningbo and Jinhua.

- Zhenyue Series (臻悅系)—it features a modern and elegant architectural style and targets high net worth families. Examples include our Times Mansion (時代公館) in Wenzhou, Times Square (時代廣場) in Deqing and Elegant Mansion (九溪雲莊) in Hangzhou.

Commercial Properties: We divide our commercial properties into the Commerce Series (商業系列) and Industrial City Series (產城系列):

- Commerce Series (商業系列)—including three types of properties including (i) regional shopping centers, (ii) neighborhood living centers and (iii) complexes catering to the needs of children. Our regional shopping centers target the family-oriented consumer group for all ages by offering a one-stop shopping and living experience. Our neighborhood living centers target residential consumer groups and provide convenient and quality daily living services to them in creating a harmonious and inclusive living atmosphere inside the neighborhood. Our complexes catering to the needs of children are a theme-based educational complex that integrates children's education, childhood play, parent-child interaction and family life, creating a family-friendly interactive field. Examples include our Sky Scraper (九龍城) in Xuzhou, Marina Square (濱海廣場) in Haiyan and Sky City Phase I (天空之翼一期) in Hangzhou.

- Industrial City Series (產城系列)—through a streamlined organization and our innovation, we are committed to developing (i) industrial parks; (ii) cultural tourism towns; and (iii) other complexes. Examples include our Nanjing Xianlinzhigu Industrial Park (南京仙林智谷產業園) and Hangzhou Artificial Intelligence Industrial Park.

For each of the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our total contracted sales amounted to RMB28.7 billion, RMB39.6 billion, RMB45,077 million and RMB25,710 million (US$3,639.0 million), respectively.

The following table sets forth a summary of our property projects and project phases developed, including projects and project phases held for future development as of June 30, 2020.

			Completed				Under Development			Held for Future Development					
City	Project/ Phase	Site area[1]	Total GFA Completed[2]	Saleable/ Leasable GFA[3]	GFA Unsold[4]	Rentable GFA held for Investment[3]	Total GFA Under Development[2]	Saleable/ Leasable GFA[3]	Pre-sold/ Pre-leased GFA[4]	Total Planned GFA[2]	GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*				
Hangzhou	Zenith Garden (臻園)	21,817	74,260	73,753	443	–	–	–	–	–	–	9/2010	9/2011	4/2013	90.00%
Hangzhou	East Mansion (東方星城)	48,780	173,348	170,232	5,132	–	–	–	–	–	–	2/2016	4/2016	1/2018	20.00%
Hangzhou	Celebrity Mansion (君宸)	51,920	158,564	156,675	10,743	–	–	–	–	–	–	3/2016	4/2016	6/2018	65.00%
Hangzhou	Hyde Park (海德公園)	63,677	202,715	196,474	5,607	–	–	–	–	–	–	8/2016	3/2017	10/2018	23.00%
Hangzhou	Junshang Palace (郡上藍灣)	39,578	124,437	123,106	1,369	–	–	–	–	–	–	12/2016	5/2017	10/2018	30.00%
Hangzhou	River Qiantang (大江源著)	39,212	117,133	106,768	165	–	–	–	–	–	–	2/2017	7/2017	5/2019	55.00%
Hangzhou	Montnorth (悅見山)	77,631	–	–	–	–	231,562	202,351	180,160	–	–	3/2018	8/2018	11/2020	12.01%
Hangzhou	Majestic Mansion (印江南)	63,742	–	–	–	–	208,332	196,536	190,363	–	–	4/2018	1/2019	7/2020	24.80%
Hangzhou	Sky City Phase I (天空之翼一期)	74,357	245,824	238,297	198,143	41,422	–	–	–	–	–	5/2018	8/2018	6/2020	65.00%
Hangzhou	Elegant Mansion (九溪雲莊)	40,884	–	–	–	–	107,516	60,767	54,646	–	–	8/2018	10/2018	12/2020	60.00%
Hangzhou	Shixin Palace (市心府)	25,318	–	–	–	–	94,227	92,753	65,382	–	–	5/2018	12/2018	8/2021	59.96%
Hangzhou	Dajiang One (大江壹號)	4,349	–	–	–	–	17,200	16,665	12,917	–	–	9/2018	7/2019	12/2020	55.47%

			Completed				Under Development			Held for Future Development					
City	Project/ Phase	Site area[1]	Total GFA Completed[2]	Saleable/ Leasable GFA[3]	GFA Unsold[4]	Rentable GFA held for Investment[3]	Total GFA Under Development[2]	Saleable/ Leasable GFA[3]	Pre-sold/ Pre-leased GFA[4]	Total Planned GFA[2]	GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*				
Hangzhou	Golden Mansion (世紀金宸)	30,739	–	–	–	–	135,390	127,325	52,694	–	–	11/2018	8/2019	12/2021	23.11%
Hangzhou	Bay Cloud (德信佳源金茂府)	57,802	–	–	–	–	271,774	223,819	178,156	–	–	8/2018	7/2019	10/2021	19.90%
Hangzhou	Time Mansion (時代公館)	73,434	–			–	221,426	218,303	134,697	–	–	12/2018	5/2019	1/2021	24.15%
Hangzhou	Qiantang Mansion (錢塘雲莊)	36,476	–			–	109,619	107,510	–	–	–	5/2019	9/2020	11/2021	61.25%
Hangzhou	Dexin Yunchuan Business Center (德信雲川商務中心)	13,359	–			–	34,866	17,002	2,361	–	–	1/2019	3/2020	12/2020	10.29%
Hangzhou	Jiuzhang Fu (九章賦)	97,494	–			–	365,574	360,610	177,289	–	–	4/2019	12/2019	3/2022	13.86%
Hangzhou	Hangzhou Wings (杭州之翼)	32,214	173,406	160,268	39,478	19,961	–	–	–	–	–	7/2016	1/2018	7/2019	17.15%
Hangzhou	Center Hangzhou (時代之心)	16,680	109,749	101,034	12,656	–	–	–	–	–	–	8/2017	8/2018	9/2019	50.00%
Hangzhou	Hangzhou ONE (杭州ONE)	16,702	100,044	99,675	82,058	17,617	–	–	–	–	–	2/2018	N/A	1/2020	64.40%
Hangzhou	Huanyi City (環翼城)	24,398	–	–	–	–	116,562	116,079	15,749	–	–	7/2018	9/2019	3/2021	17.15%
Hangzhou	Artificial Intelligence Industrial Park (AI產業園)	26,931	75,712	75,712	–	75,712	–	–	–	–	–	9/2016	N/A	12/2017	54.54%

			Completed				Under Development			Held for Future Development					
City	Project/ Phase	Site area[1]	Total GFA Completed[2]	Saleable/ Leasable GFA[3]	GFA Unsold[4]	Rentable GFA held for Investment[3]	Total GFA Under Development[2]	Saleable/ Leasable GFA[3]	Pre-sold/ Pre-leased GFA[4]	Total Planned GFA[2]	GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*				
Hangzhou	Canal Mansion (運河雲莊)	63,502	–			–	167,493	163,618	54,538	–	–	7/2019	3/2020	3/2022	36.69%
Hangzhou	Hangzhou Konggang Project (杭州空港項目)	99,078	–			–	393,822	311,480	5,019	–	–	9/2019	5/2020	1/2022	64.30%
Hangzhou	Shiguang Zhichen (時光之宸)	86,055	–			–	230,933	218,447	111,052	–	–	7/2019	12/2019	6/2022	94.74%
Hangzhou	Yue Fenghua (悅風華)	34,489	–			–	141,410	132,117	7,291	–	–	1/2020	5/2020	6/2022	33.32%
Hangzhou	Douhuiqiantang (都會錢塘)	48,736	192,161	187,906	37,691	54,890	–	–	–	–	–	12/2017	10/2019	7/2019	20.00%
Hangzhou	Yuehangli (閱杭里)	44,603	–	–	–	–	143,781	137,820	39,990	–	–	12/2019	5/2020	6/2022	20.12%
Hangzhou	Inao Bay (印奧灣)	20,840	–	–	–	–	78,370	75,904	29,325	–	–	1/2020	4/2020	6/2022	25.00%
Hangzhou	Chenguangli (宸光里)	57,089	–	–	–	–	216,169	214,308	–	–	–	5/2020	10/2020	8/2023	49.00%
Hangzhou	Yunwang Puyuan (雲望璞園)	49,166	–	–	–	–	169,812	162,523	8,628	–	–	4/2020	5/2020	11/2022	27.50%
Hangzhou	Commercial Wenhui Project (商用文暉項目)	16,895	–	–	–	–	–	–	–	–	75,044	8/2020	3/2021	8/2022	70.00%

			Completed				Under Development			Held for Future Development					
City	Project/ Phase	Site area[1]	Total GFA Completed[2]	Saleable/ Leasable GFA[3]	GFA Unsold[4]	Rentable GFA held for Investment[3]	Total GFA Under Development[2]	Saleable/ Leasable GFA[3]	Pre-sold/ Pre-leased GFA[4]	Total Planned GFA[2]	GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*				
Hangzhou	Zheda Insigma (Yinhu) Innovation R&D Park Project (Phase II) (浙大網新(銀湖)創新研發園項目(二期))	39,390	–	–	–	–	136,675	120,926	71,885	–	–	11/2018	5/2019	8/2020	28.00%
Hangzhou	Qiaosi Lot 8 (喬司8號地塊)	43,112	–			–	–			–	126,389	8/2020	11/2020	1/2023	38.38%
Hangzhou	Qiaosi Lot 9 (喬司9號地塊)	26,019	–			–	–			–	84,905	11/2020	5/2021	6/2023	55.00%
Hangzhou	Hangzhou Fushan Project (杭州浮山項目)	28,510	–			–	–			–	77,713	11/2020	8/2021	8/2022	24.00%
Hangzhou	Yangxi New Town Expressway Exit Block S-4-3 Parcel (No. 26) (洋溪新城高速出口區塊S-4-3地塊(26號))	37,342	–			–	–			–	91,707	N/A	N/A	N/A	50.00%

City	Project/ Phase	Site area[1]	Completed: Total GFA Completed[2]	Completed: Saleable/ Leasable GFA[3]	Completed: GFA Unsold[4]	Completed: Rentable GFA held for Investment[3]	Under Development: Total GFA Under Development[2]	Under Development: Saleable/ Leasable GFA[3]	Under Development: Pre-sold/ Pre-leased GFA[4]	Held for Future Development: Total Planned GFA[2]	Held for Future Development: GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*				
Hangzhou	Yangxi New Town Expressway Exit Block S-5-1 Parcel (No. 27) (洋溪新城高速出口區塊S-5-1地塊(27號))	30,175	–			–	–			–	79,061	N/A	N/A	N/A	50.00%
Hangzhou	Suoqian Project (所前項目)	51,295	–			–	–			–	182,710	8/2020	1/2021	3/2023	40.78%
Hangzhou	Jingfang Triangle Land (景芳三角地塊)	12,763	–			–	–			–	70,952	10/2020	12/2021	8/2023	19.60%
Wenzhou	Berlin Mansion (泊林公館)	21,530	74,153	71,771	1,430	–	–	–	–	–	–	8/2013	9/2013	4/2016	100.00%
Wenzhou	No. 1 Lakeside (湖濱一號)	32,111	91,810	88,197	2,436	–	–	–	–	–	–	1/2014	3/2014	12/2016	100.00%
Wenzhou	Haipai Mansion Phase I (海派嘉園一期)	28,202	102,613	101,025	39	–	–	–	–	–	–	9/2014	9/2014	3/2017	100.00%
Wenzhou	Haipai Mansion Phase II (海派嘉園二期)	29,452	105,162	103,797	1,758	–	–	–	–	–	–	9/2015	12/2015	1/2018	100.00%
Wenzhou	Grade Mansion (悦城)	20,752	70,610	68,096	3,391	–	–	–	–	–	–	2/2016	5/2016	5/2018	100.00%
Wenzhou	Royal Mansion (上府)	9,023	29,613	29,293	–	–	–	–	–	–	–	6/2016	9/2016	6/2018	100.00%

City	Project/ Phase		Completed				Under Development			Held for Future Development					
		Site area[1]	Total GFA Completed[2]	Saleable/ Leasable GFA[3]	GFA Unsold[4]	Rentable GFA held for Investment[3]	Total GFA Under Development[2]	Saleable/ Leasable GFA[3]	Pre-sold/ Pre-leased GFA[4]	Total Planned GFA[2]	GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*				
Wenzhou	Grand Kingdom (大悅灣)	33,973	120,417	115,995	403	–	–	–	–	–	–	4/2016	9/2016	9/2018	55.00%
Wenzhou	Borui Palace (鉑瑞灣)	57,538	221,090	213,352	19,133	–	–	–	–	–	–	8/2016	10/2016	8/2019	75.00%
Wenzhou	Wenzhou Courtyard (鹿城大院)	21,527	58,944	57,605	157	–	–	–	–	–	–	9/2016	12/2016	8/2018	50.00%
Wenzhou	Yueqing Palace (樂清府)	50,862	106,511	104,608	1,214	–	–	–	–	–	–	10/2016	1/2017	10/2018	28.00%
Wenzhou	Country Garden (府前一號)	45,107	130,116	123,326	9,286	–	–	–	–	–	–	11/2016	11/2016	1/2019	30.00%
Wenzhou	Nine Villa (玖號院)	30,081	105,771	99,229	9,494	–	–	–	–	–	–	6/2017	8/2017	11/2019	32.00%
Wenzhou	Time Mansion (時代公館)	28,837	97,740	94,916	3,222	–	–	–	–	–	–	6/2017	8/2017	10/2019	31.00%
Wenzhou	Courtyard in Longwan (龍灣大院)	35,040	110,723	96,316	4,084	–	–	–	–	–	–	6/2017	8/2017	3/2020	39.00%
Wenzhou	Dexin SSAW Boutique Hotel (德信君亭酒店)	5,726	–	–	–	–	18,865	–	–	–	–	1/2018	N/A	7/2020	55.00%
Wenzhou	Todown (觀瀾苑)	79,964	–	–	–	–	190,793	182,517	177,204	–	–	3/2018	4/2018	8/2020	50.00%
Wenzhou	Ideal Mansion (理想之城)	65,148	–	–	–	–	227,827	215,860	211,160	–	–	4/2018	4/2018	8/2020	20.00%
Wenzhou	Gorgeous Palace (翡麗灣)	82,121	–	–	–	–	189,997	148,583	136,449	–	–	5/2018	6/2018	9/2020	28.18%
Wenzhou	Cloud Class (雲着)	24,848	–	–	–	–	95,864	93,038	85,190	–	–	5/2018	6/2018	7/2020	25.00%
Wenzhou	Majestic Mansion (御宸府)	25,314	–	–	–	–	86,151	82,412	72,018	–	–	8/2018	11/2018	5/2021	48.81%

			Completed				Under Development			Held for Future Development					
City	Project/ Phase	Site area[1]	Total GFA Completed[2]	Saleable/ Leasable GFA[3]	GFA Unsold[4]	Rentable GFA held for Investment[3]	Total GFA Under Development[2]	Saleable/ Leasable GFA[3]	Pre-sold/ Pre-leased GFA[4]	Total Planned GFA[2]	GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*				
Wenzhou	Philippe Cloud (翡麗雲邸)	90,199	–	–	–	–	308,171	297,322	260,072	–	–	9/2018	12/2018	8/2021	23.36%
Wenzhou	Ruian Mansion (鉑瑞府)	7,146	–			–	56,472	55,604	35,718	–	–	6/2019	8/2019	6/2022	59.09%
Wenzhou	Center Mansion (萬松府)	10,979	–			–	51,032	49,846	14,553	–	–	8/2019	4/2020	6/2022	57.13%
Wenzhou	The Riverside (博悅灣)	29,523	–			–	131,228	128,263	45,842	–	–	5/2019	9/2019	2/2022	31.62%
Wenzhou	Central Mansion (望宸里)	9,507	–			–	37,397	36,921	28,343	–	–	9/2019	10/2019	1/2022	46.09%
Wenzhou	City Lakeside (麓湖灣)	12,310	–			–	57,296	55,742	30,362	–	–	9/2019	11/2019	12/2021	47.27%
Wenzhou	Jiangyuewan (江月灣)	39,608	–			–	181,167	181,167	31,556	–	–	11/2019	5/2020	11/2022	11.35%
Wenzhou	Fenghui (峰薈)	22,106	–			–	68,906	67,627	62,528	–	–	12/2019	5/2020	8/2022	12.53%
Wenzhou	East Fame (東望里)	28,379	–			–	85,129	84,483	32,816	–	–	3/2020	5/2020	11/2022	54.63%
Wenzhou	River Sparkle (江嶼雲莊)	160,055	–			–	–	–	–	–	606,591	7/2020	9/2020	11/2022	48.96%
Wenzhou	Eastern Mansion (東宸里)	78,822	–			–	323,424	319,730	–	–	–	5/2020	8/2020	3/2023	50.01%
Wenzhou	Wenzhou Binjiang Business District 03-02-21 Land Parcel (溫州市濱江商務區03-02-21地塊)	48,729	–			–	–			–	206,669	11/2020	12/2020	12/2023	40.00%

City	Project/ Phase	Site area[1]	Completed: Total GFA Completed[2]	Completed: Saleable/ Leasable GFA[3]	Completed: GFA Unsold[4]	Completed: Rentable GFA held for Investment[3]	Under Development: Total GFA Under Development[2]	Under Development: Saleable/ Leasable GFA[3]	Under Development: Pre-sold/ Pre-leased GFA[4]	Held for Future Development: Total Planned GFA[2]	Held for Future Development: GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*				
Huzhou	Xishan Luxury (溪山美墅)	105,650	174,058	172,755	1,407	–	–	–	–	–	–	3/2008	6/2008	6/2012	100.00%
Huzhou	Delan Square (德藍廣場)	18,400	82,777	82,138	223	26,068	–	–	–	–	–	12/2009	12/2010	9/2014	100.00%
Huzhou	Shang Cheng (上城)	47,345	124,167	122,216	1,968	–	–	–	–	–	–	1/2013	4/2013	12/2015	100.00%
Huzhou	Yingxi Courtyard (英溪大院)	62,423	93,074	92,481	628	–	–	–	–	–	–	12/2016	3/2017	11/2018	100.00%
Huzhou	Eminent Mansion (郡望)	62,204	152,889	151,925	1,687	–	–	–	–	–	–	3/2017	6/2017	12/2018	70.00%
Huzhou	Xingchen Mansion (星辰蘭園)	26,361	55,079	43,316	800	–	–	–	–	–	–	5/2017	8/2017	11/2019	20.00%
Huzhou	Yunxi Mansion (雲溪雅苑)	18,500	39,157	38,787	5,540	–	–	–	–	–	–	9/2017	6/2019	6/2019	33.00%
Huzhou	Time Mansion (時代公館)	86,729	240,431	238,885	238,885	–		–	–	–	–	9/2017	11/2018	6/2020	32.32%
Huzhou	Yunxi Villa (雲溪洋房)	58,307	111,495	110,292	5,196	–	–	–	–	–	–	10/2017	1/2018	10/2019	50.00%
Huzhou	Dothink Major (潯莊)	29,848	70,995	69,914	9,519	–	–	–	–	–	–	1/2018	7/2018	1/2020	38.83%
Huzhou	Chunfeng Courtyard (春風里)	31,632	76,171	69,265	1,736	–	–	–	–	–	–	2/2018	4/2018	9/2019	80.00%
Huzhou	East Mansion (東宸府)	52,528	148,024	141,185	13,608	–	–	–	–	–	–	3/2018	5/2018	6/2020	34.00%
Huzhou	Fenglou Villa (鳳棲雲廬)	66,969	–	–	–	–	188,981	184,618	183,880	–	–	8/2018	10/2018	11/2020	12.00%
Huzhou	Gaofeng Village Project (高峰村項目)	74,373	–			–	–			29,749	–	8/2020	5/2021	5/2022	100.00%

City	Project/ Phase	Site area[1]	Completed: Total GFA Completed[2]	Completed: Saleable/ Leasable GFA[3]	Completed: GFA Unsold[4]	Completed: Rentable GFA held for Investment[3]	Under Development: Total GFA Under Development[2]	Under Development: Saleable/ Leasable GFA[3]	Under Development: Pre-sold/ Pre-leased GFA[4]	Held for Future Development: Total Planned GFA[2]	Held for Future Development: GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*				
Huzhou	Aesthetic Garden (麗園)	48,355	–			–	138,571	136,973	81,827	–	–	1/2019	6/2019	4/2021	34.00%
Huzhou	Central Mansion (市心府)	54,714	–			–	133,975	132,427	98,037	–	–	12/2018	3/2019	4/2021	20.82%
Huzhou	Deqing Moganshan 049 Land Parcel (德清莫干山049地塊)	17,908	–			–	31,902	–	–	–	–	10/2019	N/A	6/2021	100.00%
Taizhou	Jiangshan Mansion Phase I (江山一品一期)	22,762	67,282	65,646	2,585	–	–	–	–	–	–	6/2017	9/2017	9/2019	26.50%
Taizhou	Jiangshan Mansion Phase II (江山一品二期)	50,819	311,175	299,887	209,508	–	–	–	–	–	–	11/2017	1/2018	6/2020	26.50%
Taizhou	Xihu Yunzhuang (西湖雲莊)	92,318	–	–	–	–	182,276	158,812	51,713	–	–	4/2018	12/2018	11/2020	100.00%
Taizhou	Shenxian Garden Phase I (神仙居文化主題樂園一期)	80,050	15,755	15,755	–	15,755	40,907	–	–	–	–	6/2018	N/A	10/2020	100.00%
Taizhou	Shenxian Garden Phase II (神仙居文化主題樂園二期)	15,804	–			–	24,308	24,261	2,702	–	–	2/2019	5/2019	7/2020	100.00%
Zhoushan	Zhoushan Palace (舟山府)	49,064	132,533	129,921	1,915	–	–	–	–	–	–	5/2017	8/2017	10/2019	90.00%

			Completed				Under Development			Held for Future Development					
City	Project/ Phase	Site area[1]	Total GFA Completed[2]	Saleable/ Leasable GFA[3]	GFA Unsold[4]	Rentable GFA held for Investment[3]	Total GFA Under Development[2]	Saleable/ Leasable GFA[3]	Pre-sold/ Pre-leased GFA[4]	Total Planned GFA[2]	GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*				
Zhoushan	Zi Chen (紫宸)	46,458	114,314	112,831	50,224	–	–	–	–	–	–	4/2018	4/2018	4/2020	25.28%
Zhoushan	Celebrity Mansion (君宸)	26,871	–	–	–	–	75,579	74,347	39,972	–	–	4/2018	6/2018	7/2020	25.28%
Zhoushan	Jinlin Mansion (金麟府)	27,863	–	–	–	–	57,462	56,404	54,323	–	–	6/2018	7/2018	10/2020	25.00%
Zhoushan	Hancheng (翰城)	52,577	–	–	–	–	169,299	167,359	107,259	–	–	9/2018	12/2018	5/2021	17.50%
Quzhou	Quzhou Mansion (衢州公館)	150,606	419,427	407,733	908	–	–	–	–	–	–	8/2016	11/2017	4/2019	50.00%
Quzhou	East Mansion (東宸)	31,668	–	–	–	–	74,306	73,272	59,030	–	–	9/2018	12/2018	8/2020	43.83%
Quzhou	Celebrity Mansion (君宸)	39,510	–	–	–	–	91,962	90,840	84,418	–	–	9/2018	11/2018	8/2020	63.83%
Ningbo	East Mansion (東宸)	26,451	82,998	82,138	4,215	–	–	–	–	–	–	7/2016	12/2016	11/2018	30.00%
Ningbo	Celebrity Mansion (君宸)	44,974	109,435	93,637	3,437	–	–	–	–	–	–	11/2017	1/2018	11/2019	40.00%
Ningbo	Courtyard in Jiangnan (江南大院)	53,908	134,104	128,940	7,007	–	–	–	–	–	–	4/2018	7/2018	4/2020	31.36%
Ningbo	Cloud Palace (雲堇台)	40,044	–	–	–	–	111,522	106,209	82,086	–	–	9/2018	4/2019	5/2021	24.45%
Ningbo	Hucheng Dajing (湖成大境)	61,875	–	–	–	–	173,290	168,822	118,817	–	–	7/2019	11/2019	8/2021	30.98%
Ningbo	Yuncheng Dajing (雲成大境)	88,077	–	–	–	–	358,475	346,168	–	–	–	3/2020	10/2020	8/2022	45.18%

City	Project/ Phase	Completed					Under Development			Held for Future Development					
		Site area[1]	Total GFA Completed[2]	Saleable/ Leasable GFA[3]	GFA Unsold[4]	Rentable GFA held for Investment[3]	Total GFA Under Development[2]	Saleable/ Leasable GFA[3]	Pre-sold/ Pre-leased GFA[4]	Total Planned GFA[2]	GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*				
Ningbo	Xiaofeng Yinyue Mansion (曉風印月府)	50,344	–			–	173,839	163,275	52,957	–	–	1/2020	6/2020	9/2022	5.55%
Ningbo	Mountain (山之語雲莊)	28,800	–	–	–	–	54,312	53,201	–	–	–	6/2020	10/2020	12/2021	80.42%
Ningbo	Zhonghe Parcel Project (中河地塊項目)	44,238	–			–	–			–	140,957	8/2020	10/2020	11/2022	41.34%
Jinhua	Courtyard in Jiangnan (江南大院)	92,511	264,805	257,328	30,728	–	–	–	–	–	–	11/2017	12/2017	11/2019	25.00%
Jinhua	Celebrity Mansion (君宸)	73,946	232,342	226,260	70,118	–	–	–	–	–	–	5/2018	6/2018	3/2020	17.50%
Jinhua	Yuxi Lake (御西湖)	47,489	128,710	124,884	9,630	–	–	–	–	–	–	5/2018	6/2018	6/2020	25.00%
Lishui	Lake Courtyard (元湖一號)	74,068	174,196	149,579	1,413	–	–	–	–	–	–	2/2017	5/2017	4/2019	51.00%
Xuzhou	Sky Scraper A (九龍城A地塊)	148,861	311,824	310,197	10,805	21,417	–	–	–	–	–	12/2010	6/2011	12/2015	100.00%
Xuzhou	Sky Scraper B (九龍城B地塊)	143,400	325,796	324,918	25,199	52,006	–	–	–	–	–	4/2013	4/2013	5/2019	100.00%
Xuzhou	Imperial Cullinan (瓏璽台)	101,149	–	–	–	–	278,829	255,256	200,111	–	–	3/2018	5/2018	10/2020	64.00%
Xuzhou	Celebrity Mansion (君宸)	15,460	–			–	50,534	39,061	24,376	–	–	1/2019	3/2019	11/2020	51.90%
Xuzhou	Hanlin Mansion (翰林府)	23,537	–			–	56,100	51,252	49,043	–	–	3/2020	5/2020	7/2022	37.63%

			Completed				Under Development			Held for Future Development					
City	Project/ Phase	Site area[1]	Total GFA Completed[2]	Saleable/ Leasable GFA[3]	GFA Unsold[4]	Rentable GFA held for Investment[3]	Total GFA Under Development[2]	Saleable/ Leasable GFA[3]	Pre-sold/ Pre-leased GFA[4]	Total Planned GFA[2]	GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*				
Xuzhou	Wings of the future (未來之翼)	65,591	–			–	174,160	160,186	25,237	47,246	–	4/2020	6/2020	10/2022	90.00%
Xuzhou	No. 2020-4 Land Parcel (2020-4號地塊)	41,083	–	–	–	–	–	–	–	–	130,330	10/2020	1/2021	4/2023	27.00%
Changzhou	Junchen Mansion (君宸府)	26,768	–	–	–	–	78,020	65,884	55,879	–	–	9/2018	12/2018	10/2020	32.56%
Nanjing	Nanjing Xianlinzhigu Industry Garden Phase I-C (南京仙林智谷產業園一期-C)	24,119	–	–	–	–	62,359	19,843	10,577	–	–	3/2019	10/2019	7/2020	47.60%
Nanjing	Nanjing Xianlinzhigu Industry Garden Phase II – J (南京仙林智谷產業園二期-J)	12,186	–	–	–	–	25,910	7,895	4,208	–	–	12/2018	10/2019	7/2020	47.60%
Nanjing	Nanjing Qixia District Xianlin Industrial Park E Land Parcel	33,287	–			–	–			172,110	–	3/2021	4/2022	6/2023	47.60%
Nanjing	Yanlan Mansion (煙嵐雲莊)	37,106	–			–	63,095	44,422	–	–	–	10/2019	7/2020	10/2021	51.00%

City	Project/ Phase	Site area[1]	Completed: Total GFA Completed[2]	Completed: Saleable/ Leasable GFA[3]	Completed: GFA Unsold[4]	Completed: Rentable GFA held for Investment[3]	Under Development: Total GFA Under Development[2]	Under Development: Saleable/ Leasable GFA[3]	Under Development: Pre-sold/ Pre-leased GFA[4]	Held for Future Development: Total Planned GFA[2]	Held for Future Development: GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*				
Nanjing	Nanjing Xianlinzhigu FG1 Land Parcel (南京仙林智谷FG1地塊)	16,820	–			–	83,173	83,173	–	–	–	5/2020	4/2021	10/2022	47.60%
Nanjing	Nanjing Xianlinzhigu IG2 Land Parcel (南京仙林智谷IG2地塊)	19,406	–			–	–			–	82,665	7/2020	4/2021	10/2022	47.60%
Nanjing	Jiuxi Mansion (玖熙府)	121,488	–			–	263,815	–	–	–	–	3/2020	8/2020	7/2022	51.00%
Suzhou	Waglan Court (望瀾庭)	35,085	–			–	100,012	95,753	–	–	–	3/2020	7/2020	5/2022	40.60%
Shangrao	Celebrity Mansion (君宸)	82,400	–	–	–	–	283,103	281,093	192,064	–	–	8/2018	9/2018	3/2021	47.39%
Jiujiang	Jiujiang Mansion (九江印)	317,057	–			–	946,275	913,668	66,199	–	–	1/2019	1/2019	5/2021	20.00%
Wuhan	Courtyard in Jiangnan (江南大院)	25,480	–			–	75,185	61,384	29,326	–	–	1/2019	7/2019	4/2021	100.00%
Wuhan	Chenguangli (宸光里)	64,992	–			–	232,332	229,536	–	–	–	4/2020	9/2020	9/2022	30.00%
Wuhan	Wuhan Economic Development Zone No. 17 Land Parcel (武漢經開17號地塊)	48,102	–			–	–			–	155,970	8/2020	12/2020	11/2022	50.00%

City	Project/ Phase	Site area[1]	Completed: Total GFA Completed[2]	Completed: Saleable/ Leasable GFA[3]	Completed: GFA Unsold[4]	Completed: Rentable GFA held for Investment[3]	Under Development: Total GFA Under Development[2]	Under Development: Saleable/ Leasable GFA[3]	Under Development: Pre-sold/ Pre-leased GFA[4]	Held for Future Development: Total Planned GFA[2]	Held for Future Development: GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*				
Shanghai	Dexin • Zhizao 368 Project (德信•智造368項目)	50,012	58,176	58,176		58,176	–	–		–	–	N/A	N/A	N/A	70.00%
Kunshan	Duhuidajing (都薈大境)	45,877	–			–	155,393	151,883		–	–	6/2020	9/2020	9/2022	47.26%
Shanghai	Zhihui Gang (智慧港)	53,117	–	–	–	–	77,155	35,672	9,763	–	–	9/2019	1/1900	8/2020	26.40%
Chengdu	Guanlan Courtyard (觀瀾大院)	52,915	–			–	107,390	106,755	21,071	–	–	12/2019	2/2020	9/2021	41.39%
Chengdu	Jinxiutiancheng (錦繡天成)	152,119	–			–	234,175	232,268	20,209	–	–	1/2020	4/2020	4/2022	30.00%
Chengdu	Land Parcel TF2020-10 (TF2020-10地塊)	28,432	–			–	–			–	100,770	9/2020	12/2020	4/2023	38.85%
Chengdu	Land Parcel TF (07) 2020-09 (TF(07) 2020-09地塊)	42,135	–			–	–			–	96,801	10/2020	1/2021	9/2022	100.00%
Guangzhou	Golden Mileage (金色里程)	49,113	–			–	199,834	191,283	42,273	3,096	–	9/2019	10/2019	5/2021	20.00%
Wuxi	Elegant Yunxi (雲溪名著)	28,064	–	–	–	–	87,390	85,119	17,358	–	–	10/2019	12/2019	3/2022	35.97%
Foshan	Langqing Yuan (朗晴苑)	26,578	–			–	88,903	88,903	–	–	–	12/2019	8/2020	12/2021	51.00%
Foshan	Jiangnanyin Fu (江南印府)	22,432	–			–	77,697	75,230	2,648	–	–	10/2019	5/2020	12/2021	21.09%
United States	One Park	13,423	38,867	24,795	17,909	420	–	–	–	–	–	10/2015	7/2017	9/2018	49.00%

Notes:

1 Data on site area have been excerpted from the information contained in the relevant land use rights certificate and housing title certificate (or real estate title certificate) or, if there is no relevant land use rights certificate, from the data on site area in the land grant agreement.

2 With respect to the GFA, the data on a completed project have been excerpted from the housing title certificate (or real estate title certificate) or documents of acceptance; the data on a project under development or planning shall be excerpted from the information (with a deviation of no more than 3% from the actual GFA) contained in the relevant construction work planning permit or construction work commencement permit or, if there is no construction work planning permit, from the data on the capacity building area in the land grant agreement.

3 Leasable GFA refers to the area from which rental income can be generated.

4 A property is considered as "sold" after the Group entered into the relevant purchase agreement with and has delivered it to the customer. A property is deemed to have been delivered to the customer after it has passed the acceptance check. A property is considered as "pre-sold" in the event that the Group has entered in the relevant purchase agreement but has not yet delivered it to the customer.

5 Refers to the date on which the Group obtained the construction work commencement permit or the date estimated by the Group.

6 Refers to the date on which the Group obtained or is expected to obtain the pre-sale permit of the project, based on the internal records of the Group.

7 Refers to the date on which acceptance examination upon completion is obtained or the expected date of completion.

8 Based on the actual equity interests held by the Group in the relevant project companies pursuant to PRC laws.

As of June 30, 2020, there were 17 projects for which our project companies had entered into contracts or obtained land grant confirmation letters but for which we had not obtained the relevant rights certificates.

In general, land use rights in the PRC are for a term of 70 years for residential properties, 40 years for commercial properties and 50 years for comprehensive use properties. The relevant authorities will not issue a formal land use rights certificate in respect of a piece of land until we (i) pay the land premium in full; (ii) satisfy all conditions under the land grant contract according to applicable laws and regulations, and (iii) pay in full the relevant taxes and fees. As a result, according to the pace of development, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates were granted at different stages of development.

The site area information for an entire project is based on either the relevant land use rights certificates, land grant contracts or tender documents, depending on which documents are available. The aggregate GFA of a project includes salable and non-salable GFA, car parking spaces as well as leasable and hotel GFA. "Salable GFA" represents the GFA of a property which we intend to sell and which does not exceed the multiple of the 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. "Non-salable GFA" represents the GFA of a property which is not for sale and largely includes ancillary facilities such as clubhouses and schools. "Leasable GFA" refers to the GFA that is held for investment and is available for rental purposes and "hotel GFA" refers to the GFA of the relevant hotel subject to hotel management.

The figures for completed GFA that appear in this offering memorandum are based on figures provided in the relevant government documents. The following information that appear in this offering memorandum are based on our internal records and estimates: (a) figures for GFA under development, GFA held for future development, GFA sold and unsold, salable GFA, non-salable GFA, leasable GFA and hotel GFA, and (b) information regarding planned completion date and number of units. The information setting out the construction period for the completed blocks or phases of our projects in this offering memorandum is based on relevant government documents or our own internal records.

Properties are sold when the purchase contract with a customer has been executed and the properties have been delivered to the customer. Properties are pre-sold when the purchase contract has been executed but the properties have not yet been delivered to the customer.

We include in this offering memorandum the project names which we have used, or intend to use, to market our properties. Some of the names for our property developments are pending approvals by the relevant government authorities and may be subject to change.

Property Construction Services

Our property construction services refer to property project management services we provided for property development projects which are not owned by us. Similar to our own property projects, we outsource the construction works of these property development projects to third-party construction companies. As of June 30, 2020, we had one ongoing project, Nanyang Village Resettlement Land Parcel One (南垟村安置留地一號) which is located in Wenzhou, Zhejiang Province.

Hotel Operations

We developed Deqing Narada Boutique Hotel (德清德藍君亭酒店) located in Deqing, Huzhou in 2013. We have engaged Zhejiang SSAW Boutique Hotels Co., Ltd (浙江君亭酒店管理股份有限公司) (previously known as Zhejiang Shimao SSAW Boutique Hotels Management Co., Ltd. (浙江世貿君亭酒店管理有限公司)) ("Zhejiang SSAW"), an independent third party, to provide management and operation services for Deqing Narada Boutique Hotel. Zhejiang SSAW has appointed a general manager into this hotel to lead its management and operation together with our employees. We own the land use rights of Deqing Narada Boutique Hotel.

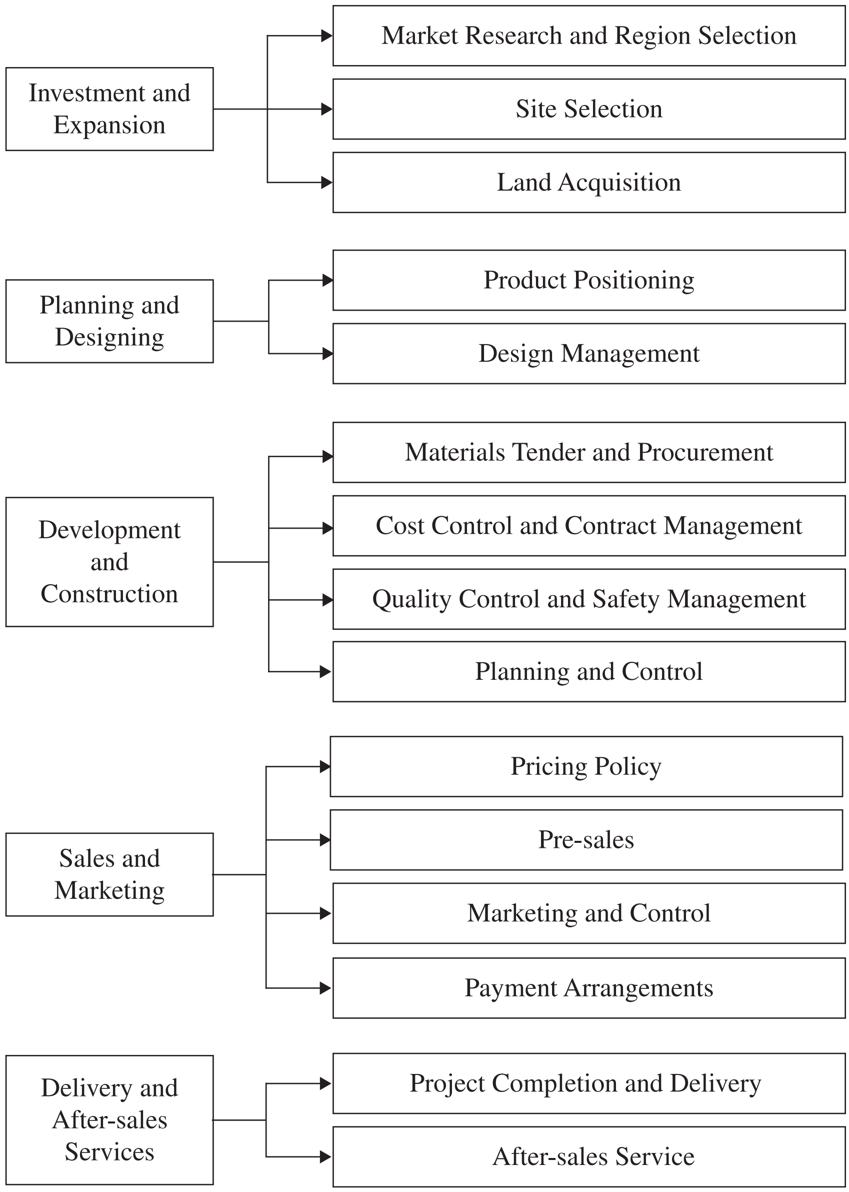
For each of the years ended December 31, 2017, 2018 and 2019 and six months ended June 30, 2020, the average room rate of Deqing Narada Boutique Hotel was RMB420, RMB401, RMB386 and RMB377 million (US$53 million), respectively, while its average occupancy rate was 58.0%, 50.2%, 38.5% and 22.3%, respectively. In addition, as of the date of this offering memorandum, we have another hotel under development, namely the Dexin SSAW Boutique Hotel in Ouhai District, Wenzhou. We intend to engage an independent third party service provider to provide management and operation services to this hotel or lease it to an independent third party. We own the land use rights of Dexin SSAW Boutique Hotel.

Property Leasing

We mainly own and have leased projects developed by us, such as (i) Delan Square (德藍廣場), an office building located in Deqing County, Huzhou, (ii) the commercial space on Sky Scraper A (九龍城A地塊) located in Pei County, Xuzhou and (iii) AI Industrial Park (AI 產業園) in Binjiang District of Hangzhou. We hold these properties for capital appreciation and rental income. For each of the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the rental income generated from these properties was RMB6.8 million, RMB27.0 million, RMB54.7 million and RMB49.9 million (US$7.1 million), respectively.

OUR PROJECT DEVELOPMENT PROCESS

We have demonstrated strong execution abilities and rich experience in developing large-scale residential properties and mixed-use projects that integrate residential buildings, shopping malls, office space and other complementary commercial properties. The following chart illustrates the main steps that our project development process generally involve:



Investment and expansion

Market Research and Region Selection

We have established a market research center to monitor and study the property market cycle and determine the right timing in making land acquisitions. We have an assessment system in conducting city and market research based on different criteria, and we select target cities after completing in-depth and extensive research. When we study a particular city, we analyze its economics, industries, population, transportation, urban construction planning and other relevant indicators. We conduct long-term and continuous monitoring of cities that perform well according to these indicators. When we study market conditions, we analyze consideration factors such as local customer structure, inventory level, demand structure, price level and other relevant market factors. Based on our city development and market condition analysis results, we will identify a map of cities to invest in and confirm the key regions where we plan to develop our presence.

Site Selection

We have standardized our investment decision-making process and initiated projects through an open tender, auction and listing-for-sale process and acquiring projects by way of merger and acquisition. Before investing in a particular site, our senior management will first analyze the key elements of the project as well as the region where the site is located. We make methodical and carefully considered decisions in strict compliance with our investment criteria. Our investment criteria primarily include:

1. Site location, including, among others, the overall economic conditions of the region, population structure and population density, competitive landscape, and industry structure;

2. Convenience of the site, including its transportation network, infrastructure and ancillary facilities;

3. Urban planning, including the policy trends and development plans of the local government and suitability for property development in that site;

4. Market supply and demand, as well as the disposable income and purchasing power of consumers;

5. Industrial policies of the region where the site is located;

6. Key economic indicators of the project, including its net profit margin of sales, global investment IRR and return time of shareholders' own funds.

Our regional subsidiaries manage the site selection process, with final decisions being made by our senior management. Our regional subsidiaries prepare the investment feasibility studies reports and submit the reports to our investment decision-making committee for making the final decisions. Our investment decision-making committee (normally made up of the Chairman, President and Vice President in charge of investment) will review the report and is responsible for approving the initiation of the project.

Land Acquisition

We acquire land primarily through a public tender, auction and listing-for-sale process, acquiring equity interests of other project companies holding land use rights, or purchasing property interests from other companies indirectly.

According to the Regulations on the Grant of State-owned Construction Land Use Right through Tender, Auction or Listing-for-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》), all lands for industrial, commercial, tourism, entertainment and commodity residential use have to be sold through a public tender, auction and listing-for-sale process. In a public tender, the local land bureaus in the PRC will sell the land to bidders based on the bid price only, or based on bid prices as well as the bidders' credit record and the quality of the development proposal. On the other hand, when land use rights are sold through an auction and listing-for-sale process, it is normally acquired by the bidder who offers the highest bidding price.

Regarding the land use rights that we have acquired from the secondary market, the relevant acquisitions were in compliance 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》) and the other relevant regulations.

In addition, we acquire a portion of our land by acquiring equity interests of project companies holding the land use rights of the target land parcels or directly purchasing land use rights from such companies. Regarding the project companies that we have acquired from the secondary market, the relevant acquisitions were in compliance with the Company Law of the People's Republic of China.

Planning and Designing

Product Positioning

We conduct product positioning at the early investment and expansion stage. We believe we have developed capabilities to accurately assess target lands and target customers. We developed products in strict compliance with our standardized workflow. We generally identify the relationship between the land, our customers and the projects so as to ensure precision in our product positioning, enhance profitability and minimize risks. Based on our customer and competitor analysis results, we believe we can precisely position our projects to meet customers' needs. While keeping costs under control, we have been able to provide competitive products and build a premium brand.

For residential properties, we have developed a precisely targeted product series based on our in-depth research and data analysis that we have accumulated throughout the years on lands and customer demand in urban areas and customers' needs and preferences. For nonresidential properties, we position our products according to the nature of the land, industrial demand, customers' needs and our competitive advantages. Our nonresidential projects include commercial properties and industrial properties. Our properties are classified as follows:

Design Management

Our in-house design department's design management process has the following objectives: (i) fully utilizing the advantages of our design management team, (ii) expanding the design resources for our projects, and (iii) enhancing our product design quality through professional and efficient design management.

We engage third-party design institutions or consultancy firms to implement our designs. We compare and consider the offers of various design firms and select the firms offering the best production concepts, product value, quality, cost control and services. During 2017, 2018 and 2019 and the six months ended June 30, 2020, we have entered into long-term and strategic cooperation arrangements with certain leading domestic design firms for them to cooperate with our design department. We believe the reputations of these firms, their abilities to design and innovate, their good understanding of our requirements and standards can help us shorten the design time needed and develop higher quality products.

Development and Construction

Project Construction

To comply with relevant PRC laws and regulations, before construction can commence, we must first obtain the development rights to the relevant land parcel and the necessary permits and certificates, which include the 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). As of the date of this Offering Memorandum, except for the projects we had not commenced construction, we had obtained land use rights certificates and all relevant certificates (if applicable, real estate rights certificates) and permits as required by the PRC laws and regulations for all of our projects or project phases under development and projects held for future development.

Moreover, we are also required to commence construction of our developments within the time prescribed by PRC laws and regulations or otherwise our lands may be regarded as "idle land" and as a result we may be subject to certain penalties and the idle land might be resumed without any compensation. Under the Measures on Disposal of Idle Land (《閒置土地處置辦法》) promulgated by the Ministry of land and Resources 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. During 2017, 2018 and 2019 and the six months ended June 30, 2020 and up to the date of this offering memorandum, we did not hold any idle lands and were not required to forfeit any land or pay any idle land fee by the government authorities.

Materials Tender and Procurement

We are responsible for directly procuring certain special construction materials and equipment from our suppliers through a tender process, such as the doors, windows and elevator equipment used in our projects. To ensure quality, we normally procure materials from approved qualified suppliers' within our suppliers' database. Our database contains data about the service quality and pricing of related suppliers and is regularly reviewed and updated. At least three qualified contractors from the database will be invited to submit bids in any single tender, and we will assess the price and quality of each supplier. When we select suppliers, we will consider their product and service quality, suitability in handling the potential projects and their reputation.

Construction companies are normally responsible for the procurement of most construction materials such as steel and cement but we will generally specify in our construction contracts regarding certain brands and the quality requirements for such materials that they need to procure. The procurement terms are usually fixed-priced and do not contain any minimum purchase commitments. We can, to a certain extent, pass the increases in raw material costs onto our customers by increasing the prices of our properties. However, we 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 general, we make payments to our suppliers in installments in accordance with the terms and conditions stipulated in the procurement contracts, and payment terms granted by our suppliers may vary depending on factors such as the relationship between the supplier and us and the transaction size. We normally settle payment to our suppliers within 30 days of the receipt of their invoices, which are normally provided to us after the products having passed our quality control inspection processes and those of the construction supervision companies.

Most of our general contractor agreements include price adjustment mechanisms, under which contract prices will adjust accordingly if market prices of the related materials fluctuate beyond a certain range (normally 3% to 8%). Therefore, we will assume or enjoy the related risks or benefits that arise from material price volatility. In 2017, 2018 and 2019 and the six months ended June 30, 2020, our Directors believe that the volatility in construction material prices did not exceed the range we have agreed with our construction contractors.

Our construction materials are primarily procured from our suppliers in the PRC. Our group level project management department and the project management teams at our local subsidiary's level will monitor the quality in project development, carry out monthly on-site inspection and check the construction materials before they are used in our projects. We do not normally maintain inventories of special construction materials and equipment that we have purchased, and will order them as and when required. As we have established a qualified supplier's database, we have sufficient options and alternatives when a supplier fails to meet our demand, which largely prevents the risk of supply shortages. In 2017, 2018 and 2019 and the six months ended June 30, 2020, we were not subject to any shortage of or delay in supply of construction materials or equipment that had a material adverse impact on our operations.

Cost Control and Contract Management

We have established a vigorous cost control system. After approval of the project plan, we apply the same cost control standard according to our internal cost control guideline, and estimate our target cost. These targets will be reviewed by our cost management center and finance center and serve as benchmarks for implementing the actual cost control mechanisms for the projects.

We have established a cost management center at our headquarters, and have aligned our projects under our cost and contract management system to monitor the costs incurred for each project each month, including comparing the actual costs incurred to the contract price, settlement price and payment to be made each month. It estimates the potential costs and review their reasonableness. We compare each project to our other projects and analyze its cost profile at the planning and designing stage. If there are material changes in project positioning or market conditions which cause the actual costs to exceed target costs, such changes will be reported to our senior management to make the necessary decisions and to seek approval in accordance with our internal regulations.

We have a contract management system which forms part of our cost management information system. The information recorded in the system includes the payment timetable for each construction or procurement contracts that we have signed. Our Directors believe that the contract management system helps us manage our payment, settlement, certificate alternation and cash flow, and allows us to assess the quality of our suppliers and service providers, thus providing useful information for the selection of our contractors and suppliers in the future.

Quality Control and Safety Management

We place emphasis on ensuring good construction quality and the importance of safety. We value quality control and construction safety in all of our projects to ensure they meet the relevant regulatory requirements. Our quality and safety management methods include:

Planning and Control

We have established a planning and management system for project development during the full life cycle of a project with the aim to achieve high operation efficiency whilst maintaining a low risk exposure as our core and ideal strategy. We have incorporated such a planning and management system into our IT system. The system can assist us to prepare, adjust, approve, examine, and perform the reporting functions for the relevant projects. It can also help us confirm the project timetable, plan deadlines, its responsible persons and relevant approvers. If there is any delay in project construction, we will take remedial measures or accelerate project implementation so as to ensure the timely completion of the entire projects and minimize the impact of such delay. The agreements that we have signed with the third-party contractors also include detailed project construction timetables. There had not been any material adverse effect arising from quality issues in 2017, 2018 and 2019 and the six months ended June 30, 2020.

Sales and Marketing

Pricing Policy

Our project pricing is mainly determined by a number of factors such as our strategic planning, profitability targets, competitive landscape, cost profile, and sales volume targets. The pricing of our projects open for sale is determined based on factors such as the prices we planned at the project initiation stage, pricing of the nearby projects, quantity of our prospective customers, customers' interest, our target sell-through rate, and general market conditions. We normally adopt the prices planned at the project initiation as our bottom line price, and we will then add a reasonable premium onto it while ensuring our ability to achieve an adequate sell-through rate.

We have adopted a "timely management and dynamic adjustment" pricing policy. We closely monitor the market conditions and sales of each project through our internal daily, weekly and monthly sales reports, as well as the sales management platform at our headquarters. We timely adjust our sales strategy and pricing to ensure fulfillment of our sales targets, and strike a balance between our target pricing premiums and sell-through rates.

Pre-Sales

According to the applicable PRC laws and regulations, there are certain criteria which must be met before we commence any pre-sale activities for a property under development. These conditions include full payment of the land grant premium and acquisition of all relevant land use rights certificates, construction-related permits and pre-sale permits. Before pre-sales, we will pay all land premiums and acquire all the relevant licenses and permits including pre-sale permits, in strict compliance with the applicable PRC laws and regulations. Subject to the local government policy on pre-sales activities, our pre-sales activities normally take place within 6-10 months after the acquisition of relevant land parcel. The proceeds derived from our pre-sales will only be used for constructing and developing relevant projects according to the applicable rules and regulations of the cities where the projects are located.

We usually commence pre-sales activities for our properties prior to their completion of projects. We directly display our properties and services to customers through our model flats and show rooms for inspection.

Marketing and Control

We have adopted a three-tier marketing system which consists of our marketing management headquarters, regional marketing departments and project marketing teams. The marketing management headquarters will formulate standardized management processes, set marketing targets, approve the pricing plans, control marketing costs and assess the performance of marketing teams. The functions of our regional marketing departments vary depending on the size of regional markets and project distribution. The regional marketing departments are also responsible for formulating marketing strategies and monitoring implementation of the detailed marketing plans. The project marketing teams are responsible for executing marketing plans.

The marketing and sales strategies vary from project to project and depend on factors including market conditions, project scales and targeted customers. We market properties through visual and print media channels such as newspapers, television and billboards, as well as the Internet. Our marketing model is primarily driven by our in-house sales teams. Some of our projects will introduce external sales agents in order to achieve our desired performance targets.

Payment Arrangements

We have adopted a "rapid capital recovery" payment policy. Although pursuing a high sell-through rates is important, we also attach high importance to managing our customers' payment recovery. We have set up standardized operational steps for our sales processes in order to avoid any deviation that can negatively impact on the pace of capital recovery and impede our capital flow. We control each step in the sales process, including appointing employees to take charge of each step, and setting up operational processes and completion deadlines for each step, all in an effort to comprehensively monitor the project sales process and resolve any problem that may impact on our payment recovery and speed up capital flow.

Consistent with the market practice in the PRC, we have entered into long-term cooperation agreements with banks on providing mortgage loans offered to our customers. If necessary, these banks will require us to provide guarantees for the mortgage loans. The guarantee will last until the earlier of the following two dates: (i) the date when the property ownership rights are transferred to our buyers, and the related building ownership certificates to which banks are beneficiaries are registered, or (ii) the date when mortgage loans are settled between the mortgagee bank and the purchaser, under the circumstance that the purchaser pays off purchase price in advance. As a guarantor, we must pay the outstanding amount to the banks according to the loan agreement if our buyers fail to repay the mortgage loans on time.

Delivery and After-sales Services

Project Completion and Delivery

We are committed to delivering high-quality properties to our customers in accordance with the delivery timetable under the pre-sale or sales contracts. When delivering the properties to our customers, we need to obtain the relevant project completion certificates (property construction completion acceptance forms) or other certificates required under the sales contracts we entered into and the applicable laws and regulations. The time gap between pre-sale and the procurement of project completion certificates is normally ranged from two to three years. In 2017, 2018 and 2019 and the six months ended June 30, 2020, we have not experienced any major delay in relation to the delivery of ownership rights documents after project completion or project sale.

Prior to project delivery, we will organize third parties to assess and identify risks in delivery, and rectify identified problems to ensure delivery quality. We closely monitor the project construction process and conduct checks prior to project delivery. Our specialized functional centers for construction, customer service and marketing will conduct checks to ensure the completed projects can meet our quality standards prior to delivery. Our employees will then inform our customers before the agreed delivery date under the sales contracts, to arrange the delivery process.

Delivery time is set out in the relevant sales contracts. In 2017, 2018 and 2019 and the six months ended June 30, 2020, we did not experience any delays in the delivery of properties which had any material adverse impact on our business, financial condition and results of operations. As of the same period, we did not encounter any delivery delays that can have material adverse effect on our businesses, financial status and operating performance.

After-sales Services

Our customer service center and the property management companies that we hire provide after-sales services. To boost service quality, we analyze customers' preferences and provide feedback to the design and construction teams. Our customer service team conducts surveys on homeowners' satisfaction, and collects and analyzes homeowners' data. We conduct differentiated homeowner satisfaction surveys with focuses on sales period, delivery period and move-in period. In addition, we rely on third-party agencies' data to ascertain homeowners' demands, resolve homeowners' problems, identify problems in and improve our after-sales services.

We have also set up the "De Ke Hui" (德客會) membership system for some of our projects. Homeowners who have purchased applicable properties can apply to become its members. We believe the membership system can help strengthen the relations between homeowners, build customer loyalty, enhance our brand image and allow us to receive homeowners' feedback more efficiently. It also helps us handle homeowners' complaints more efficiently.

INVESTMENT PROPERTIES

We have retained some of commercial properties we developed for long-term investment purposes, which is in line with our business strategy. As of June 30, 2020, these properties include our AI Industrial Park (AI產業園), Elegant Mansion (九溪雲莊) Hangzhou ONE (杭州ONE), Sky City Phase I (天空之翼一期), Delan Square (德藍廣場), Shenxian Garden (神仙居文化主題樂園), Shanghai Songjiang Project (上海松江項目), Sky Scraper A (九龍城A地塊) and Sky Scraper B (九龍城B地塊), with a total planned area of approximately 0.4 million sq.m.. We hold these commercial properties for capital appreciation. For the years ended December 31, 2017, 2018 and 2019, the fair value gains on our investment properties were RMB226.1 million, RMB191.7 million, and RMB186.2 million (US$26.4 million), equivalent to 3.4%, 2.3%, 2.0% of our revenue for the relevant periods. For the six months ended June 30, 2020, we recorded fair value losses on investment properties of approximately RMB71.5 million (US$10.1 million), equivalent to 0.9% of our revenue of the period.

PROPERTY LEASING

Commercial Property Leasing and Management

We established a commercial property leasing and management department to expand and operate our commercial property leasing and management business. To enhance our brand image as a property developer and operator, our commercial property leasing and management department formulates strategic plans, carries out in-depth feasibility studies, conducts precise business positioning and planning, introduces strategic/renowned tenants, maintains stable operational management and continuous marketing planning, and strengthens project management and supervision, thereby providing stable and consistent operational management services for our commercial property development and operations.

We mainly own and lease (i) Delan Square, an office building, in Deqing County, Huzhou, and (ii) the commercial space in the Sky Scraper A in Pei County, Xuzhou and (iii) the AI Industrial Park in Binjiang District, Hangzhou, to third parties. We hold these properties for capital appreciation and rental income. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the rental income generated from the rental properties were RMB6.8 million, RMB27.0 million, RMB54.7 million and RMB49.9 million (US$7.1 million), respectively.

Operation and management

In order to maintain the competitiveness and profitability of our investment properties, we closely monitor the operation and performance of individual stores of our tenants through operation and management, and assess their attractiveness to their customers, their sustainable operation abilities and their abilities to pay rent on time. We regularly collect our tenants' turnovers so that we can monitor the operating performance of each rental property in real time. By daily inspection activities, we could detect various problems on our tenants and properties, and promptly provide feedback and make relevant rectifications, so as to ensure the continued operation of our properties. We continue to attract customers and promote consumption by regular and irregular marketing campaigns.

Tenant selections

To maintain a high quality tenant base, we have established and maintained a brand database, including high quality brand clients selected in accordance with the business activities and past business relationships, which constitute the main source of potential tenants. Our commercial operation and management company is responsible for the operation of our shopping malls and management of the relevant database, including evaluating, rating the brands in the database, and adding and subtracting brands into or out of the database per annum.

Lease agreements

Our lease agreements entered into with tenants usually include clear terms such as tenancy term, rentals, deposits, payment arrangements, property management fees and liability for breach of contract. The tenancy term of a lease agreement depends on the type of tenant, which usually ranges from three to six years. Tenants usually have the right to renew their contracts preemptively under the same conditions after the expiration of their lease terms. If our tenants fail to perform their obligations, they will pay damages to us or we will have the right to rescind the contracts.

We usually charge tenant a fixed rental at the initial stage, and with respect to the rental for remaining lease term, usually increase the rental at a certain percentage year by year. In addition, for some clients, we may also charge a certain percentage of their total turnovers as our rentals. Tenants are required to report their total revenue to us on a monthly basis.

We do not expect any significant difficulties in renewing lease contracts with existing tenants or entering into new lease agreements with suitable tenants. As of the date of this offering memorandum, we are not aware of any circumstances that may cause any tenants to default on their rental payments or to terminate their lease agreements in advance, which therefore may have a material adverse effect on our business, financial condition and results of operations.

Marketing and promotion

In order to maintain a high occupancy rate for our shopping malls opened and to be opened for business, we have carried out key marketing and promotion activities from four aspects, including but not limited to holding special theme activities to attract target clients, and their customers, creating art display with boutique themes and building a membership service system to create a unique business model, so as to enhance the attractiveness of our commercial and multi-use properties.

COMPETITION

We are a leading comprehensive property developer based in Zhejiang Province, China, focusing primarily on the development of residential properties and the development, operation and management of commercial and multi-use properties. According to the CRIC, in 2018, we ranked 5th in terms of total contracted sales of residential properties in all of the 11 prefecture-level cities in Zhejiang Province.

We believe that the PRC residential and commercial property markets in the regions we operate and in China as a whole are highly competitive and fragmented. Our existing and potential competitors include major national, regional and local real estate developers. We compete with other real estate developers on a number of factors, including but not limited to property and service quality, geographic location, price, financial resources, brand recognition and ability to acquire proper land reserves.

Despite the high level of competition, we believe we have demonstrated resilience to market changes and competition with our substantial experience and reputation in property development, creative design, property operations, prudent project planning and high quality property products and services. Further, given our brand recognition, proven property development capabilities, customer-oriented product offerings, and strong execution capabilities, we believe that we can continue to react promptly to the challenges in the PRC real estate market. We endeavor to further strengthen our market position in Hangzhou while we make selective entries into other cities in the Yangtze River Delta Region as well as other major cities nationwide.

INTELLECTUAL PROPERTY

We highly value brand development, and place significant emphasis on developing our brand image and we pay attention to the protection of our intellectual property rights. We conduct our business under the trademark “G”, which we have registered in the PRC, and “DoThink” which is licensed to us by Dexin Holding. In addition, our Directors confirm that we have been using and applying for registration of “德信地产” in both China and Hong Kong as of the date of this Offering Memorandum. We believe “DoThink” and “德信地产” has a relatively better reputation and is more recognized in Yangtze River Delta Region. We have registered and owned the trademark “留仙里 LIUXIAN VALLEY” for our tourism development project in Xianju, Zhejiang Province. At the same time, we have also applied for the registration of our trademark “DoThink德信地产” in Hong Kong. In addition, we have registered and own the domain name dexingroup.com.

As of the date of this offering memorandum, we are not aware of any infringement by us of any intellectual property rights owned by third parties, or by any third parties of any intellectual property rights owned by us.

INSURANCE

We maintain insurance, including social security insurance, for our employees as required by applicable PRC laws and regulations and as we consider appropriate for our business operations. Under applicable PRC laws and regulations, construction companies as employers are required to purchase insurance for their construction workers. In line with industry practice, we do not currently maintain additional insurance in this respect.

EMPLOYEES

As of June 30, 2020, we hired 1,811 full-time employees, all of whom are based in the PRC.

Work Nature	Number of Employees	As a Percentage of Our Total Employees
		(%)
Senior Management	112	6.2
Administration and Human Resources	116	6.4
Sales and Marketing	661	36.5
Construction and Cost Management	498	27.5
Audit and Finance	75	4.1
Operation	31	1.7
Accounting	136	7.5
Customer Service	65	3.6
Design	117	6.5
Total	**1,811**	**100.0**

We actively recruit skilled employees through multiple channels, including career fairs, the Internet, headhunters, internal referrals and online job advertisements. We prioritize recruiting employees who are committed to their work, appreciate our corporate culture and have the related working experiences. We provide consistent and systematic training to employees based on their positions and expertize, in order to enhance their expertize in real estate and their related fields.

In general, we provide competitive remuneration packages to employees, which include basic salaries, performance-based rewards and year-end bonus. We also pay social security insurance for our employees, including medical insurance, work-related injury insurance, endowment insurance, maternity insurance, unemployment insurance and housing funds. Our employees have not negotiated employment terms through trade unions or collective negotiation. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our respective expenditure on salary and welfare for our employees were RMB246.9 million, RMB352.9 million, RMB521.7 million and RMB186.2 million (US$26.4 million), accounting for 3.8%, 4.3%, 5.5% and 2.4% of our revenues, respectively. We also formulate project co-investment scheme to fully enhance the enthusiasm of our employees.

As of the date of this offering memorandum, we have complied with the applicable PRC labor and safety regulations in all material aspects, and we are not subject to any material labor dispute that could have adverse effect on our business operations, nor have there been any accident or complaints that could have material adverse effect on our operations.

INFORMATION TECHNOLOGY

We believe the effective operation of our information technology system is a safeguard for our business operations. Our information technology team is responsible for planning, model selection, implementation, optimization, daily operation and maintenance of the information system, to support our business expansion and meet our business needs. The centralized information technology system is controlled and operated by our headquarters.

The information technology system is subject to growing risks of cyberattacks. To mitigate such risks, we have purchased firewalls and prepared backups for system data. In addition, we regularly check our computer rooms and perform necessary upgrades to our servers, to prevent potential attacks. Our information security team arranges safety drills from time to time to ensure the smooth operation of our information technology systems in the long term.

ENVIRONMENTAL MATTERS

As advised by our PRC Legal Advisors, we have to comply with certain environmental laws and regulations of the PRC, including 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 Administrative Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings (《建設項目竣工環境保護驗收管理辦法》). Particulars of such environmental laws and regulations are set out in the section headed "Regulation—Environment protection" of this offering memorandum. Pursuant to PRC laws, all our real estate development projects have to go through environmental impact assessments. We are required to submit related environmental impact assessment reports and other necessary documents to the environmental authorities for assessment and approval. The permissions granted by the related government authorities will specify the standards to be complied with for the construction projects in terms of air pollution, noise emission, sewage and waste discharge. Relevant environmental protection measures must be incorporated into the design, construction and operation processes of the specified projects. Upon completion of each project, the relevant government authorities will inspect construction sites to ensure the properties have met all applicable environmental standards before being delivered to customers.

We have adopted the following measures to ensure our compliance with the applicable environmental laws and regulations: (i) select qualified construction contractors based on stringent standards, and overseeing their construction process; (ii) apply for inspection by the relevant government authorities upon project completion in a timely manner; and (iii) adopt environmentally-friendly equipment and designs. We also take other voluntary actions to protect the environment, and prioritize energy conservation and emission reduction when designing properties.

LEGAL PROCEEDINGS AND COMPLIANCE

We have been involved in disputes with various parties involved in the construction, development and the sale of our properties, including contractors, suppliers, construction workers, joint venture partners and property purchasers, in the ordinary course of business. We are not engaged in any litigation, arbitration or claim of material importance is known to us to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

Set out below is a 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 environmental protection, etc.

ESTABLISHMENT OF REAL ESTATE DEVELOPMENT ENTERPRISES

General Provisions

In accordance with the Law of the People's Republic of China on the Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) (the "**Urban Real Estate Law**") (promulgated on July 5, 1994, revised on August 30, 2007, August 27, 2009, August 26, 2019 and amended on March 27, 2020), real estate development enterprises are defined as an enterprise that engage in real estate development and operation for the purpose of making profits. In accordance with the Regulations on Administration of Development and Operation of Urban Real Estate (《城市房地產開發經營管理條例》) (the "**Development Regulations**") (promulgated and implemented on July 20, 1998 by the State Council, revised on January 8, 2011 and latest amended on March 24, 2019), 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 real estate/construction technicians and no less than 2 full-time accountants, each of whom shall hold the relevant qualification certificate.

Foreign Investment in Real Estate Development

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

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 that 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 issued by the relevant tax authority on the relevant tax payment; (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 by and Administration of Foreign Investment in the Real Estate Market (《關於調整房地產市場外資准入和管理有關政策的通知》) (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 Entry and Administration of Foreign Investment in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》) as follows. The requirements for the registered capital of foreign-invested real estate enterprises shall follow the provisions in the Provisional Regulations of the State Administration for Industry and Commerce on the Proportion of Registered Capital to Total Amount of Investment of a Sino-foreign Equity Joint Ventures (《國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定》) promulgated and became effective on February 17, 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 canceled.

QUALIFICATIONS OF REAL ESTATE DEVELOPERS

In accordance with the Development Regulations, a real estate development developer shall, within 30 days starting from the date of obtaining of the business license, file the relevant documents with the real estate development authorities where the registration authority is located. The relevant real estate development authorities shall, on the basis of its assets, specialized technical personnel and development and management achievements, verify the class of qualification of the real estate developer 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 amended on May 4, 2015 and December 22, 2018, a real estate developer 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 shall, within one month prior to the expiration of the Interim Qualification Certificate, apply to the competent real estate authorities for the approval of qualification classes. Enterprises engaged in real estate development are classified into four qualification classes: Class I, Class II, Class III and Class IV on the basis of their financial conditions, experience in real estate development business, construction quality, the professional personnel and quality control system, etc.

Based on Circular 77, there is no limitation on the construction scale for an enterprise who holds a Class I qualification and it can contract for any real estate development project throughout the country. An enterprise who holds a Class II qualification or lower qualification may contract for a development construction project whose GFA shall not exceed 250,000 sq.m.. The specific scope of the business undertaken thereby shall be determined by the competent construction authorities of the people's government of the province, autonomous region or municipality directly under the Central Government. Take Hangzhou as an example, real estate enterprises with a Class III qualification can contract for the real estate development project whose GFA is less than 150,000 sq.m., and those with a Class IV qualification can only contract for the project with a GFA less than 80,000 sq.m., pursuant to Several Provisions on Urban Real Estate Development and Management in Hangzhou (《杭州市城市房地產開發經營管理若干規定》) promulgated on August 24, 2015. For a newly established developer, the real estate development authorities shall issue the Interim Qualification Certificate to the eligible developer within 30 days after it reports its establishment to the real estate development authorities, pursuant to Circular 77.

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.

In accordance with the Regulations on Administration of Development of Real Estate of Zhejiang Province (《浙江省房地產開發管理條例》), promulgated on September 25, 1993, firstly amended on July 14, 1997, secondly amended on December 28, 2001, thirdly amended on March 29, 2004, qualification certificate shall be revoked when a real estate developer did not engage in real estate development without due cause more than one year from the date on which it receives its business license.

LAND USE RIGHTS FOR REAL ESTATE DEVELOPMENT

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. Where land in rural areas and suburban areas are legally owned by the State, the State holds ownership rights. The State has the right to resume its ownership of land or the land use rights for public interest reasons. 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 People's Republic of China (《中華人民共和國民法典》), which was issued on May 28, 2020 and became effective on January 1, 2021, 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 July 5, 2000, the standing committee of people's congress of Zhejiang Province promulgated Measures of Zhejiang Province for the Implementation of the law of the PRC on Land Management (《浙江省實施<中國人民共和國土地管理法>辦法》) (revised on December 30, 2009). These Measures stipulated the specific and special requirements regarding grant process and transfer of land use right in Zhejiang Province.

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 State-Owned Land Use Right through Tender, Auction or Listing-for-Sale (《招標拍賣掛牌出讓國有土地使用權規定》), issued by the Ministry of Land and Resources of the PRC on May 9, 2002 and revised as of September 28, 2007 with the name of Regulations on the Grant of State-Owned Construction Land Use Right through Bidding, Auction and Listing-for-Sale (《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-Sale (《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-sale, 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. The criteria on the Remising of State-owned Land Use Right by Agreement (For Trial Implementation) (《協議出讓國有土地使用權規範》(試行)) issued by the Ministry of Land and Resources on May 31, 2006 and came into effect on August 1, 2006 further clarifies the specific due procedures and requirements related to remising of state-owned land use right by agreement.

According to the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (《關於印發<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.

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

DEVELOPMENT OF REAL ESTATE PROJECTS

Commencement of Real Estate Development Projects

According to the Urban Real Estate Law, those who have obtained the right of land use by the way of grant for real estate development must develop the land in accordance with the 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 of 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 where the delays are caused by force majeure, the activities of government, or the delay in the necessary preliminary work for starting the development.

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

- development and construction of the state-owned idle land is not commenced after one year of the prescribed time 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 24, 2015 and April 23, 2019, and a License for the Planning of Construction Projects (《建設工程規劃許可證》) from the municipal planning authority should be obtained by the real estate developer.

Construction Work Commencement 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 September 19, 2018 by MOHURD.

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

In accordance with the Circular on Strengthening and Standardizing the Administration of Newly-commenced Projects (《關於加強和規範新開工項目管理的通知》) promulgated by the General Office of the State Council on November 17, 2007, construction projects shall meet certain conditions before commencement including complying with the national industrial policies, development and construction plans, land supply policies and market access criteria; completing the approval, ratification or filing procedures; complying with the urban and rural planning; obtaining the approval of the use of land; completing the approval of the environmental impact assessment; completing the energy-saving appraisal and examination for fixed asset investment projects; and acquiring the construction permit.

Acceptance and Examination upon Completion of Real Estate Projects

Pursuant to the Development Regulations, the Administrative Measures for the Registration Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the Ministry of Construction on April 4, 2000 and amended on October 19, 2009 and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated and implemented by the MOHURD on December 2, 2013, upon the completion of a real estate development project, the real estate developer 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 1 March 1998 and amended on April 22, 2011 and 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.

REAL ESTATE TRANSACTIONS

Sale of Commodity Properties

Under the Measures for Administration of the Sales of Commodity Properties (《商品房銷售管理辦法》) (the **"Sales 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, the proceeds from pre-sales of commercial buildings shall only be used to fund the construction of relevant projects. In addition, Provisional Administration Measures for the Pre-sales of Commodity Properties of Zhejiang Province (《浙江省商品房預售資金監管暫行辦法》) promulgated by Department of Housing and Urban-rural Development of Zhejiang Province on September 16, 2010 and came into effect on November 1, 2010, provides that the real estate developer shall sign an agreement on the supervision and control of proceeds from pre-sales of commercial buildings with the supervise bank, and set up a specific bank account for those proceeds. The pre-sales permit shall only be granted when the real estate developer has signed the above-mentioned supervision agreement. Furthermore, the proceeds from pre-sales of commercial buildings shall be directly deposited in the said account and shall not be withdrawed in cash form. The usage of the proceedings is subject to the supervision of the bank and could only be possible when the real estate developer have submitted the application and proof of the completion of certain part of the project or other valid proof for payment.

Sales after Completion of Commodity Properties

Under the Sales 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 secondhand commercial properties. In addition, The Implementing Rules for Sales of Commodity Properties at Clearly Marked Price of Zhejiang Province (《浙江省商品房銷售明碼標價實施細則》), promulgated by the Price Bureau of Zhejiang Province on May 17, 2011, prescribes that the prices of all commodity properties for selling shall be disclosed within prescribed time at one time.

On February 26, 2013, the General Office of the State Council issued the Notice on Further 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 sales of properties.

Mortgage of Properties

The mortgage of real estate in the PRC is mainly governed by the Civil Code of the People's Republic of China (《中華人民共和國民法典》) and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》). According to these laws and regulations, land use rights, the buildings and other 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. Noncompliance with such registration and filing requirements shall be subject to fines up to RMB10,000. According to the Urban Real Estate Law, the land appreciation income contained in the rental income derived from any building situated on allocated land where the land use rights have been obtained through allocation, shall be turned over to the State.

Under the Civil Code of the People's Republic of China (《中華人民共和國民法典》), which was issued on May 28, 2020 and became effective on January 1, 2021, the term of a leasing contract shall not exceed 20 years.

REAL ESTATE REGISTRATION

The Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), promulgated by the State Council on November 24, 2014 and became effective on March 1, 2015 and amended on March 24, 2019, and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated by the Ministry of Land and Resources on January 1, 2016, and amended on July 16, 2019, provide that, among other things, the State implement 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 is convenient for the people.

REAL ESTATE FINANCING

Loans to Real Estate Development Enterprises

On August 30, 2004, the CBIRC issued a Guideline for Commercial Banks on Risks of Real Estate Loans (《商業銀行房地產貸款風險管理指引》). According to this guideline, no loans shall be granted to projects which have not obtained requisite land use 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 developers who applied for loans and contributed not less than 35% of the total investment of the property development project by its own capital. In addition, the guideline provides that commercial banks shall set up strict approval systems for granting loans.

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

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

On December 28, 2020, PBOC and CBRC jointly promulgated the Notice of the People's Bank of China China Banking and Insurance Regulatory Commission on the Establishment of a Concentration Management System for Real Estate Loans by Banking Financial Institutions (《中國人民銀行中國銀行保險監督管理委員會關於建立銀行業金融機構房地產貸款集中度管理制度的通知》), effective on January 1, 2021, which requires a PRC financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution. A relevant financial institution will have a transition period of two years or four years to comply with the requirements depending on whether such financial institution exceeded 2% 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.

Trust Financing

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

From October 2008 to November 2010, the CBIRC issued several regulatory notices in relation to real estate activities conducted by Trust Companies, including a Circular on Relevant Matters Regarding Strengthening the Supervision of the Real Estate and Securities Businesses of Trust Companies (《關於加強信託公司房地產、證券業務監管有關問題的通知》), promulgated by the CBIRC on October 28, 2008 and became effective on the same date, Notice of CBIRC on Relevant Issues Regarding Supporting the Innovative Development of Trust Companies 《中國銀監會關於支持信託公司創新發展有關問題的通知》, promulgated by the CBIRC on March 25, 2009 and became effective on the same date, Notice of General Office of CBIRC on Relevant Issues Regarding Strengthening the Supervision of the Real Estate Businesses of Trust Companies 《中國銀監會辦公廳關於加強信託公司房地產信託業務監管有關問題的通知》, promulgated on February 11, 2010 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). If a real estate developer intends to apply for the loan from a trust company, the real estate developer itself or its controlling shareholder shall obtain a Real Estate Development Qualification Certificate whose classification is no less than Class II.

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 home purchaser (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 that of the corresponding benchmark interest rate over the same corresponding period published by the PBOC; and (iii) for those who purchase three or more houses, even higher requirements on both down payments and interest rates shall be levied. In addition, the banks may suspend housing loans to third or more home buyers in places where house prices rise excessively, the prices are rapidly high and housing supply is insufficient.

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

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

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

ENVIRONMENTAL PROTECTION

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

In January 22, 2018, Administrative Measures of Zhejiang Province on Environmental Protection for Development Projects (《浙江省建設項目環境保護管理辦法》) was secondly amended, this Measure provides detailed environmental requirements and due procedures especially for the real estate development projects in Zhejiang Province.

CIVIL AIR DEFENSE PROPERTY

Pursuant to the PRC National Defense Law (《中華人民共和國國防法》) promulgated by the NPC on March 14, 1997, as amended on August 27, 2009, national defense assets are owned by the state. Pursuant to the PRC Civil Air Defense Law (《中華人民共和國人民防空法》) (the "Civil Air Defense Law"), promulgated by the NPC Standing Committee 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 Real Estate 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 Real Estate (《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. Pursuant to Measures for Implementing "the PRC Civil Air Defense Law" (amended in 2015) (《浙江省實施<中華人民共和國人民防空法>辦法(2015修正)》), promulgated by standing committee of people's congress of Zhejiang Province on September 3, 1999, firstly amended on January 16, 2004, secondly amended on May 28, 2014, thirdly amended on December 4, 2015 and Administrative Measures for Air Defense Basement of Zhejiang Province (《浙江省防空地下室管理辦法》), which was promulgated by People's Government of Zhejiang Province on April 8, 2016, and came into effect on June 1, 2016, the construction unit shall have the right to use and manage the civil air defense property which is constructed by itself in non-wartime, but shall also be obliged to undergo the registration procedures at eligible authorities. In addition, the construction unit may also be entitled with the right to use the civil air defense property intended for public use and be granted with the certificate of legally usage of civil air defense property when the usage is approved by authorities in charge of civil air defense at or above the county level.

MEASURES ON STABILIZING HOUSING PRICES

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

The Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Housing and Urban-Rural Development on Adjusting the Preferential Policies on Deed Tax and Business Tax during Real Estate Transactions (《財政部、國家稅務總局、住房城鄉建設部關於調整房地產交易環節契稅、營業稅優惠政策的通知》) 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.

Pursuant to Notice on Further Standardizing the Business Behaviors of the Real Estate Development Enterprises and Safeguarding the Order of the Real Estate Market (《關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知》) promulgated and implemented on October 10, 2016 by Ministry of Housing and Urban-Rural Development, competent real estate departments at all levels shall investigate and penalize illegal business activities of real estate developers, which include: (i) conducting malicious speculation and pushing up prices by fabricating or transmitting information on rise in price; (ii) collecting deposits, booking fees and other fees from consumers or collecting them in disguised forms by means of subscription, booking, issuing a row number and card, etc. to push up prices without meeting the requirements for selling commercial houses. Real estate developers conducting illegal business activities may be put on the list of real estate developers in serious violation of law in the light of circumstances.

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.

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

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

Pursuant to Notice of the Ministry of Housing and Urban-Rural Development, the Ministry of Finance, the People's Bank of China, and the Ministry of Public Security on Resolving Irregular Withdrawal of Housing Provident Funds (《住房城鄉建設部、財政部、人民銀行、公安部關於開展治理違規提取住房公積金工作的通知》) promulgated and implemented on May 2, 2018 by Ministry of Housing and Urban-Rural Development, Ministry of Finance, People's Bank of China, and Ministry of Public Security, all regions shall regulate and improve the housing provident fund withdrawal policy. The focus shall be on supporting the withdrawal of housing provident funds to purchase the first ordinary home or the second home as improvement in the place of contributions to housing provident funds or household registration, so as to prevent the withdrawal of housing provident funds for housing speculation. Housing provident fund management centers in urban agglomerations with frequent cross-regional movement of people, such as the Yangtze River Delta Region, shall take the lead in establishing a tighter assisted information verification mechanism so as to jointly prevent and control irregular withdrawal of housing provident funds.

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

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 Hangzhou and Xuzhou, 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.

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 ("**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.

TAXES

Corporate Income Tax

Pursuant to the PRC CIT 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》) which was promulgated on December 6, 2007 and with effect from January 1, 2008 and amended 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. Nonresident enterprises that have set up institutions or premises in the PRC must pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and income originating outside the PRC that has an actual relationship with the PRC institutions or establishments set up by such enterprises. Where nonresident 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 must pay enterprise income tax only in relation to the income originating from the PRC.

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 "**labor 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 implemented on May 1, 2016 and latest amended on June 15, 2018, real estate developer shall pay value-added tax for the sales of its self-developed real estate project.

Circular regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform (《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 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 19 November 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.

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 with effect from January 1, 1995 (last amended on December 29, 2018) and January 1, 2008 (amended on December 28, 2012), respectively, labor contracts shall be concluded if labor relationships are to be established between the employer and the employees.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on October 28, 2010 and 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 and amended on March 24, 2002 and March 24, 2019, employers shall undertake registration at the competent administrative center of housing provident fund and then, upon the examination by such administrative center of housing provident fund, undergo the procedures of opening the account of housing provident fund for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit housing provident fund for their employees in full amount.

INTELLECTUAL PROPERTY RIGHTS

China has adopted legislations related to intellectual property rights, including trademarks, patents and copyrights. China is a signatory party to the major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, the Madrid Agreement concerning the International Registration of Marks and Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, the Patent Cooperation Treaty, the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, and the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPs").

Regulations on Trademarks

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

Regulations on Domain Names

The Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) were promulgated by the Ministry of Industry and Information Technology of the PRC on August 24, 2017 and became effective on November 1, 2017. These measures regulate the registration of domain names in Chinese with the Internet country code of ".cn."

The Measures on Top Level Domain Names Dispute Resolution (《中國互聯網絡信息中心域名爭議解決辦法》) were promulgated by the China Internet Network Information Center on September 1, 2014 and became effective on the same date. These measures require domain name disputes to be submitted to institutions authorized by the China Internet Network Information Center for resolution.

MANAGEMENT

Our Board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of the members of our Board:

Name	Age	Position
Hu Yiping (胡一平)	53	Executive Director
Fei Zhongmin (費忠敏)	50	Executive Director
Shan Bei (單蓓)	36	Executive Director
Hu Shihao (胡詩豪)	25	Non-executive Director
Wong Wing Kuen Albert (王永權)	68	Independent non-executive Director
Ding Jiangang (丁建剛)	56	Independent non-executive Director
Chen Hengliu	65	Independent non-executive Director

DIRECTORS

Executive Directors

Mr. Hu Yiping (胡一平), aged 53, is our founder and has been our Director since January 16, 2018. He was re-designated as an executive Director and the chairman of our Board on August 14, 2018. He is the chairman of our nomination committee. He was also appointed as a director of Tak Yick International Limited and Dexin Holding (Hong Kong) Limited ("Dexin HK") on February 7, 2018 and March 22, 2018, respectively. He is also a director of certain members of us. Mr. Hu Yiping is the father of Mr. Hu Shihao, our non-executive Director and one of our Controlling Shareholders. He is also one of our Controlling Shareholders. Mr. Hu Yiping is primarily responsible for our overall development and investment strategies and major business decisions. He has over 23 years of experience in the PRC real estate industry. He established Dexin Real Estate Group Co., Ltd ("Dexin Real Estate") on September 1, 1995 and has been the director and chairman of the board of directors since then.

Mr. Hu Yiping is the vice president of the Zhejiang Province Real Estate Industry Association (浙江省房地產協會). He is also the chairman of Huzhou Chamber of Commerce in Hangzhou (杭州市湖州商會). Mr. Hu Yiping graduated from Zhejiang School of Construction (浙江省建築工業學校) in Zhejiang, the PRC in January 1987 with a diploma degree (中專學歷) in civil engineering specialty and from Zhejiang Yu Cai Workers' University (浙江育才職工大學) in Zhejiang, the PRC in June 1995 with an associate degree (大專學歷) in architecture. He also obtained his bachelor's degree in Financial Management (online course) from Tianjin University (天津大學) in Tianjin, the PRC in 2013. He also obtained his executive master of business administration (EMBA) from Xiamen University in Xiamen, the PRC in September 2018. He also obtained a qualification for senior economist issued by Zhejiang Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in December 2007. He also obtained a qualification for engineer issued by Personnel Department of Huzhou (湖州市人事局) in September 1996.

Mr. Fei Zhongmin (費忠敏), aged 50, has been our Director since January 16, 2018. He was re-designated as an executive Director and was appointed as our president on August 14, 2018. He is responsible for our business operation, day-to-day management and daily business decisions. He is also a director of certain members of us. He has over 22 years of experience in the PRC real estate industry. He joined us as a project manager of Dexin Real Estate in August 1997. Since then, he has served various positions in Dexin Real Estate and other subsidiaries of us, including vice president, executive vice president, president and director, during which his responsibilities included participating in the formulation of our strategy and the day-to-day management.

Mr. Fei graduated from Zhejiang Yu Cai Workers' University (浙江育才職工大學) in Zhejiang, the PRC in January 1995 with an associate degree (大專學歷) in architecture. He also obtained his executive master of business administration (EMBA) from Shanghai Jiaotong University (上海交通大學) in Shanghai, the PRC in June 2013. He also obtained a qualification for engineer issued by Personnel Department of Shaoxing (紹興市人事局) in November 2006.

Ms. Shan Bei (單蓓), aged 36, was appointed as the Executive Director on 25 August 2020 and was appointed as the Assistant President and General Manager of Financial Management Center. She is mainly responsible for the management of the financial affairs of the Group. She has more than 13 years of experience in the real estate industry in China. Ms. Shan graduated from Zhejiang University of Finance and Economics in June 2007 with a bachelor degree in management majoring in accounting. She also obtained the qualification of certified public accountant in March 2010.

Ms. Shan joined Dexin Real Estate Group in May 2011 and successively served as the Project Finance Manager, Deputy General Manager of Fund Management Center, Deputy General Manager of Financial Management Center, etc. Prior to joining Dexin Real Estate Group, from May 2010 to April 2011, she served as the accountant of a real estate development company in China. From July 2007 to May 2010, she served as an auditor of an accounting firm in China.

Non-executive Director

Mr. Hu Shihao (胡詩豪), aged 25, was appointed as our non-executive Director on August 14, 2018. He was also appointed as a director of Dexin HK on March 22, 2018. Mr. Hu Shihao is a member of our audit committee. He is the son of Mr. Hu Yiping, our executive Director and one of our Controlling Shareholders. He is also one of our Controlling Shareholders. Mr. Hu Shihao is primarily responsible for providing advice on our financial affairs. He has over four years working experience in the real estate industry.

Mr. Hu Shihao graduated from Boston College in Massachusetts, the United States in May 2018 with a bachelor's degree in finance. He also graduated in Columbia University in New York City, New York, the United States in May 2019 with a master degree in property development.

Independent non-executive Directors

Dr. Wong Wing Kuen Albert (王永權), aged 68, has been our independent non-executive Director since January 11, 2019. He is primarily responsible for providing independent advice on our operations and management. Dr Wong is the chairman of our audit committee of our Company. He has 25 years of experience in accounting. Dr. Wong is the principal consultant of KND Associates CPA Limited, Hong Kong, a private professional auditing firm in Hong Kong, and is responsible for administration, operation, audit and corporate taxation since January 2018. He is currently an Independent Non-executive Director of APAC Resources Limited (stock code: 1104), Solargiga Energy Holdings Limited (stock code: 757), China Merchants Land Limited (stock code: 978), China VAST Industrial Urban Development Company Limited (stock code: 6166), China Wan Tong Yuan (Holdings) Limited (stock code: 6966), Capital Finance Holdings Limited (stock code: 8239) and China Medical & HealthCare Group Limited (stock code: 383), all are listed on Hong Kong Stock Exchange.

Dr. Wong was the managing director of Charise Financial Planning Limited, a private professional consulting firm in Hong Kong, and was responsible for administration and operation from October 2005 to January 2014. He was the principal consultant of KND & Co., CPA Limited, a private professional auditing firm in Hong Kong, and was responsible for administration, operation, audit and corporate taxation from January 2014 to December 2017.

Dr. Wong obtained his bachelor's degree in commerce from a joint program held by Shenzhen University (深圳大學) in Shenzhen, the PRC and Clayton University in Missouri, the United States of America in May 1990. He also obtained a bachelor's degree in business management (online course) and a master's degree in business administration (online course) from Nottingham Trent University in Nottingham, the United Kingdom in December 2005 and December 2007, respectively. He also obtained his doctoral degree in philosophy in business administration from the Bulacan State University, Republic of the Philippines in December 2010.

Dr. Wong was elected or admitted and has remained as member of a number of institutions, including being a fellow member of The Taxation Institute of Hong Kong since January 1999, a fellow member of The Institute of Certified Public Accountants in Ireland since August 2000, a fellow member of The Hong Kong Institute of Chartered Secretaries since February 2002, a member of The Chartered Institute of Arbitrators since May 2002, a fellow member of The Institute of Chartered Secretaries and Administrators since September 2002, a fellow member of Association of International Accountants since September 2005 and a member of the Hong Kong Securities and Investment Institute since November 2012.

Mr. Ding Jiangang (丁建剛), aged 56, has been our independent non-executive Director since January 11, 2019. He is primarily responsible for providing independent advice on our operations and management. Mr. Ding is also the chairman of our remuneration committee and a member of audit committee and nomination committee. He has over 5 years of research experience in the PRC real estate industry. He graduated from Xi'an Metallurgy and Architecture College (西安冶金建築學院) in Xi'an, the PRC in June 1983 with a bachelor's degree in civil engineering specialty (工民建專業). Since May 2014, Mr. Ding has been the director of Zhejiang Daily Media Real Estate Institute (浙報傳媒地產研究院), which is engaged in provision of market analysis of real estate industry, and is responsible for research on real estate policy and real estate market.

Prior to joining us, Mr. Ding was the director of Transparent Market Institute (透明市場研究院), which is engaged in provision of market analysis of real estate industry, and was responsible for research on real estate policy and real estate market from March 2013 to May 2014. He was the assistant manager of the economic department of, and the deputy editor of the website Live in Hangzhou (住在杭州) of, Zhejiang Online News Website Co., Ltd. (浙江在線新聞網站有限公司), which is engaged in online news publication and he was responsible for researching financial properties and providing commentaries thereon from September 2008 to March 2013. He was the journalist and producer of Zhejiang Radio & TV Group (浙江廣播電視集團), which is engaged in publication and sales of newspaper, magazines and video, and he was responsible for production of property programs from April 1989 to September 2008. He was the teacher and the leader of teaching and research group of building structure of Zhejiang Construction Industrial College (浙江省建築工業學校) and was responsible for teaching building structure courses and management of the teaching and research group from November 1985 to April 1989.

Mr. Chen Hengliu, aged 65, has been our independent non-executive Director since January 11, 2019. He is primarily responsible for providing independent advice on our operations and management. Mr. Chen is a member of our remuneration committee and nomination committee. He has 12 years of experience in the PRC real estate industry. Since November 2006, Mr. Chen has been the vice president of Sunac China Holdings Limited (融創中國控股有限公司), a company listed on the Hong Kong Stock Exchange with stock code 1918 and engaged in property development), and the chairman of its Southeast regional branch, and he is responsible for our human resources and the development strategies of the Southeast regional branch.

Prior to joining us, Mr. Chen was the general manager of the United States subsidiary(ies) of China Sciences Group (Holding) Co., Ltd. (中科實業集團(控股)有限公司), which is engaged in the procurement and sales of technological products, and he was responsible for corporate development and human resources from 1994 to 1997. He was the assistant to the general manager and the manager of the development department of Legend Holdings Corporation (聯想控股股份有限公司) (previously known as Chinese Academy of Sciences Computer Technology Research Institute Technology Development Company (中國科學院計算技術研究所科技發展公司)), a company listed on the Hong Kong Stock Exchange with stock code 3396 and engaged in research and development and manufacture of computer products, and he was responsible for corporate development and human resources from 1988 to 1990. He was the assistant researcher of the Research Center of Contemporary Science History of the Institute for

History of Natural Sciences of Chinese Academy of Sciences (中國科學院自然科學史研究所近現代科學史研究室), which is engaged in research in science history, and he was responsible for research of history of contemporary technology development from 1985 to 1987.

Mr. Chen graduated from Beijing Normal University (北京師範大學) in Beijing, the PRC in July 1982 with a bachelor's degree in science. He also obtained his master's degree in science from Graduate University of Chinese Academy of Sciences (中國科學院研究生院) in Beijing, the PRC in May 1985.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The biography of each of our senior management member is set out below.

Mr. Fei Zhongmin (費忠敏), aged 50, is our executive Director and president. For details of his biography, please refer to "—Directors—Executive Directors" in this section.

Ms. Fang Jing (方靜), aged 45, was appointed as our executive vice president on August 14, 2018. She is primarily responsible for our marketing and sales, customer services and business management. She was the vice president of Dexin Real Estate from February 2012 to July 2014, and has been serving as the executive vice president of Dexin Real Estate since July 2014, primarily responsible for marketing and sales and customer services management. In addition, Ms. Fang was the sales director project general manager and general manager of Hangzhou region of Dexin Real Estate, primarily responsible for sales, customer services, project management and regional company's operation management from February 2006 to February 2012. She was the director of Dexin Real Estate (Quzhou) Co., Ltd. (德信地產(衢州)有限公司), primarily responsible for major business decisions from April 2016 to May 2018. She has 18 years of experience in the PRC real estate industry.

Prior to joining us in February 2006, Ms. Fang was the operational manager of Hangzhou Woaiwojia Real Estate Agent Co., Ltd. (杭州我愛我家房地產經紀有限公司), which is engaged in agency service of sale and purchase of commodity properties, and she was responsible for management of property leasing and sales from October 1999 to December 2002. She was the head of sales management department of Hangzhou Shengshi Weiye Real Estate Agent Co., Ltd. (杭州盛世偉業房地產代理有限公司), which is engaged in agency service of sale and purchase of commodity properties, she was responsible for sales management from December 2002 to February 2006.

Ms. Fang graduated from Zhejiang University (浙江大學) in Zhejiang, the PRC in June 1996 with a bachelor's degree in inorganic nonmetal material engineering. She also obtained her executive master of business administration (EMBA) from Zhejiang University (浙江大學) in Zhejiang, the PRC in December 2015.

Mr. Zhang Ce (張策), aged 49, was appointed as our vice president on August 14, 2018. He is primarily responsible for our daily design management and in charge of our product center. He has been serving as the vice president of Dexin Real Estate since February 2012, primarily responsible for product design, research and development. He has over 20 years of experience in the PRC real estate industry.

Prior to joining us in April 2010, Mr. Zhang was the chief engineer of Lianyungang Xiangyi Group Co., Ltd. (連雲港香溢集團有限公司) (formerly known as Lianyungang Xiangyi Real Estate Development Co., Ltd. (連雲港香溢房地產開發有限公司)), which is engaged in property development and property leasing, and he was responsible for property design and engineering management from October 2007 to September 2009. He was the deputy general manager of Zhongyi Group Co., Ltd. (中毅集團有限公司) (formerly known as Zhejiang Zhongyi Investment Co., Ltd. (浙江中毅投資有限公司)), which is engaged in industrial investment, and he was responsible for design work management from May 2005 to December 2009. He was the director of Lianyungang Architectural Design Research Institute Limited Liability Company (連雲港市建築設計研究院有限責任公司), which is principally engaged in design drawings, and he was responsible for architectural design and department management from July 1992 to March 2005.

Mr. Zhang graduated from Wuhan Urban Construction Institute (武漢城市建設學院) (currently known as Huazhong University of Technology (華中科技大學)) in Wuhan, the PRC in July 1992 with a bachelor's degree in engineering in architecture profession. He also obtained his master's degree in business administration from China Europe International Business School (中歐國際工商學院) in Shanghai, the PRC in August 2016. He has also obtained the qualification for senior architect issued by Human Resource Bureau of Jiangsu Province in November 2004 and qualified as the State's Registered Class One Architect (國家一級註冊建築師) issued by The National Administration Board of Architectural Registration in March 2009.

Mr. Shi Binbin (施斌斌), aged 42, was appointed as our vice president on August 14, 2018. He is primarily responsible for our investment and market research and analysis. He has been serving as the vice president of Dexin Real Estate since February 2017, primarily responsible for market research and strategic investment. He has over 16 years of experience in the PRC real estate industry.

Mr. Shi joined us in October 2001 and served as the deputy general manager of the engineering department of Dexin Real Estate from October 2001 to December 2007. He is also a director of certain members of us. He also served as the general managers of a number of our subsidiaries, including Wenzhou Dexin Real Estate Co., Ltd., Wenzhou Dexin Wutian Real Estate Co., Ltd., Wenzhou Dexin Guangjing Real Estate Co., Ltd. and Wenzhou Dexin Ecological Park Real Estate Co., Ltd., Wenzhou Dexin Mingcheng Real Estate Co., Ltd., Wenzhou Dexin Jintian Real Estate Co., Ltd. and Wenzhou Dexin Kaicheng Real Estate Co., Ltd. from July 2013 to February 2017. He then served as the manager of the engineering department of Guangde Sanshihede Real Estate Co., Ltd. (廣德三獅和德置業有限公司) (a joint venture company of us which is held by Dexin Real Estate, Shanghai Hechen Investment Co., Ltd. (上海禾臣投資有限公司) (an Independent Third Party) and Hangzhou Erjian as to 40%, 35% and 25% and engaged in property development and sale) from January 2008 to December 2010. He served as the deputy general manager of Changxing Dexin Real Estate Co., Ltd. (長興德信置業有限公司) from January 2011 to March 2013. He then served as the general manager of Wenzhou Dexin Real Estate Co., Ltd. and a region company in Wentai of Dexin Real Estate from April 2013 to December 2016.

Prior to joining us in 2001, he was the construction officer of Zhejiang Yuexing Construction Engineering Co. Ltd. (浙江越興建設工程有限公司) (formerly known as Zhejiang Changxing No. 3 Construction Engineering Company (浙江省長興縣第三建築工程公司)), which is engaged in industrial and civil construction engineering, and he was responsible for project construction management from July 1997 to February 2001.

Mr. Shi graduated from Zhejiang Construction Industrial College (浙江省建築工業學校) in Zhejiang, the PRC in July 1997 with a diploma degree in industrial and civil construction. He also obtained his bachelor's degree in civil engineering (online course) from Chongqing University (重慶大學) in Chongqing, the PRC in July 2011. He also obtained a qualification for engineer issued by Personnel Department of Shaoxing (紹興市人事局) in December 2005.

Mr. Gu Liqiang (顧立強), aged 45, was appointed as our vice president on August 14, 2018. He is primarily responsible for our operation, engineering and cost control of our Group. He has been serving as the vice president of Dexin Real Estate since February 2017, primarily responsible for operation, engineering and cost control. He has over 20 years of experience in the PRC real estate industry.

Prior to joining us in February 2017, Mr. Gu was the deputy general manager of Xuzhou Vanke Real Estate Co., Ltd. (徐州萬科房地產有限公司) (a subsidiary of China Vanke Co., Ltd. (萬科企業股份有限公司), which is a PRC residential property developer listed on both the Shenzhen Stock Exchange with stock code 000002 and the Hong Kong Stock Exchange with stock code 2202 ("Vanke")), which is engaged in property development, and he was responsible for engineering, cost, procurement, construction application and related affairs from February 2013 to February 2017. He also worked in several other property development companies in the PRC including (i) the director of Xuzhou Wanke City Real Estate Co., Ltd. (徐州萬科城置業有限公司) and Xuzhou Wanchen Real Estate Co., Ltd. (徐州萬宸置業有限公司), and (ii) the director, chairman and general manager of Xuzhou Dingjun Real Estate Co., Ltd. (徐州鼎郡置業有限

公司), Xuzhou Dingshang Real Estate Co., Ltd. (徐州鼎尚置業有限公司) and Xuzhou Dingxu Real Estate Co., Ltd. (徐州鼎旭置業有限公司) from October 2014 to January 2017, during which his primarily responsibilities included attending board meetings and directing and implementing daily production operation and management of companies under the leadership of the board. He was project chief manager and department head of engineering department of Zhejiang Vanke Nandou Real Estate Co., Ltd. (浙江萬科南都房地產有限公司) (a subsidiary of Vanke), which is engaged in property development, and he was responsible for overall project management and engineering management of project companies from May 2010 to February 2013. He was the project manager of China Overseas Real Estate (Hangzhou) Co., Ltd. (中海地產(杭州)有限公司), which is engaged in property construction, and he was responsible for overall project management from June 2007 to May 2010. He was the assistant manager of the engineering department of Shenzhen China Overseas Construction Co., Ltd. (深圳中海建築有限公司), which is engaged in property construction, and he was responsible for building system for construction quality, building system for standardization and management of progress of projects under development, quality and safety from July 2006 to June 2007. He served various positions in China Railway 22 Bureau Six Company (中鐵二十二局六公司), which is engaged in provision of building materials, including technician, technical director, project deputy manager and project manager, and he was responsible for engineering management of projects from July 1996 to July 2004.

Mr. Gu graduated from Beijing Jiaotong University (北京交通大學) in Beijing in July 2004 with a bachelor's degree in civil engineering (online course). He also obtained his master's degree in fluid machinery and engineering from Harbin Institute of Technology (哈爾濱工業大學) in Harbin, the PRC in July 2006. He has also obtained the qualification for civil engineer issued by China State Construction Engineering Corporation (中國建築工程總公司) in December 2008.

COMPANY SECRETARY

Ms. Chau Hing Ling (周慶齡), aged 45, was appointed as our company secretary on May 18, 2018. She joined Corporate Services of Vistra Corporate Services (HK) Limited since June 2013, and now serves as a director of Corporate Services, where she leads a team of professional staff to provide a full range of company secretary services. Ms. Chau has over 16 years of experience in the corporate services industry. Prior to joining Vistra Corporate Services (HK) Limited, she was the associate director of corporate secretarial of an international corporate services provider.

Ms. Chau is also currently the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange. Ms. Chau received a master of laws majoring in corporate and financial law from The University of Hong Kong in November 2007. She has been a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries since May 2013.

BOARD COMMITTEES

Audit Committee

We have an audit committee in compliance with the Listing Rules. As of the date of this Offering Memorandum, our audit committee comprises three members, namely Mr. Hu Shihao (a non-executive Director), Dr. Wong Wing Kuen Albert (an independent non-executive Director) and Mr. Ding Jiangang (an independent non-executive Director), the majority of whom are independent non-executive Directors. Dr. Wong Wing Kuen Albert is the chairman of this committee.

The main duties of the audit committee is to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; develop and implement policies on engaging an external auditor to provide non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed; monitor the integrity of our financial statements, annual reports, accounts, half yearly reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; review our financial controls, risk management and internal control systems; discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of our accounting and financial reporting function; consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within us, and to review and monitor its effectiveness where an internal audit function exists; review our operating, financial and accounting policies and practices; review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; report to the Board on the matters in the Terms of Reference; review arrangements our employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; review and monitor the training and continuous professional development of directors and senior management; review and monitor our policies and practices on compliance with legal and regulatory requirements; develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; act as the key representative body for overseeing our relations with the external auditor; develop and review our policies and practices on corporate governance and make recommendations to the Board; review our compliance with the corporate governance code from time to time adopted and disclosure in the corporate governance report; review our continuing connected transactions and ensure compliance with terms approved by our shareholders and perform our corporate governance functions.

Remuneration Committee

We have a remuneration committee. As of the date of this Offering Memorandum, the remuneration committee comprises three members, namely Mr. Fei Zhongmin (an executive Director), Mr. Ding Jiangang (an independent non-executive Director) and Mr. Chen Hengliu (an independent non-executive Director), the majority of whom are independent non-executive Directors. Mr. Ding Jiangang is the chairman of this committee.

The principal duties of the remuneration committee is to make recommendations to the Board on our policy and structure for the remuneration of all the directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; review and approve the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time; make recommendations to the Board on the remuneration packages of executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; make recommendations to the Board on the remuneration of our non-executive directors; consider factors such as the level of remuneration paid by comparable companies, the time commitment and responsibilities of directors and senior management, and the employment conditions of our Company and its subsidiaries and consolidated affiliated entities; consider the level of remuneration required to attract and retain directors for our successful management; consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in our subsidiaries and ourself; ensure that no director or any of his/her associates is involved in deciding his or her own remuneration. For the avoidance of doubt, members of the Committee must not be involved in deciding his or her own remuneration; review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and advise our shareholders on how to vote in respect of any service contracts of directors that require shareholders' approval in accordance with the Listing Rules, and as to whether the terms are fair and reasonable, and whether such contracts are in our interests and its shareholders as a whole.

Nomination Committee

We have a nomination committee. As of the date of this Offering Memorandum, the nomination committee currently comprises three members, namely Mr. Hu Yiping (chairman and executive Director), Mr. Ding Jiangang and Mr. Chen Hengliu (each being an independent non-executive Director). The majority of the committee members are independent non-executive Directors. Mr. Hu Yiping is the chairman of this committee.

The principal duties of the nomination committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement our corporate strategy; develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship; identify individuals who are suitably qualified to become a member of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of our independent non-executive directors; make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman of the Board and our chief executive officer; and develop a policy concerning diversity of members of the Board and to disclose the policy or a summary of the policy in the corporate governance report.

COMPENSATION OF DIRECTORS

The aggregate amount of compensation (including any salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by us during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 to those persons who have been or are our directors, was approximately RMB1.5 million, RMB2.9 million, RMB4.7 million and RMB1.5 million (US$0.2 million), respectively.

The following table sets forth certain information regarding ownership of our outstanding shares as of June 30, 2020 by those persons who beneficially own more than 5% of our outstanding shares, as recorded in the register maintained by us pursuant to Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"):

Name of Shareholder	Capacity	Number of Shares(1)	Approximate percentage of interest in ourself(3)
Tak Shin	Beneficial owner	1,764,000,000 (L)	65.30%
Ms. Wei Peifen(2)	Interest of spouse	1,974,000,000 (L)	68.08%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Ms. Wei Peifen is the wife of Mr. Hu Yiping. Under the SFO, Ms. Wei Peifen is deemed to be interested in Mr. Hu Yiping's interest in Tak Shin and Tak Yuan.

(3) The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as of June 30, 2020.

Except as disclosed above, no other interest or short position in our shares and underlying shares were recorded in the register.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on The Stock Exchange of Hong Kong Limited, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain "connected transactions" with "connected persons" be approved by a company's independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

BALANCES WITH RELATED PARTIES

The following table summarizes balances with our related parties as of December 31, 2017, 2018 and 2019 and June 30, 2020:

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(US$'000) (unaudited)*	*(RMB'000) (unaudited)*	*(US$'000) (unaudited)*
(i) Joint ventures						
Trade receivables from related parties	9,674	756	1,047	148	1,815	257
Trade payables to related parties	–	–	–	–	–	–
Amounts due from related parties	510,999	487,017	914,601	129,453	708,181	100,237
Amounts due to related parties	148,882	826,915	821,489	116,274	3,364,304	476,186
(ii) Associates						
Trade receivables from related parties	71,905	19,070	31,870	4,511	18,311	2,592
Amounts due from related parties	2,272,542	1,910,582	1,997,968	282,794	3,218,101	455,493
Amounts due to related parties	2,682,860	2,427,113	3,091,581	437,585	3,697,712	523,377
(iii) Entities controlled by Mr. Hu						
Trade receivables from related parties	1,115	930	1,102	156	2,694	381
Trade payables to related parties	24,324	26,459	59,825	8,468	37,376	5,290
Amounts due from related parties	3,208,567	381,223	6,099	863	41,134	5,822
Amounts due to related parties	76,729	14,044	71,940	10,182	90,201	12,767
Borrowings from entities controlled by Mr. Hu	110,349	–	–	–	–	–

TRANSACTIONS WITH RELATED PARTIES

The following table summarizes transactions with our related parties for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2017	2018	2019	2020	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000) (unaudited)*	*(US$'000) (unaudited)*
(i) Entities controlled by Mr. Hu					
Receiving of property management services	24,212	19,156	59,779	21,860	3,094
Receiving of construction and decoration services	31,116	113,462	171,552	59,107	8,366
Sale of properties	–	–	11,366	11,013	1,559
Purchase of financial assets at fair value through profit or loss	161,006	301,290	–	–	–
Receiving of financing and management services	39,417	48,642	–	–	–
Interest income	–	11,593	–	–	–
Interest expenses	5,206	23,006	–	751	106
Payment of lease liabilities	–	–	–	4,267	604

	For the year ended December 31,			For the six months ended June 30,	
	2017	2018	2019	2020	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(US$'000)* *(unaudited)*
(ii) Joint ventures					
Rendering of management and consulting services. .	12,524	4,137	1,862	9,215	1,304
Interest income	25,276	5,572	19,143	7,885	1,116
Interest expenses	–	8,801	4,995	10,222	1,447
Interest expenses for lease liabilities	–	–	–	7,146	1,011
Payment of lease liabilities	–	–	–	6,608	935
(iii) Associates					
Rendering of management and consulting services. .	47,733	19,086	50,000	81,299	11,507
Interest income	15,453	25,151	6,078	18,131	2,566
Interest expenses	5,386	2,035	62,477	288	41
(iv) An entity jointly controlled by Mr. Hu					
Purchase of equity interests of a subsidiary	–	–	353,550	–	–
(v) Close family members of Mr. Hu					
Sales of properties	8,533	3,145	1,483	12,169	1,722

KEY MANAGEMENT COMPENSATION

The following table summarizes our key management compensation for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2017	2018	2019	2020	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(US$'000)* *(unaudited)*
Salaries and other employee benefits	7,225	6,709	10,066	2,765	391
Pension costs	446	491	533	195	28

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions. As of June 30, 2020 our total outstanding external borrowings amounted to RMB23,110.9 million (US$3,271.1 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness. Since June 30, 2020, we have incurred additional indebtedness, repaid some of our existing indebtedness and in sum, our total borrowings have increased. 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.

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks and financial limited companies, including, but not limited to, China Merchants Bank, China Zhe Shang Bank, Bank of Communications, Industrial and Commercial Bank of China, Bank of China, China Minsheng Bank, SPD Bank, Ping An Bank, Bank of Shanghai, Bank of Beijing, China Huarong Asset Management Co., Ltd., CCB International (Holdings) Ltd., and Zhejiang Zheyin Financial Leasing Co., Ltd.

Project Loan Agreements

PRC bank loans are typically project loans to finance the construction of our projects (the "project loans") and have terms ranging from six months to 10 years, which generally correspond to the construction periods of the particular projects. As of June 30, 2020, the aggregate outstanding amount under these project loans totaled approximately RMB18,726.6 million (US$2,650.6 million). Our project loans are typically secured by certain buildings, land use rights, investment properties, equity interests of group companies, properties under development and completed properties held for sale of us.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates are generally subject to review by the banks regularly. Interest payments are generally payable on a monthly or quarterly basis and must be made on each payment date as provided in the particular loan agreement. As of June 30, 2020, the weighted average interest rate on the aggregate outstanding amount of our project loans was 9.1% per annum.

Covenants

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

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay the loans;
- grant guarantees to any third parties that may adversely affect their ability to repay the loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- prepay the loans; and
- transfer part or all of their liabilities under the loans to a third party.

Events of Default

The project loans contain certain customary events of default, including insolvency, material adverse change in the collateral and breaches of the terms of the loan agreements. The banks are entitled to demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

We and certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these project loans. Further, as of June 30, 2019, RMB9,689.9 million (US$1,411.5 million) of the project loans were secured by land use rights and/or other assets and properties of the subsidiary borrowers and/or our other PRC subsidiaries, including equity interests in certain of our PRC subsidiaries.

Dividend Restrictions

Pursuant to the project loans with certain PRC banks, some of our PRC subsidiaries also agreed not to distribute any dividend, including, but not limited to:

- if the borrower's after-tax profit is nil or negative; or

- before any principal amount of and accrued interest on the relevant project loan due within the period have been fully paid.

2019 NOTES

On August 6, 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$200.0 million of the 2019 Notes on August 6, 2019 and an additional aggregate principal amount of US$100.0 million of the 2019 Notes on November 18, 2019. The aggregate principal amount of the 2019 Notes is US$300.0 million. The 2019 Notes are unsecured. As of the date of this offering memorandum, the entire principal amount of the 2019 Notes is outstanding. We are concurrently conducting the Concurrent Offer to Purchase of the 2019 Notes, which we intend to finance with proceeds from this offering.

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 February 6 and August 6 of each year, beginning February 6, 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;

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

Events of Default

The 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 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 August 6, 2021.

At any time prior to maturity, we may at our option redeem up to 35% of the 2019 Notes, 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 each case, using the net cash proceeds from sales of certain kinds of our capital stock. In addition, we may at our option redeem the 2019 Notes, in whole but not in part, at any time prior to August 6, 2021, at a redemption price equal to 100% of the principal amount of 2019 Notes plus (i) any accrued and unpaid interest to (but not including) the redemption date and (ii) certain premium.

January 2020 Notes

On January 23, 2020, we entered into an indenture (as amended or supplemented from time to time, the "January 2020 Indenture"). Pursuant to the January 2020 Indenture, we issued an aggregate principal amount of US$200.0 million of the January 2020 Notes on January 23, 2020. The January 2020 Notes are unsecured. As of the date of this offering memorandum, the entire principal amount of the January 2020 Notes is outstanding.

Guarantee

The obligations pursuant to the January 2020 Notes are guaranteed by Tak Yick International Limited (德益國際有限公司), DAXIN International Limited (達信國際有限公司), Dexin Holding (Hong Kong) Limited (德信控股(香港)有限公司) and Yinxin Holding (Hong Kong) Limited (銀鑫控股(香港)有限公司) (the "January 2020 Subsidiary Guarantors). Each of the January 2020 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 January 2020 Notes.

Interest

The January 2020 Notes bear interests at 11.875% per annum, payable semi-annually in arrears on January 23 and July 23 of each year and April 23, 2022, beginning July 23, 2020.

Covenants

Subject to certain conditions and exceptions, the January 2020 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;
- make investments, dividend payments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

Events of Default

The January 2020 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the January 2020 Notes when such payments become due, and payable at maturity, upon acceleration, redemption or otherwise; default in payment of interest which continues for 30 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 January 2020 Indenture or the holders of at least 25% of the outstanding January 2020 Notes may declare the principal of the January 2020 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Maturity and Redemption

The maturity date of the January 2020 Notes is April 23, 2022. At any time prior to maturity, we may at our option redeem up to 35% of the January 2020 Notes, at a redemption price of 111.875% of the principal amount of the January 2020 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date in each case, using the net cash proceeds from sales of certain kinds of our capital stock. In addition, we may at our option redeem the January 2020 Notes, in whole but not in part, at any time prior to April 23, 2022, at a redemption price equal to 100% of the principal amount of the January 2020 Notes plus (i) any accrued and unpaid interest to (but not including) the redemption date and (ii) certain premium.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "Company" refers only to Dexin China Holdings Company Limited (德信中國控股有限公司), a company incorporated in the Cayman Islands with limited liability, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which Guarantees the Notes (other than a JV Subsidiary Guarantor) is referred to as a "Subsidiary Guarantor," and each such Guarantee is referred to as a "Subsidiary Guarantee." Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as a "JV Subsidiary Guarantor."

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of December 3, 2020, among the Company, the Subsidiary Guarantors and China Construction Bank (Asia) Corporation Limited, as trustee (the "Trustee").

The following is a summary of certain material provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to, all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection upon prior written request and satisfactory proof of holding by Holders during normal business hours (being 9:00 am to 3:00 pm) on or after the Original Issue Date at the specified 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 the 2019 Notes, the January 2020 Notes and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption "—The Subsidiary Guarantees and the JV Subsidiary Guarantees" and in "Risk Factors—Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees" of this offering memorandum;
- 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 (as defined below).

The Notes will mature on December 3, 2022, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 9.95% per annum from and including the Original Issue Date or from and including the most recent interest payment date to which interest has been paid or duly provided for, payable in arrears on June 3 and December 3 of each year (each an "Interest Payment Date"), commencing June 3, 2021. Interest on the Notes will be paid to the Holders of record at the close of business on May 18 or November 18 of each year (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

Except as described under "—Optional Redemption" and "—Redemption for Taxation Reasons" below and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "—Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company, the Transfer Agent or the Registrar may require indemnity or payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made by wire transfer in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent currently located at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong), and the Notes may be presented for registration of transfer or exchange at such office; *provided* that, if the Notes are in certificated form and the Company acts as its own paying agent, at the option of the Company, payment of interest may be made by check mailed at the expense of the Company to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of Tak Yick International Limited (德益國際有限公司), DAXIN International Limited (達信國際有限公司), Dexin Holding (Hong Kong) Limited (德信控股(香港)有限公司) and Yinxin Holding (Hong Kong) Limited (銀鑫控股(香港)有限公司).

The initial Subsidiary Guarantors are holding companies that do not have significant operations. None of the existing or future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiary will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future.

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary (x) in the case of a Restricted Subsidiary, is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary, or (y) in the case of any other entity, is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) to provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or the relevant Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from causing such JV Subsidiary Guarantee to be provided or (b) requiring the Company or such Restricted Subsidiary to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;

- concurrently with or as soon as practicable after providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed Guarantee of such JV Subsidiary Guarantor (the "JV Subsidiary Guarantee") and each Restricted Subsidiary (if any) of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

  (iii) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;

- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;

- ranks at least *pari passu* in right of payment with subsidiary guarantee of such Subsidiary Guarantor for the 2019 Notes and for the January 2020 Notes, and all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

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

- will be a general obligation of such JV Subsidiary Guarantor;

- will be enforceable only up to the JV Entitlement Amount;

- will be effectively subordinated to the secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

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

- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured and unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable (and in any event within 30 days) after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC (that is not an Exempted Subsidiary or a Listed Subsidiary) not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (such Restricted Subsidiaries that do not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the Indenture, the "New Non-Guarantor Subsidiaries," and together with the Initial Other Non-Guarantor Subsidiaries, the "Other Non-Guarantor Subsidiaries") at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary; *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 15.0% of Total Assets.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor." The Other Non-Guarantor Subsidiaries, together with those Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries"), Exempted Subsidiaries and Listed Subsidiaries, are referred to herein as the "Non-Guarantor Subsidiaries."

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries (including Restricted Subsidiaries organized under the laws of the PRC) may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

As of June 30, 2020, the Company and its consolidated subsidiaries had total debt of approximately RMB23,110.9 million (US$3,271.1 million), of which approximately RMB20,659.6 million (US$2,134.3 million) was secured debt of the Company or a Subsidiary.

As of June 30, 2020, the Non-Guarantor Subsidiaries had total debt of approximately RMB23,110.9 million (US$3,271.1 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB15,246.5 million (US$2,158.0 million) and contingent liabilities of approximately RMB18,509.9 million (US$2,619.9 million).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and the JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and

- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be Guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See “Risk Factors—Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees—The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees” of this offering memorandum.

Release of the Subsidiary Guarantees or JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under “—Defeasance—Defeasance and Discharge”;
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under the captions “—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “—Certain Covenants—Limitation on Asset Sales” and “—Consolidation, Merger and Sale of Assets”) resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, merger or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with or as soon as practicable after the consummation of such sale or issuance of Capital Stock, instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes); *provided* that, after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including such New Non-Guarantor Subsidiaries and excluding Exempted Subsidiaries and Listed Subsidiaries) do not account for more than 15.0% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if, as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such relevant Restricted Subsidiary from permitting the release of such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture. The Trustee shall be entitled to rely conclusively 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 following the sale or issuance by the Company or any Restricted Subsidiary of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee, (b) prohibiting the Company or such Restricted Subsidiary from providing a JV Subsidiary Guarantee as described below, or (c) requiring the Company or such relevant Restricted Subsidiary to cause to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the recipient of the JV Subsidiary Guarantee;

- such sale or issuance is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;

- concurrently with or as soon as practicable after the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary (if any) of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will Guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

  (iii) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the covenants described under the captions "—Certain Covenants—Limitation on Asset Sales" and "—Certain Covenants—Limitation on Restricted Payments."

Any Net Cash Proceeds from the sale or issuance of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the covenant described under the caption "—Certain Covenants—Limitation on Asset Sales."

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." Under the circumstances described below under the caption "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

FURTHER ISSUES

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and the JV Subsidiary Guarantees, if any) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the covenant described under the caption "—Certain Covenants—Limitation on Indebtedness and Preferred Stock" below.

OPTIONAL REDEMPTION

At any time and from time to time prior to December 3, 2022, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents is responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to December 3, 2022, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 109.95% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee in accordance with the Indenture. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any national securities exchange and/or being held through any clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed or the requirements of the clearing systems through which the Notes are held, as applicable; or

(2) if the Notes are not listed on any national securities exchange, on a pro rata basis, by lot or by such other method as the Trustee in its sole and absolute discretion deems fair and appropriate, unless otherwise required by law or by applicable clearing system requirements.

A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL TRIGGERING EVENT

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

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain other debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors—Risks Relating to the Notes—We may not be able to repurchase the Notes upon a Change of Control Triggering Event" of this offering memorandum.

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Neither the Trustee nor any of the Agents will be required to take any steps to monitor or 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 not be liable to any person for any failure to do so. The Trustee 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 take 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 or any other person for any loss arising from any failure 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 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 and the JV Subsidiary Guarantees by or on behalf of the Company, a Surviving Person (as defined under the caption "—Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC (each, as applicable, a "Relevant Jurisdiction"), or the jurisdiction through which payments are made or any political subdivision or taxing authority thereof or therein (each, together with a Relevant Jurisdiction, a "Taxing Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Taxing Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Holder, to provide information concerning such Holder's or its beneficial owner's nationality, residence, identity or connection with any Taxing Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Taxing Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the Notes or from payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any);

(d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing such an intergovernmental agreement or FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium 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.

Neither the Trustee nor any Agent shall be responsible for paying any Additional Amounts or for determining whether such Additional Amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Company, any Surviving Person, any Subsidiary Guarantor or JV Subsidiary Guarantor, Holder or any third party to pay such Additional Amounts.

REDEMPTION FOR TAXATION REASONS

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (or in the case of an official position, is announced) (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall and is entitled to accept and rely conclusively upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders. The Trustee will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion, and is not obligated to investigate or verify any information in such certificate and opinion.

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), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.25 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee and JV Subsidiary Guarantee;

(b) any *Pari Passu* Guarantees;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) (together with refinancings thereof); *provided* that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (d), (f), (g), (m) and (o) below);

(d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness and none of the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and none of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be; *provided further* that any Preferred Stock issued by a Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor;

(e) Indebtedness ("Permitted Refinancing Indebtedness") of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clause (a), (b), (c), (h), (n), (p), (q), (r), (s), (t), (u) or (v) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company, or any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations to reduce or manage the exposure of the Company or any of its Restricted Subsidiaries to fluctuations in interest rates, currencies or the price of commodities;

(g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided* that, in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such assets, property or equipment or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (h) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (p), (q), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the disposition of such business, assets or Restricted Subsidiary;

(l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five Business Days of Incurrence;

(m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the covenant described under the caption "—Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that, the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US$30 million (or the Dollar Equivalent thereof);

(o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into and becomes obligated to pay such deferred purchase price pursuant to such Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement;

(p) Indebtedness Incurred or Preferred Stock or Disqualified Stock issued by any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary, and Indebtedness of the Company or a Restricted Subsidiary constituting a Guarantee by, or grant of a Lien on the assets of, the Company or a Restricted Subsidiary in favor of a Trust Company Investor with respect to the obligation to pay a guaranteed or preferred return to such Trust Company Investor on Capital Stock of such Restricted Subsidiary held by such Trust Company Investor, *provided* that on the date of such Incurrence of all such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred under this clause (p) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clause (h) above and clauses (q), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (p) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 30% of Total Assets;

(q) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (q) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h) and (p) above and clauses (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(r) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$30 million (or the Dollar Equivalent thereof);

(s) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary, *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate of all Indebtedness Incurred under this clause (s) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p) and (q) above and clauses (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(t) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (t) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q) and (s) above and clauses (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(u) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties and Guarantees thereof by the Company or any Restricted Subsidiary, *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (u) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q), (s) and (t) above and clause (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(v) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (v) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (p), (q), (s), (t) and (u) above and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 30% of Total Assets; and

(w) Indebtedness constituting a Subordinated Shareholder Loan.

(3) For purposes of determining compliance with this covenant, in the event that an item of Indebtedness or Preferred Stock meets the criteria of more than one of the types of Indebtedness or Preferred Stock described above, including under the proviso in the first paragraph, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness or Preferred Stock in one or more types of such Indebtedness or Preferred Stock.

(4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable or paid in shares of the Company's Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned 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 Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US$1.00 of Indebtedness under the proviso in the first paragraph of the covenant described under the caption "—Limitation on Indebtedness and Preferred Stock"; or

(c) such Restricted Payment, together with the aggregate amount of all (1) Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date and (2) payments made by the Company and its Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income 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 Restricted Subsidiary is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *plus*

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) 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) US$20.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Restricted Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

(5) the declaration and payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;

(6) dividends or other distributions paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on either the Measurement Date or on the Original Issue Date or permitted to be Incurred or issued under paragraph (2)(p) of the covenant described under the caption "—Limitation on Indebtedness and Preferred Stock";

(7) cash payments in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company, provided, however, that any such cash payments shall not be for the purpose of evading the limitation of this covenant (as determined in good faith by the Board of Directors of the Company);

(8) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, provided that (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;

(9) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) or (C) payments or declaration of dividend or other distributions on Capital Stock of any Restricted Subsidiary held by any current or former officer, director, consultant or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) in connection with an employee benefit plan or employee incentive scheme; *provided* that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock or dividends or distributions declared or made in any fiscal year shall not exceed US$3.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);

(10) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;

(11) 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;

(12) 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% of profit for year based on the consolidated financial statements of the Company for any fiscal year;

(13) the distributions or payments of Securitization Fees in connection with Receivable Financing permitted under the Indenture; or

(14) the purchase of Capital Stock of a Person, and payments made, pursuant to a Minority Interest Staged Acquisition Agreement, provided that on the date that such Minority Staged Acquisition Agreement was entered into, such payments would have complied with clauses (a) and (c) of the preceding paragraph;

provided that, in the case of clause (2), (3), (4), or (12) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment made pursuant to clause (1) and clause (14) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than any Restricted Payments set forth in clauses (5) through (14) above) must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (14) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this covenant and paragraph (17) of the definition of "Permitted Investment" at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of such paragraphs.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, or under any *Pari Passu* Guarantee, or any Indebtedness of the Company, any Subsidiary Guarantee or any JV Subsidiary Guarantee guaranteed by any Pari Passu Guarantee and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the covenants described under the captions "—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "—Limitation on Indebtedness and Preferred Stock" and "—Limitation on Asset Sales";

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock or Disqualified Stock permitted under "—Limitation on Indebtedness and Preferred Stock" if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, with respect to Indebtedness permitted under "—Limitation on Indebtedness and Preferred Stock", any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(g) existing in customary provisions in shareholders agreement, joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a shareholder, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary or, in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Company and/or its Restricted Subsidiary;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(3) the sale or issuance of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such sale or issuance, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the covenant described under the caption "—Limitation on Restricted Payments" if made on the date of such sale or issuance and *provided* that the Company complies with the covenant described under the caption "—Limitation on Asset Sales"; or

(4) the sale or issuance of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such sale or issuance); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such sale or issuance in accordance with the covenant described under the caption "—Limitation on Asset Sales."

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clause (2)(c), (2)(d) or (2)(q) (in the case of clause (2)(q), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of bank accounts, deposits or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee), directly or indirectly, any Bank Deposit Secured Indebtedness), under the caption "—Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm's length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Company issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and other compensation for the service to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

(2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant described under the caption "—Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Hong Kong Stock Exchange Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme; or

(6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any of 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 paragraph (17) of the definition of "Permitted Investments" but otherwise excluding any other Permitted Investments) not prohibited by the covenant described under the caption "—Limitation on Restricted Payments," (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction (A) between or among the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, (B) between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries, or (C) between or among the Company or a Restricted Subsidiary on the one hand and any Minority Joint Venture or Unrestricted Subsidiary on the other; *provided* that in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business, (b) in the case of a non-Wholly Owned Restricted Subsidiary, none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary or by reason of being a Subsidiary or Minority Joint Venture of the Company and (iv) for as long as the Common Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited, any Affiliate Transaction which is conducted in compliance with the applicable listing rules of The Stock Exchange of Hong Kong Limited.

Limitation on Liens

The Company will not, and will not permit any of 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 equally and ratably secured by such Lien.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated under the preceding paragraph) with regards to Indebtedness proposed to be or previously Incurred by the Company or any Subsidiary Guarantor in compliance with the terms of the Indenture, the Company may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require and subject to such terms as it may agree) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Indebtedness and (b) 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 "—Limitation on Indebtedness and Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "—Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption "—Limitation on Asset Sales."

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that, in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$15.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee

an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

(b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) that will be used in the Permitted Businesses (including any Capital Stock in a person holding such property or assets that is primarily engaged in a Permitted Business) ("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 US$20.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US$20.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes plus accrued and unpaid interest to (but not including) the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered into (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other *pari passu* Indebtedness) will be purchased on a *pro rata* basis by lot or such other method the Trustee determines in its sole and absolute discretion. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; provided, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption "—Limitation on Restricted Payments."

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption "Use of Proceeds" in this offering memorandum (or in the case of Additional Notes, the offering or other document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support (other than any credit support in compliance with clause (6) of this paragraph) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "—Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "—Limitation on Liens"; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "—Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "—Limitation on Indebtedness and Preferred Stock"; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption "—Limitation on Liens"; (4) such Unrestricted

Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not a Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under "—The Subsidiary Guarantees and the JV Subsidiary Guarantees."

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

The Company has completed the registration of foreign debt in respect of the offering described in this offering memorandum and obtained a certificate of registration from the NDRC in accordance with the NDRC Notice. The Company will file or cause to be filed with the NDRC or its local branch information of the offering described in this offering memorandum after the Original Issue Date in accordance with and within the time period prescribed by the NDRC Notice.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(2) "—Certain Covenants—Limitation on Restricted Payments";

(3) "—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "—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, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that, if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis and in English language), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio thereof, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; provided that the Company shall not be required to provide such auditor certificate if its external auditors refuse to provide such certificate as a result of a policy of such external auditors not to provide such certificate; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

EVENTS OF DEFAULT

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenants described under "—Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "—Repurchase of Notes upon a Change of Control Triggering Event" or "—Certain Covenants—Limitation on Asset Sales";

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Holders of 25% or more in aggregate principal amount of the Notes or by the Trustee at the direction of such Holders;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$10.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal or interest payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any of 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 US$10.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or for any substantial part of the property and assets of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or for all or substantially all of the property and assets of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company); or

(9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders shall, subject to receiving indemnity and/or security and/or prefunding to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

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 all 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% in aggregate principal amount of outstanding Notes (subject to receiving indemnity and/or security and/or prefunding) pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premium, if any and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured 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 unequivocal, conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action that is not inconsistent with any such direction received from Holders. The Trustee shall not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security and/or prefunding is assured to it.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security and/or prefunding satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;

(4) the Trustee does not comply with the request within (x) 60 days after receipt of the written request pursuant to clause (2) above or (y) 60 days after the receipt of the offer of indemnity and/or security and/or prefunding satisfactory to it pursuant to clause (3) above, whichever occurs later; 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.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and 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 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 "—Certain Covenants—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 are performing all of their obligations under the Indenture and the Notes unless the Trustee 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 are not performing all of their obligations under the Indenture and/or the Notes. The Trustee is entitled to rely on an Officers' Certificate regarding whether an Event of Default has occurred.

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) to another Person, unless:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a *pro forma* basis the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant described under the caption "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this caption, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

(1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant described under the caption "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the covenant described under the caption "—Certain Covenants—Limitation on Asset Sales" or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under "—The Subsidiary Guarantees and the JV Subsidiary Guarantees—Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees."

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor that may adversely affect Holders.

NO PAYMENTS FOR CONSENTS

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not institutional "accredited investors" as defined in Rule 501 under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

DEFEASANCE

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

(1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations or any combination thereof that through the payment of interest 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 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 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 Subsidiary is a party or by which the Company or any of its Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the Notes the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that (i) the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "—Consolidation, Merger and Sale of Assets" and all the covenants described herein under "—Certain Covenants," other than as described under "—Certain Covenants—Government Approvals and Licenses; Compliance with Law" and "—Certain Covenants—Anti-Layering," and (ii) clause (3) under "—Events of Default" with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "—Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in clause (i) above, clause (4) under "—Events of Default" with respect to such other covenants in clause (i) above and clauses (5) and (6) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest 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 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 will remain liable for such payments.

AMENDMENTS AND WAIVER

Amendments Without Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes;

(2) comply with the provisions described under "—Consolidation, Merger and Sale of Assets";

(3) evidence and provide for the acceptance of appointment by a successor Trustee;

(4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) add or release any collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee or enter into any intercreditor agreement in accordance with the Indenture;

(7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any successor securities depositary or clearing system;

(9) make any other change that does not materially and adversely affect the rights of any Holder; or

(10) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in aggregate principal amount of the outstanding Notes or the Trustee may, acting on instructions of such Holders, amend or waive future compliance by the Company with any provision thereof; *provided*, *however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or premium, if any, 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 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, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

(8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(9) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;

(10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, whether through an amendment or waiver of provision in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under "Certain Covenants—Limitation on Asset Sales";

(11) change the redemption date or the redemption price of the Notes from that stated under the caption "—Optional Redemption" or "—Redemption for Taxation Reasons";

(12) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or

(13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which materially and adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

NO PERSONAL LIABILITY OF INCORPORATORS, SHAREHOLDERS, OFFICERS, DIRECTORS OR EMPLOYEES

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, shareholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

CONCERNING THE TRUSTEE AND THE AGENTS

China Construction Bank (Asia) Corporation Limited has been appointed as Trustee under the Indenture. China Construction Bank (Asia) Corporation Limited has been appointed as note registrar (the "Note Registrar") and as paying agent (the "Paying Agent") and transfer agent (the "Transfer Agent") and, together with the Note Registrar and the Paying Agent, the "Agents") with regard to the Notes. Except during the continuance of a Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture or the Notes, and no implied covenant or obligation shall be read into the Indenture or the Notes against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have offered to the Trustee security and/or indemnity and/or pre-funding satisfactory to it against loss, liability or expense. It may not be possible for the Trustee to take certain actions whether in relation to the Notes and accordingly in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of an indemnity to it, and it will be for Holders to take such actions directly.

The Trustee and the Agents will not be responsible for any loss, liability, cost, claim, actions, demand, expense or inconvenience which may result from the exercise or non-exercise of their discretion. Whenever in the Indenture, the Notes or by law, the Trustee shall have discretion or permissive power, it may decline to exercise the same in the absence of approval by the Holders. In exercising their respective duties, the Trustee and the Agents shall not be responsible for the verification of the accuracy or completeness of any certification or legal opinion submitted to them by the Company and are entitled to rely exclusively on the certification and the opinion, and take action based on the information contained in, the certification or the legal opinion. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Company and the Subsidiary Guarantors in the fulfilment of its obligations under the Indenture, the Notes and the Subsidiary Guarantees. The Trustee and the Agents shall not be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, the Trustee and the Agents shall not be deemed to have knowledge of any event unless it has been actually notified in writing of such default or event of default.

The Trustee and the Agents shall not be responsible for the performance by any other person appointed by the Company in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Trustee shall not be liable to any Holders or any other person for any action taken by the Trustee in accordance with the instructions of the Holders pursuant to the terms of the Indenture.

The Trustee and the Agents are entitled to rely on all instructions, notices, declarations and certifications received pursuant to the Indenture without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications.

Neither the Trustee nor the Agents will be responsible for making calculations or for verifying calculations performed by the Company or any other persons unless otherwise specified in the Indenture.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates and shall not be obligated to account for any profits therefrom; *provided*, *however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

The Trustee will not be under any obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders, unless such Holders have offered to the Trustee indemnity and/or security and/or pre-funding satisfactory to the Trustee against any loss, liability or expense.

BOOK-ENTRY; DELIVERY AND FORM

The Notes will be represented by a global note in registered form without interest coupons attached (the "Initial Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the "Additional Global Notes" and, together with the Initial Global Note, the "Global Notes").

GLOBAL NOTES

Ownership of beneficial interests in the Global Notes (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "—Individual Definitive Notes," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of the Agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

PAYMENTS ON THE GLOBAL NOTES

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 and JV Subsidiary Guarantors (if any) will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law, in which case it will pay Additional Amounts to the extent described under "—Additional Amounts."

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor, the Agents and the Trustee will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

REDEMPTION OF GLOBAL NOTES

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided*, *however*, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

ACTION BY OWNERS OF BOOK-ENTRY INTERESTS

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

TRANSFERS

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions" of this offering memorandum.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

GLOBAL CLEARANCE AND SETTLEMENT UNDER THE BOOK-ENTRY SYSTEM

Book-entry interests owned through Euroclear or Clearstream accounts will follow the applicable settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream participants on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

INFORMATION CONCERNING EUROCLEAR AND CLEARSTREAM

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants 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 by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "—Events of Default" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary, Euroclear, Clearstream or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Note Registrar in sufficient quantities and authenticated by or on behalf of the Note Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Note Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Note 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 mail (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor, (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

GOVERNING LAW

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

DEFINITIONS

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"2019 Notes" means US$300,000,000 12.875% senior notes due 2021 issued by the Company on August 6, 2019 and November 18, 2019.

"January 2020 Notes" means US$200,000,000 11.875% senior notes due 2022 issued by the Company on January 23, 2020.

"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 December 3, 2022, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (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 (2) 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 or 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 December 3, 2022, plus (y) all required remaining scheduled interest payments due on such Note through December 3, 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"Asset Acquisition" means (1) an investment by the Company or any 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 by 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 covenant described under the caption "—Certain Covenants—Limitation on Restricted Payments";

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1 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 described 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.

"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 bank accounts, deposits or other assets of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange foreign currencies into Renminbi or vice versa or to remit Renminbi or any foreign currency into or outside the PRC.

"Board of Directors" means the board of directors elected or appointed by the shareholders 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 or Hong Kong (or the place of business of the Paying Agent 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.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"Change of Control" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);

(2) the Permitted Holders are the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Company;

(3) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(4) the adoption of a plan relating to the liquidation or dissolution of the Company.

"Change of Control Triggering Event" means the occurrence of a Change of Control and, *provided* that the Notes are rated, a Rating Decline.

"Clearstream" means Clearstream Banking S.A.

"Commodity Hedging Agreement" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security having a maturity comparable to December 3, 2022 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to December 3, 2022.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is received by the Company) Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and 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 for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements).

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business and gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and 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 future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"Consolidated Fixed Charges" means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

"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 Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees and Liens on any Capital Stock of a Person that is not a Restricted Subsidiary), only to the extent such interest is actually paid by the Company or any Restricted Subsidiary and (7) any capitalized interest; *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"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;

(7) any gains and losses arising from changes in the fair value of trust loans related derivatives, as determined in conformity with GAAP; and

(8) 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, shareholders' equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable 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 or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (provided that such increase is permitted under the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”) or (4) otherwise altering the terms and conditions thereof.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the covenants described under the captions “—Certain Covenants—Limitation on Asset Sales” and “—Repurchase of Notes upon a Change of Control Triggering Event” and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the covenants described under the captions “—Certain Covenants—Limitation on Asset Sales” and “—Repurchase of Notes upon a Change of Control Triggering Event.”

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"Entrusted Loans" means borrowings by a Non-Guarantor Subsidiary from the Company or another Non-Guarantor Subsidiary (whether directly or through or facilitated by a bank or other financial institution), *provided* that, such borrowings are not reflected as borrowings on the consolidated balance sheet of the Company.

"Equity Offering" means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US$20.0 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank SA/NV.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Exempted Subsidiary" means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or JV Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

"Fitch" means Fitch Ratings Ltd. and its successors.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that, to the extent that clause (d) or (e) of this paragraph requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"GAAP" means generally accepted accounting principles in Hong Kong as in effect from time to time.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"Holder" means the Person in whose name a Note is registered in the 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 Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business, or (2) Entrusted Loans; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company as borrowings or indebtedness (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided* that

(1) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;

(2) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and

(3) the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (2)(f) of the covenant described under the caption "—Certain Covenants—Limitation on Indebtedness and Preferred Stock," and (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at that time if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Company.

"Initial Other Non-Guarantor Subsidiaries" means, Chuangde International Limited (創德國際有限公司) and Createrich Holdings Limited (創富控股有限公司), unless any of such Restricted Subsidiaries has after the Original Issue Date executed a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the terms of the Indenture.

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company's proportional interest in the Fair Market Value of the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's 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 held by the Company or any Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned or held by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

"JV Entitlement Amount" means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

"JV Subsidiary Guarantee" has the meaning set forth under the caption "—The Subsidiary Guarantees and the JV Subsidiary Guarantees."

"JV Subsidiary Guarantor" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee. "Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Listed Subsidiary" means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; provided that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

"Measurement Date" means August 6, 2019.

"Minority Interest Staged Acquisition Agreement" means an agreement between the Company and/or any Restricted Subsidiary on the one hand and an Independent Third Party on the other (x) pursuant to which the Company and/or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock at the time the Company and/or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Minority Joint Venture" means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture's Subsidiaries.

"Moody's" means Moody's Investors Service, Inc. and its successors. "Net Cash Proceeds" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

    (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

    (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

    (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

    (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"NDRC" means the National Development and Reform Commission of the PRC.

"NDRC Notice" means the Notice on the Administrative Reform for the Registration of Offshore Debt Issuances (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) issued by the NDRC on September 14, 2015.

"Offer to Purchase" means an offer to purchase Notes by the Company from the Holders commenced by the Company sending a notice to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

(1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to 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 to be accepted by the Company for payment on the Offer to Purchase. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company.

The Paying Agent shall as soon as reasonably practicable mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and, upon receipt of a written order of the Company signed by an Officer, the Trustee or its authenticating agent shall as soon as reasonably practicable authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers; *provided*, *however*, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor under this 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 are originally issued under the Indenture.

"Pari Passu Guarantee" means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor or JV Subsidiary Guarantor; *provided* that (1) the Company, or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, was permitted to Incur such Indebtedness under the covenant described under the caption "—Limitation on Indebtedness and Preferred Stock" and (2) such guarantee ranks *pari passu* with the Notes, with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

"Payment Default" means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption "—Repurchase of Notes upon a Change of Control," or an Offer to Purchase in the manner described under the caption "—Certain Covenants—Limitation on Asset Sales" or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

"Permitted Businesses" means any business 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. Hu Yiping (胡一平) and Mr. Hu Shihao (胡詩豪);

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1);

(3) the estate, trust and any immediate family member of the Persons listed in (1) or the legal representative of any of the foregoing; and

(4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1), (2) and (3).

"Permitted Investment" means:

(1) any Investment in the Company or a Restricted Subsidiary, directly or indirectly through one or more other Restricted Subsidiaries, that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries,

in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business;

(2) any Investment in cash or Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption "—Certain Covenants—Limitation on Asset Sales";

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under the caption "—Certain Covenants—Limitation on Liens";

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;

(13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(15) deposits made in order to secure the performance of the Company or any 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;

(16) Guarantees permitted under the covenant described under the caption "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(17) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary); *provided* that:

   (i) the aggregate of all Investments made under this clause (17) since the Measurement Date shall not exceed in aggregate an amount equal to 30% of Total Assets.

   Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (17) since the Measurement Date resulting from:

      (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (17), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

      (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date under this clause of an obligation of any such Person,

      (C) to the extent that an Investment made after the Measurement Date under this clause (17) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment,

      (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries not to exceed, in each case, the amount of Investments made pursuant to this clause (17) by the Company or any Restricted Subsidiary after the Measurement Date in any such Person, or

      (E) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of this definition),

   not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person pursuant to this clause (17),

   (ii) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;

(iii) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause (17) is a Person described in clause (x) or (y) of the first paragraph of the covenant described under the caption "—Certain Covenants—Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary or by reason of being a Subsidiary, Minority Joint Venture or Unrestricted Subsidiary of the Company); and

(iv) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (17) shall be valued at the time such Investment is made;

(18) advances in the ordinary course of business to government authorities or government-affiliated entities in the PRC for the purpose of the development and preparation by such government authority or government affiliated entity of primary land for auction purposes which advances are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet to the extent each such advance is on normal commercial terms including being subject to repayment from the relevant government authority;

(19) repurchases of the Notes;

(20) the purchase of Capital Stock of a Person and payments made pursuant to a Staged Acquisition Agreement;

(21) acquisition of assets, Capital Stock or other securities by the Company or a Restricted Subsidiary for consideration to the extent such consideration consists solely of Capital Stock of the Company; and

(22) Investment that has been agreed to or is otherwise obligated to be made pursuant to an agreement or similar instrument in existence on the Original Issue Date.

"Permitted Liens" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Company or any Restricted Subsidiary;

(8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (2)(f) of the covenant described under the caption "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption "—Certain Covenants—Limitation on Indebtedness and Preferred Stock"; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) any interest or title of a lessor in the property subject to any operating lease;

(14) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (2)(g) of the covenant described under the caption "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(15) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(16) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant described under the caption "—Certain Covenants—Limitation on Indebtedness and Preferred Stock" and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item;

provided that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (16) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

(17) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(19) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens granted by the Company or a Restricted Subsidiary in favor of a Trust Company Investor in respect of, and to secure, the Indebtedness permitted under paragraph (2)(p) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(21) Liens securing Indebtedness permitted under clause (2)(n) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(22) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(o) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(23) Liens incurred on bank accounts, deposits or other assets made to secure Bank Deposit Secured Indebtedness;

(24) Liens securing Indebtedness permitted under clause (2)(s), 2(t), (2)(u) or (2)(v) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(25) Liens incurred or deposits made to secure Entrusted Loans; and

(26) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock."

"Permitted Subsidiary Indebtedness" means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Public Indebtedness and any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses 2(a), (b), (d), (f), (g), (m) and (o) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 15% of Total Assets.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan.

"PRC CJV" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on September 3, 2016 and effective on October 1, 2016) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995 (as most recently amended on March 1, 2017 by the Decision of the State Council on Abolishing and Amending Some Administrative Regulations), as such laws may be amended.

"PRC CJV Partner" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"Pre-Registration Mortgage Guarantee" means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Public Indebtedness" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

"Qualified Exchange" means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Taiwan Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the U.S. Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the U.S. Securities Act).

"Rating Agencies" means (1) S&P and (2) Moody's, provided that if S&P or Moody's or both 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 both 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) the equivalent of any such category of S&P or Moody's used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "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 Triggering Event and (y) a public notice of the occurrence of a Change of Control Triggering Event or of the intention by the Company or any other Person or Persons to effect a Change of Control Triggering Event 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, that date which is 90 days prior to the earlier of (x) a Change of Control Triggering Event and (y) a public notice of the occurrence of a Change of Control Triggering Event or of the intention by the Company or any other Person or Persons to effect a Change of Control Triggering Event 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 both of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of the Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Receivable Financing" means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any of its receivables, mortgages, royalty, other revenue streams, assets or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling securities by such other Person that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

"Receivable Financing Assets" means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such redemption date.

"Restricted Subsidiary" 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.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Securitization Fees" means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

"Senior Indebtedness" of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

"Significant Subsidiary" means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a "significant subsidiary" using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the U.S. Securities Act, as such Regulation is in effect on the date of the Indenture, if any of the conditions exceeds 5%.

"Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subordinated Shareholder Loan" means any unsecured Indebtedness for borrowed money Incurred by the Company or any Restricted Subsidiary from but only so long as such Indebtedness is owed to any Permitted Holder which (i) is expressly made subordinate to the prior payment in full of the Notes, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued, created or remains outstanding, with respect to the payment of principal and any other payment obligations in respect of such Indebtedness, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, redeemed, repurchased or otherwise retired, pursuant to a sinking fund obligation, event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) by its terms, does not provide for any cash payment of interest (or premium, if any).

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and, in each case of (i) and (ii) which is "controlled" and consolidated by such Person in accordance with GAAP; *provided*, *however*, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

"Subsidiary Guarantee" means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"Subsidiary Guarantor" means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America, the United Kingdom, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, the United Kingdom, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, the United Kingdom, any state of the European Economic Area, shall be rated at least "A" by S&P, Moody's or Fitch;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P or Fitch;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P, Moody's or Fitch;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) demand or time deposit accounts, certificates of deposit, overnight or call deposits, money market deposits with any bank, trust company or financial institution organized under the laws of the PRC, Hong Kong or any other jurisdiction where the Company or any Restricted Subsidiary conducts business; and

(8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months' notice.

"Total Assets" means, as of any date, the total consolidated assets of the Company and 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)(h) of the covenant described under the caption "—Certain Covenants—Limitation on Indebtedness and Preferred Stock" covenant and the definition of "Permitted Subsidiary Indebtedness," Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any 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 the covenant described under the caption "—Certain Covenants—Limitation on Indebtedness and Preferred Stock" covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and

(3) only with respect to any Person becoming a New Non-Guarantor Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor Subsidiary).

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Trust Company Investor" means an Independent Third Party that is a bank, financial institution, insurance company, trust company, fund management company, asset management company organized under the laws of the PRC, Hong Kong Special Administrative Region, Macau Special Administrative Region or any overseas countries or territories or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

"Unrestricted Subsidiary" means 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 any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, BVI, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

CAYMAN ISLANDS

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest, principal and premium (if any) on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but is otherwise not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. The holder of any Notes (or a legal personal representative of such holder) whose Notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Notes. Certificates evidencing registered Notes, to which title is not transferable by delivery, will not be subject to Cayman Islands stamp duty. However, an instrument transferring title to a registered Note, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty. Stamp duty will be payable on any documents executed by us if any such documents are executed in or brought into the Cayman Islands or produced before the Cayman Islands Courts.

We incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (2011 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (2011 Revision), the Governor in Cabinet undertakes with us:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations; and

- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of our shares, debentures or other obligations, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

These concessions shall be for a period of twenty years from February 8, 2018.

BVI

No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any income from or payments on debt obligations of us. There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments we may make under the transaction documents relating to the Notes or payments the Subsidiary Guarantors may make under the Subsidiary Guarantees.

HONG KONG

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Hong Kong) of a Note.

PRC TAXATION

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains. 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. If we are considered a PRC resident enterprise, interest and capital gains realized by nonresident holders of the Notes may be treated as income derived from sources within the PRC and may be subject to PRC tax. PRC income tax at the rate of 10% would be withheld from interest paid to investors that are "nonresident 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, to the extent such interest is derived from sources within the PRC. Any gain realized on the transfer of the Notes by such investors would be subject to a 10% PRC income tax if such gain is regarded as income of a "nonresident enterprise" derived from sources within the PRC. Where the holder is a non-PRC resident individual, such holder may be subject to PRC individual income tax at the rate of 20% on payment of interest or gains (which in the case of interest may be withheld at source). Any PRC tax liability may be reduced under applicable tax treaties. See "Risk Factors—Risks Relating to the Notes—Interest payable by us to our foreign investors may be subject to withholding taxes under PRC tax laws and gain on sale of our Notes may be subject to PRC tax laws."

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside the PRC and the issuance and the sale of the Notes is made outside of the PRC).

Value Added Tax. On March 23, 2016, the MOF and the SAT issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (關於全面推開營業稅改徵增值稅試點的通知) (the "Circular 36") which confirms that business tax was replaced by value-added tax from May 1, 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, value added tax.

According to Circular 36 Notice, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to value-added tax include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes may be treated as the holders of the Notes providing loans to us, which thus may be regarded as financial services subject to the value-added tax.

It is not clear from the interpretation of Circular 36 if the provision of loans to us could be considered services provided within the PRC, which could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that we will not be treated as "resident enterprises" under the EIT Law. PRC tax authorities could take the view that the holders of the Notes are providing loans within the PRC because we are treated as a PRC tax resident. In such case, the issuance of the Notes could be regarded as the provision of financial services within the PRC that is subject to VAT.

If we are treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Notes are providing loans within the PRC, the holders of the Notes may be subject to the value-added tax at the rate of 6% when receiving the interest payments under the Notes and local levies at approximately 12% of the value-added tax payment and consequently, combined rate of value-added tax and local levies of around 6.72%. Given that we pay interest income to the holders of the Notes who are located outside of the PRC, we, acting as the obligatory withholder in accordance with applicable law, may be required to withhold the value-added tax and local levies from the payment of interest income to holders of the Notes who are located outside of the PRC. Further, the payments of the interest and other interest like earnings may be subject to VAT in the event that any Subsidiary Guarantor is required to discharge its obligations under the Subsidiary Guarantee.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, Circular 36 will likely not apply and we will likely not have the obligation to withhold the value-added tax or the local levies. However, there is uncertainty as to the applicability of value-added tax if either the seller or buyer of Notes is located inside the PRC.

Given Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. Accordingly, there is uncertainty as to the application of Circular 36.

PLAN OF DISTRIBUTION

Guotai Junan Securities (Hong Kong) Limited, Credit Suisse (Hong Kong) Limited, UBS AG Hong Kong Branch, Barclays Bank PLC, BNP Paribas, CCB International Capital Limited, China CITIC Bank International Limited, China International Capital Corporation Hong Kong Securities Limited, CMBC Securities Company Limited, Deutsche Bank AG, Hong Kong Branch, Orient Securities (Hong Kong) Limited, The Bank of East Asia, Limited and Yue Xiu Securities Company Limited are acting as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated November 26, 2020, each Initial Purchaser named below has severally but not jointly agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite such Initial Purchaser's name.

Initial Purchasers	**Principal Amount of Notes**
Guotai Junan Securities (Hong Kong) Limited	US$40,000,000
Credit Suisse (Hong Kong) Limited	US$40,000,000
UBS AG Hong Kong Branch	US$40,000,000
Barclays Bank PLC	US$8,000,000
BNP Paribas	US$8,000,000
CCB International Capital Limited	US$8,000,000
China CITIC Bank International Limited	US$8,000,000
China International Capital Corporation Hong Kong Securities Limited	US$8,000,000
CMBC Securities Company Limited	US$8,000,000
Deutsche Bank AG, Hong Kong Branch	US$8,000,000
Orient Securities (Hong Kong) Limited	US$8,000,000
The Bank of East Asia, Limited	US$8,000,000
Yue Xiu Securities Company Limited	US$8,000,000
Total	**US$200,000,000**

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to certain other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum only outside the United States in offshore transactions in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, the Company has agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the Notes by their private bank clients.

During the period beginning on the date hereof and continuing to the date that is 15 days after the date on which the Notes are issued, without the prior written consent of the Initial Purchasers, none of the Company and the Subsidiary Guarantors will offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Company or the Subsidiary Guarantors that are substantially similar to the Securities (other than the Securities and any Additional Notes (as defined in the Indenture) or any debt securities offered primarily in the PRC).

UBS AG is incorporated in Switzerland with limited liability.

The Notes will constitute a new class of securities with no established trading market. Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors only. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

In connection with the offering of the Notes, the Initial Purchasers may engage in stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers makes any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fifth business day following the date of the pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in two business days; purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Initial Purchasers or their affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes, all to the extent permitted under the Indenture. Our obligations under these transactions may be secured by cash or other collateral to the extent permitted under the Indenture.

In connection with this offering of the Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up Notes in the offering, but not with a view to distribute, and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

We and the Subsidiary Guarantors have agreed to indemnify the Joint Bookrunners, the Joint Lead Managers and the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Joint Bookrunners, the Joint Lead Managers and 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 the Company or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

PRIIPs/Prohibition of Sales to EEA and UK Retail Investors

Each of the Initial Purchasers has 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 or the UK. 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 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; 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 News Notes to be offered so as to enable an investor to decide to purchase or subscribe the New Notes.

Furthermore, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available by any person to any retail investor in the EEA or the UK. Consequently no key information document as would be required by Regulation (EU) No. 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation.

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United Stated except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions." The Notes and the Subsidiary Guarantees are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

In addition, until 40 days after the commencement of this offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

United Kingdom

Each Initial Purchaser has 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 FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or any of the Subsidiary Guarantors; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the "FIEL"), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

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

Where the 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 (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) 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;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

PRC

The Initial Purchasers have acknowledged that this offering memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. Each of the Initial Purchasers has severally represented and agreed that, except to the extent consistent with applicable laws and regulations in the PRC, the Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements in the PRC, with the exception to the extent consistent with applicable laws and regulations in the PRC, the Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Notes. This offering memorandum does not constitute, and will not be, an offering of the Notes to any person in the Cayman Islands.

British Virgin Islands

No invitation will be made directly or indirectly the public in the British Virgin Islands or to any person resident or citizen in the British Virgin Islands to subscribe for any of the Notes. This offering memorandum does not constitute, and will not be, an offering of the Notes to any person in the British Virgin Islands.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes, including the Subsidiary Guarantees (collectively, the "Securities").

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Securities, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:

   - the Securities have not been registered under the Securities Act or any other applicable securities laws;

   - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;

   - the Securities are being offered and sold only outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and

   - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Securities, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act.

5. You also acknowledge that each note will contain a legend substantially to the following effect:

   THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers, the Trustee, the Agents and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

RATINGS

The Notes are rated B- by S&P and B3 by Moody's and we do not expect the ratings to change as a result of the issuance of the Notes. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of New York law and Hong Kong law, Commerce & Finance Law Offices as to matters of PRC law, Conyers Dill & Pearman as to matters of Cayman Islands law and British Virgin Islands law.

Certain legal matters will be passed upon for the Initial Purchasers by Davis Polk & Wardwell as to matters of New York law and Jingtian & Gongcheng as to matters of PRC law.

INDEPENDENT AUDITOR

The consolidated financial statements as of and for the years ended December 31, 2018 and 2019 included in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in their reports appearing herein. The unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2020 included in this offering memorandum has been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as stated in their report appearing herein.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors dated November 25, 2020.

LITIGATION

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes.

NO MATERIAL ADVERSE CHANGE

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2020 that is material in the context of the issue of the Notes.

DOCUMENTS AVAILABLE

For so long as any of the Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified office of the Principal Paying Agent (being at the date of this Offering Memorandum at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent.

For so long as any of the Notes is outstanding, copies of the accountants' reports and/or our published financial statements, if any, including the accountants' 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 specified office of the Principal Paying Agent (being at the date of this Offering Memorandum at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent.

CLEARING SYSTEMS AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
Notes	XS2262084374	226208437

LISTING OF THE NOTES

Application will be made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only as described in this offering memorandum. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the correctness of any statements made on opinions or reports contained in this offering 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. Admission of the Notes to the official list of the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Notes or us.

INDEX TO FINANCIAL INFORMATION

Unaudited Interim Condensed Consolidated Financial Information as of and for the six months ended June 30, 2020

Audited Consolidated Financial Statements as of and for the year ended December 31, 2019

Audited Consolidated Financial Statements as of and for the year ended December 31, 2018

Notes:

(1) The attached report on review of interim financial information on our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2020 has been reproduced from our interim report for the six months ended June 30, 2020 and page references are references to pages set forth in such interim report.

(2) The attached independent auditor's report on our consolidated financial statements as of and for the year ended December 31, 2019 have been reproduced from our annual report for the year ended December 31, 2019 and page references are references to pages set forth in such annual report.

(3) The attached independent auditor's report on our consolidated financial statements as of and for the year ended December 31, 2018 have been reproduced from our annual report for the year ended December 31, 2018 and page references are references to pages set forth in such annual report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
中期財務資料的審閱報告

pwc

羅兵咸永道

To the Board of Directors of Dexin China Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 64 to 120, which comprises the interim condensed consolidated balance sheet of Dexin China Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion 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.

致德信中国控股有限公司董事會
(於開曼群島註冊成立的有限公司)

引言

本核數師(以下簡稱「我們」)已審閱載列於第64至120頁的中期財務資料，此中期財務資料包括德信中国控股有限公司(「貴公司」)及其附屬公司(統稱「貴集團」)於2020年6月30日的中期簡明綜合資產負債表及截至該日止六個月期間的中期簡明綜合收益表、中期簡明綜合全面收益表、中期簡明綜合權益變動表和中期簡明綜合現金流量表，以及主要會計政策概要和其他附註解釋。香港聯合交易所有限公司證券上市規則規定，就中期財務資料編製的報告必須符合以上規則的有關條文以及香港會計師公會頒佈的香港會計準則第34號《中期財務報告》。 貴公司董事須負責根據香港會計準則第34號《中期財務報告》編製及公平地列報該等中期財務資料。我們的責任是根據我們的審閱對該等中期財務資料作出結論，並按照委聘之條款僅向整體董事會報告，除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負責或承擔任何責任。

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
中期財務資料的審閱報告

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

審閱範圍

我們已根據香港會計師公會頒佈的香港審閱準則第2410號《由實體的獨立核數師執行中期財務資料審閱》進行審閱。審閱中期財務資料包括主要向負責財務和會計事務的人員作出查詢，及應用分析性和其他審閱程序。審閱的範圍遠較根據香港審計準則進行審計的範圍為小，故不能令我們可保證我們將知悉在審計中可能被發現的所有重大事項。因此，我們不會發表審計意見。

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

結論

按照我們的審閱，我們並無發現任何事項，令我們相信　貴集團的中期財務資料在各重大方面未有根據香港會計準則第34號《中期財務報告》編製。

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2020

羅兵咸永道會計師事務所
執業會計師

香港，2020年8月25日

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
中期簡明綜合收益表

	Note 附註	Six months ended 30 June 截至6月30日止六個月 2020 2020年 RMB'000 人民幣千元 (Unaudited) (未經審核)	2019 2019年 RMB'000 人民幣千元 (Unaudited) (未經審核)
Revenue 收入	7	**7,649,353**	3,517,718
Cost of sales 銷售成本	8	**(5,687,239)**	(2,301,800)
Gross profit 毛利		**1,962,114**	1,215,918
Other income 其他收入	9	**117,454**	35,521
Other (losses)/gains – net 其他(虧損)/收益淨額		**(4,645)**	22,424
Selling and marketing expenses 銷售及營銷開支	8	**(147,857)**	(144,254)
Administrative expenses 行政開支	8	**(247,539)**	(264,527)
Fair value (losses)/gains on investment properties 投資物業公允價值(虧損)/收益		**(71,540)**	57,528
Operating profit 經營利潤		**1,607,987**	922,610
Finance income 融資收入	10	**81,616**	56,214
Finance costs 融資成本	10	**(408,715)**	(191,169)
Finance costs – net 財務成本淨額	10	**(327,099)**	(134,955)
Share of results of joint ventures and associates 分佔合營企業及聯營公司業績	14	**519,038**	778,720
Profit before income tax 所得稅前利潤		**1,799,926**	1,566,375
Income tax expenses 所得稅開支	11	**(457,050)**	(282,992)
Profit for the period 期內利潤		**1,342,876**	1,283,383
Profit for the period attributable to: 以下各方應佔期內利潤：			
Owners of the Company 本公司擁有人		**700,043**	995,813
Non-controlling interests 非控股權益		**642,833**	287,570
		1,342,876	1,283,383
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share) 本公司擁有人應佔利潤的每股盈利(每股以人民幣列示)			
– Basic and diluted 一基本及攤薄	12	**0.26**	0.40

The above interim condensed consolidated income statement should be read in conjunction with the accompanying notes. 以上中期簡明綜合收益表應與隨附附註一併閱讀。

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
中期簡明綜合全面收益表

	Six months ended 30 June 截至6月30日止六個月	
	2020 2020年 RMB'000 人民幣千元 (Unaudited) （未經審核）	2019 2019年 RMB'000 人民幣千元 (Unaudited) （未經審核）
Profit for the period 期內利潤	**1,342,876**	1,283,383
Other comprehensive income 其他全面收益	**–**	–
Total comprehensive income for the period 期內全面收益總額	**1,342,876**	1,283,383
Total comprehensive income for the period attributable to: 以下各方應佔期內全面收益總額：		
Owners of the Company 本公司擁有人	**700,043**	995,813
Non-controlling interests 非控股權益	**642,833**	287,570
	1,342,876	1,283,383

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes. 以上中期簡明綜合全面收益表應與隨附附註一併閱讀。

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
中期簡明綜合資產負債表

	Note 附註	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) (經審核)
ASSETS 資產			
Non-current assets 非流動資產			
Property, plant and equipment 物業、廠房及設備	13	441,000	378,821
Investment properties 投資物業	13	3,141,150	2,924,115
Intangible assets 無形資產		1,381	1,445
Investments accounted for using the equity method 使用權益法列賬的投資	14	5,276,539	3,792,338
Financial assets at fair value through profit or loss 按公允價值計量且其變動計入損益的金融資產	5	153,849	170,726
Deferred income tax assets 遞延所得税資產		683,989	748,400
Trade and other receivables and prepayments 貿易及其他應收款項以及預付款項	16	224,330	75,179
Total non-current assets 非流動資產總額		9,922,238	8,091,024
Current assets 流動資產			
Properties under development 開發中物業	15	36,394,137	36,657,831
Completed properties held for sale 持作出售的竣工物業	15	589,751	591,370
Trade and other receivables and prepayments 貿易及其他應收款項以及預付款項	16	6,349,112	3,512,629
Amounts due from non-controlling interests 應收非控股權益款項	25	7,255,991	4,951,599
Amounts due from related parties 應收關連方款項	29	3,967,416	2,918,668
Contract acquisition costs 合約收購成本		40,623	13,705
Prepaid income taxes 預付所得税		1,024,237	879,318
Financial assets at fair value through profit or loss 按公允價值計量且其變動計入損益的金融資產	5	38,934	100,743
Restricted cash 受限制現金	17	1,094,948	5,797
Cash and cash equivalents 現金及現金等價物	18	12,199,048	9,564,316
Total current assets 流動資產總額		68,954,197	59,195,976
Total assets 資產總額		78,876,435	67,287,000

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
中期簡明綜合資產負債表

	Note 附註	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) （未經審核）	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) （經審核）
EQUITY 權益			
Capital and reserves attributable to the owners of the Company 本公司擁有人應佔資本及儲備			
Share capital 股本	19	**9,200**	9,200
Reserves 儲備	20,21	**5,442,660**	5,004,285
		5,451,860	5,013,485
Non-controlling interests 非控股權益		**7,420,420**	5,721,243
Total equity 權益總額		**12,872,280**	10,734,728
LIABILITIES 負債			
Non-current liabilities 非流動負債			
Borrowings from bank and other financial institutions 自銀行及其他金融機構的借款	23	**12,731,292**	9,307,915
Trade and other payables 貿易及其他應付款項	24	**389,188**	247,498
Amounts due to non-controlling interests 應付非控股權益款項	25	**452,998**	228,598
Amounts due to related parties 應付關聯方款項	29	**453,600**	500,000
Deferred income tax liabilities 遞延所得稅負債		**153,742**	210,650
Lease liabilities 租賃負債		**324,012**	156,063
Total non-current liabilities 非流動負債總額		**14,504,832**	10,650,724

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
中期簡明綜合資產負債表

	Note 附註	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) （未經審核）	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) （經審核）
Current liabilities 流動負債			
Trade and other payables 貿易及其他應付款項	24	6,100,076	4,323,513
Amounts due to non-controlling interests 應付非控股權益款項	25	4,664,639	3,681,099
Amounts due to related parties 應付關聯方款項	29	6,698,617	3,485,010
Contract liabilities 合約負債	7	26,951,160	27,628,013
Current income tax liabilities 即期所得稅負債		1,079,410	1,242,359
Borrowings from bank and other financial institutions 自銀行及其他金融機構的借款	23	5,995,270	5,540,160
Lease liabilities 租賃負債		10,151	1,394
Total current liabilities 流動負債總額		51,499,323	45,901,548
Total liabilities 負債總額		66,004,155	56,552,272
Total equity and liabilities 權益及負債總額		78,876,435	67,287,000

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

以上中期簡明綜合資產負債表應與隨附附註一併閱讀。

The interim condensed consolidated financial information on pages 64 to 120 were approved by the Board of Directors of the Company on 25 August 2020 and were signed on its behalf.

第64至120頁的中期簡明綜合財務資料已由本公司董事會於2020年8月25日批核並由董事會代表簽署。

Hu Yiping
胡一平

Director
董事

Fei Zhongmin
費忠敏

Director
董事

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
中期簡明綜合權益變動表

	Attributable to the owners of the Company 本公司擁有人應佔						
	Share capital 股本 RMB'000 人民幣千元 (Note 19) (附註19)	Other reserves 其他儲備 RMB'000 人民幣千元 (Note 20) (附註20)	Statutory reserves 法定儲備 RMB'000 人民幣千元 (Note 21) (附註21)	Retained earnings 保留收益 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元	Non-controlling interests 非控股權益 RMB'000 人民幣千元	Total equity 權益總額 RMB'000 人民幣千元
Six months ended 30 June 2020 (Unaudited) 截至2020年6月30日止六個月(未經審核)							
Balance at 1 January 2020 於2020年1月1日的結餘	9,200	1,579,693	742,128	2,682,464	5,013,485	5,721,243	10,734,728
Comprehensive income 全面收益							
– Profit for the period – 期內利潤	–	–	–	700,043	700,043	642,833	1,342,876
Total comprehensive income 全面收益總額	–	–	–	700,043	700,043	642,833	1,342,876
Transactions with owners in their capacity as owners 與擁有人(以其作為擁有人的身份)的交易							
Capital injection from non-controlling interests 非控股權益注資	–	–	–	–	–	923,169	923,169
Acquisition of additional interests in subsidiaries 收購附屬公司的額外權益	–	(45,561)	–	–	(45,561)	(84,439)	(130,000)
Return of capital to non-controlling interests 歸還資本予非控權權益	–	–	–	–	–	(30,500)	(30,500)
Acquisition of subsidiaries 收購附屬公司	–	–	–	–	–	867,490	867,490
Distribution to non-controlling interests 非控股權益注資	–	–	–	–	–	(102,234)	(102,234)
Disposal of subsidiaries 出售附屬公司	–	–	–	–	–	(517,142)	(517,142)
Dividends for the year ended 31 December 2019 截至2019年12月31日止年度股息	–	(216,107)	–	–	(216,107)	–	(216,107)
Total transactions with owners in their capacity as owners 與擁有人(以其作為擁有人的身份)的交易總額	–	(261,668)	–	–	(261,668)	1,056,344	794,676
Transfer to statutory reserves 劃撥至法定撥備	–	–	184,989	(184,989)	–	–	–
Balance at 30 June 2020 於2020年6月30日的結餘	9,200	1,318,025	927,117	3,197,518	5,451,860	7,420,420	12,872,280

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
中期簡明綜合權益變動表

	Attributable to the owners of the Company 本公司擁有人應佔						
	Share capital 股本 RMB'000 人民幣千元 (Note 19) (附註19)	Other reserves 其他儲備 RMB'000 人民幣千元 (Note 20) (附註20)	Statutory reserves 法定儲備 RMB'000 人民幣千元 (Note 21) (附註21)	Retained earnings 保留收益 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元	Non-controlling interests 非控股權益 RMB'000 人民幣千元	Total equity 權益總額 RMB'000 人民幣千元
Six months ended 30 June 2019 (Unaudited) 截至2019年6月30日止六個月(未經審核)							
Balance at 1 January 2019 於2019年1月1日的結餘	6,848	598,540	372,605	1,495,473	2,473,466	4,395,171	6,868,637
Comprehensive income 全面收益							
– Profit for the period －期內利潤	–	–	–	995,813	995,813	287,570	1,283,383
Total comprehensive income 全面收益總額	–	–	–	995,813	995,813	287,570	1,283,383
Transactions with owners in their capacity as owners 與擁有人(以其作為擁有人的身份)的交易							
Issue of shares in connection with the Company's listing 與本公司上市有關的股份發行	2,017	1,426,936	–	–	1,428,953	–	1,428,953
Share issuance costs 股份發行成本	–	(46,481)	–	–	(46,481)	–	(46,481)
Issue of shares in connection with the capitalisation issue 與資本化發行有關的股份發行	335	(335)	–	–	–	–	–
Capital injections from non-controlling interests 非控股權益注資	–	–	–	–	–	378,077	378,077
Acquisition of additional interests in subsidiaries 收購附屬公司的額外權益	–	(41,797)	–	–	(41,797)	(153,861)	(195,658)
Disposal of interests in subsidiaries without change of control 在未發生控制權改變的情況下出售附屬公司權益	–	19,383	–	–	19,383	40,331	59,714
Acquisition of subsidiaries which do not contain a business 收購不含業務的附屬公司	–	–	–	–	–	12,389	12,389
Distribution to non-controlling interests 對非控股權益的分派	–	–	–	–	–	(164,895)	(164,895)
Total transactions with owners in their capacity as owners 與擁有人(以其作為擁有人的身份)的交易總額	2,352	1,357,706	–	–	1,360,058	112,041	1,472,099
Transfer to statutory reserves 劃撥至法定撥備	–	–	183,853	(183,853)	–	–	–
Balance at 30 June 2019 於2019年6月30日的結餘	9,200	1,956,246	556,458	2,307,433	4,829,337	4,794,782	9,624,119

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

以上中期簡明綜合權益變動表應與隨附附註一併閱讀。

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
中期簡明綜合現金流量表

	Six months ended 30 June 截至6月30日止六個月	
	2020 **2020年** **RMB'000** **人民幣千元** **(Unaudited)** **（未經審核）**	2019 2019年 RMB'000 人民幣千元 (Unaudited) （未經審核）
Cash flows from operating activities 經營活動的現金流量		
Cash generated from operations 營運所得現金	**2,715,837**	1,279,909
Income tax paid 已付所得税	**(915,071)**	(635,939)
Interest received 已收利息	**61,805**	41,361
Interest paid 已付利息	**(990,657)**	(589,981)
Net cash generated from operating activities 經營活動所得現金淨額	**871,914**	95,350
Cash flows from investing activities 投資活動的現金流量		
Payment for purchase of property, plant and equipment 就購買物業、廠房及設備支付款項	**(47,423)**	(13,211)
Payment for purchase of investment property 就購買投資物業支付款項	**(98,256)**	(479,538)
Investments in joint ventures 於合營企業的投資	**(1,001,054)**	(62,691)
Investments in associates 於聯營公司的投資	**(451,166)**	(23,193)
Purchase of financial assets at fair value through profit or loss 購買按公允價值計量且其變動計入損益的金融資產	**(71,484)**	(505,403)
Proceeds from disposal of financial assets at fair value through profit or loss 出售按公允價值計量且其變動計入損益的金融資產所得款項	**159,571**	431,691
Proceeds from disposal of associates 出售聯營公司所得款項	**68,398**	–
Advances to non-controlling shareholders 向非控股股東墊款	**(3,250,258)**	(1,782,180)
Repayments of advances from non-controlling shareholders 非控股股東償還墊款	**474,765**	515,717
Advances to third parties 向第三方墊款	**(503,974)**	(25,201)
Repayments of advances from third parties 第三方償還墊款	**221,097**	22,201
Advances to joint ventures and associates 向合營企業及聯營公司墊款	**(2,498,677)**	(2,374,323)
Repayments of advances from joint ventures and associates 合營企業及聯營公司償還墊款	**1,428,762**	1,654,532
Net cash inflow/(outflow) for acquisition of subsidiaries 收購附屬公司淨現金流入／(流出)	**21,186**	(573,572)
Net cash outflow for disposal of subsidiaries 出售附屬公司的淨現金流出	**(378,152)**	–
Advance to other related parties 向其他關聯方墊款	**(41,029)**	–
Repayments of advances from other related parties 其他關聯方償還墊款	**5,995**	381,201
Dividends received from joint ventures and associates 已收合營企業及聯營公司股息	**63,800**	98,782
Others-net 其他，淨額	**(1,835)**	(345)
Net cash used in investing activities 投資活動所用現金淨額	**(5,899,734)**	(2,735,533)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
中期簡明綜合現金流量表

	Six months ended 30 June 截至6月30日止六個月	
	2020 **2020年** **RMB'000** **人民幣千元** **(Unaudited)** **（未經審核）**	2019 2019年 RMB'000 人民幣千元 (Unaudited) （未經審核）
Cash flows from financing activities 融資活動的現金流量		
Proceeds from the Company's listing 本公司上市所得款項	**–**	1,428,953
Payments for listing expenses 支付上市開支款項	**–**	(37,925)
Proceeds from borrowings from bank and other financial Institutions 自銀行及其他金融機構的借款所得款項	**7,852,353**	4,603,722
Repayments of borrowings from bank and other financial Institutions 償還自銀行及其他金融機構的借款	**(5,024,552)**	(4,266,779)
Advances from third parties 來自第三方的墊款	**1,819,387**	–
Repayments of advances to third parties 償還第三方的墊款	**(437,498)**	(56,001)
Advances from joint ventures and associates 來自合營企業及聯營公司的墊款	**3,522,923**	1,674,979
Repayments of advances to joint ventures and associates 償還合營企業及聯營公司的墊款	**(706,975)**	(462,083)
Advances from other related parties 來自其他方的墊款	**21,215**	65,529
Repayments of advances to other related parties 償還其他方貸款	**(2,954)**	(1,692)
Capital injection from non-controlling interest 非控股權益注資	**923,169**	378,077
Capital returned to non-controlling interests 資本返還予非控制性權益	**(30,500)**	–
Distribution to non-controlling interests 對非控股權益的分派	**(102,234)**	(164,895)
Payments for acquisition of non-controlling interest 就收購非控股權益付款	**(130,000)**	(195,658)
Advances from non-controlling shareholders 來自非控股股東的墊款	**3,207,789**	2,089,773
Repayments of advances to non-controlling shareholders 償還非控股股東墊款	**(2,189,145)**	(2,389,743)
Principal elements of lease payments 租賃付款的主要內容	**(18,316)**	–
Proceeds from disposal of interests in subsidiaries without loss of control 在未失去控制權的情況下出售附屬公司權益所得款項	**–**	59,714
Restricted cash as security for borrowings 受限制現金作為借款抵押	**(1,094,490)**	(353)
Restricted cash released 獲解除受限制現金	**5,339**	89
Net cash generated from financing activities 融資活動所得現金淨額	**7,615,511**	2,725,707

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
中期簡明綜合現金流量表

	Six months ended 30 June 截至6月30日止六個月	
	2020 **2020年** **RMB'000** **人民幣千元** **(Unaudited)** **（未經審核）**	2019 2019年 RMB'000 人民幣千元 (Unaudited) （未經審核）
Net increase in cash and cash equivalents 現金及現金等價物增加淨額	**2,587,691**	85,524
Cash and cash equivalents at beginning of the period 期初現金及現金等價物	**9,564,316**	7,486,911
Exchange gains on cash and cash equivalents 現金及現金等價物匯兑收益	**47,041**	4,266
Cash and cash equivalents at end of the period 期末現金及現金等價物	**12,199,048**	7,576,701

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

以上中期簡明綜合現金流量表應與隨附附註一併閱讀。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

1. GENERAL INFORMATION

Dexin China Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 16 January 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the property development and construction services, property investment and hotel operations (the "Listing Business") in the People's Republic of China (the "PRC").

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 February 2019.

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. This interim condensed consolidated financial information has been approved for issue by the board of directors ("Board") on 25 August 2020.

This interim condensed consolidated financial information has not been audited.

The outbreak of the 2019 Novel Coronavirus ("COVID-19") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the Group including the construction and delivery of properties, rental revenue and occupancy rate of investment properties, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group. As at the date that this interim condensed consolidated financial information is authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

1. 一般資料

德信中国控股有限公司(「本公司」)根據開曼群島公司法於2018年1月16日在開曼群島註冊成立為獲豁免有限公司。其註冊辦事處地址為Cricket Square, Hutchins Drive, P.O.Box 2681, Grand Cayman KY1-1111, Cayman Islands。本公司為投資控股公司。本公司及其附屬公司(「本集團」)主要於中華人民共和國(「中國」)從事物業開發及建築服務、物業投資及酒店運營(「上市業務」)。

本公司股票於2019年2月26日在香港聯合交易所有限公司(「聯交所」)上市。

除另有列明外，本中期簡明綜合財務資料以人民幣(「人民幣」)呈列。本中期簡明綜合財務資料已經董事會(「董事會」)於2020年8月25日批准刊發。

本中期簡明綜合財務資料未經審核。

2019年新型冠狀病毒(「2019冠狀病毒病」)的爆發帶來了前所未有的挑戰，並給經濟增加了不確定性。2019冠狀病毒病可能會影響本集團的財務表現和狀況(包括物業建設及交付、投資物業的租金收入及佔用率、貿易及其他應收款項的預期信貸虧損撥備及投資物業的公允價值等)。自2019冠狀病毒病爆發以來，本集團持續關注2019冠狀病毒病的狀況，並積極應對其對本集團財務狀況和經營成果的影響。於本中期簡明綜合財務資訊獲授權發佈之日，2019冠狀病毒病對本集團的財務狀況和經營業績沒有任何重大不利影響。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard("HKAS") 34, "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. 編製基準

截至2020年6月30日止六個月的中期簡明綜合財務資料乃根據香港會計準則(「香港會計準則」)第34號「中期財務報告」編製。本中期簡明綜合財務資料應與截至2019年12月31日止年度的年度財務報表一併閱讀，該年度財務報表乃根據香港會計師公會(「香港會計師公會」)頒佈的香港財務報告準則(「香港財務報告準則」)編製。

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2019, except for the adoption of new and amended standards and interpretations as set out below.

3. 會計政策

除下文所載採納的新訂及經修訂準則及詮釋外，所採納之會計政策與本集團截至2019年12月31日止年度之年度財務報表所採納者一致。

(a) New and amended standards and interpretations adopted by the Group

(a) 本集團採納的新訂及經修訂準則及詮釋

Amendments to HKAS 1 and HKAS 8 香港會計準則第1號及香港會計準則第8號(修訂本)	Definition of Material 重大的定義
Amendments to HKFRS 3 香港財務報告準則第3號(修訂本)	Definition of a Business 業務的定義
Amendments to HKFRS 7, HKFRS 9 and HKAS 39 香港財務報告準則第7號、香港財務報告準則第9號及香港會計準則第39號(修訂本)	Interest Rate Benchmark Reform 利率基準改革
Revised Conceptual Framework 經修訂概念框架	Revised Conceptual Framework for Financial Reporting 財務報告經修訂概念框架

The adoption of the new and amended standards and interpretations does not have significant impact on the interim condensed consolidated financial information.

採納新訂及經修訂準則及詮釋概無對中期簡明綜合財務資料造成任何重大影響。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

3. ACCOUNTING POLICIES (CONTINUED) 3. 會計政策（續）

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted:

(b) 下列為已頒佈但於2020年1月1日開始之財政年度尚未生效，且未獲提早採納之新訂準則及經修訂準則及詮釋：

		Effective for annual periods beginning on or after 於以下日期或之後開始之年度期間生效
HKFRS 17	Insurance Contracts	Originally 1 January 2021, but extended to 1 January 2023
香港財務報告準則第17號	保險合同	原為2021年1月1日，惟延至2023年1月1日
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
香港會計準則第1號（修訂本）	負債分類為流動及非流動	2022年1月1日
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
香港財務報告準則第3號（修訂本）	參照概念框架	2022年1月1日
Amendments to HKAS 16	Property, Plant and Equipment; Proceeds Before Intended Use	1 January 2022
香港會計準則第16號（修訂本）	物業、廠房及設備：投放擬定用途前所得款項	2022年1月1日
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
香港會計準則第37號（修訂本）	虧損合同－履行合同的成本	2022年1月1日
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
年度改進	香港財務報告準則之年度改進，2018年至2020年週期	2022年1月1日
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined
香港財務報告準則第10號及香港會計準則第28號（修訂本）	投資者及其聯營公司或共同控制實體之間的資產出售或出資	待定

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

3. ACCOUNTING POLICIES (CONTINUED)

(b) (continued)

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing this interim condensed consolidated financial information. The impact of new standards and amendments to standards and interpretations above is still under assessment by the Group.

3. 會計政策（續）

(b)（續）

編製本中期簡明綜合財務資料時，並未應用上述於2020年1月1日或之後開始之年度期間生效的新訂準則、現有準則之修訂及詮釋。本集團仍在評估上述新訂及經修訂準則及詮釋之影響。

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

4. 關鍵會計估計及判斷

管理層於編製中期財務資料時，需要作出判斷、估計及假設，這些判斷、估計及假設會對會計政策的應用以及資產與負債、收入與開支的報告金額構成影響。實際結果或會有別於估計數字。

於編製本中期簡明綜合財務資料時，管理層應用本集團會計政策的重要判斷以及估計不確定因素的主要來源與截至2019年12月31日止年度綜合財務報表所用者相同。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, and liquidity risk.

The Group's businesses are principally conducted in RMB. As at 30 June 2020, the non-RMB assets of the Group are mainly restricted cash (Note 17) and cash and cash equivalents (Note 18) denominated in United States Dollars ("US$") and Hong Kong Dollars ("HK$"). The Group has not entered into forward exchange contract to hedge its exposure to foreign exchange risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There have been no changes in the risk management policies since 31 December 2019.

5. 財務風險管理

5.1 財務風險因素

本集團的業務活動令其面臨各種財務風險：利率風險、信貸風險及流動資金風險。

本集團的業務主要以人民幣進行。於2020年6月30日，本集團的非人民幣資產主要為以美元（「美元」）及港元（「港元」）計值的受限制現金（附註17）以及現金及現金等價物（附註18）。本集團並無訂立遠期外匯合約以對沖其面臨的外匯風險。

中期簡明綜合財務資料並未包括年度財務報表規定的所有財務風險管理資料及披露，並應與本集團截至2019年12月31日止年度的年度財務報表一併閱讀。

自2019年12月31日起，風險管理政策並無變動。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

5.1.1 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

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

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

5. 財務風險管理（續）

5.1 財務風險因素（續）

5.1.1 流動資金風險

本集團管理層旨在維持充足的現金及現金等價物或通過預售物業的所得款項獲得可用資金，並擁有足夠的可動用融資（包括短期及長期借款），以及自股東獲得額外資金。由於相關業務的動態特性，本集團透過維持足夠的現金及現金等價物以及通過可動用的融資資源以保持資金的靈活性。

倘經濟環境出現重大不利變動，本集團擁有眾多其他可選計劃來降低其對預期現金流量的潛在影響。這包括減少土地收購、調整項目開發時間表以適應不斷變化的當地房地產市場環境、實施成本控制措施、促銷已完工物業、通過更靈活的定價加快銷售及尋求合營企業合作夥伴開發項目。本集團將基於其對相關未來成本及利益的評估從中作出選擇。董事認為本集團將能夠維持充足的財務資源來滿足其營運需求。

下表載列於各資產負債表日本集團按相關到期組別劃分的金融負債。表中披露的金額為合約未貼現現金流量。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

5. FINANCIAL RISK MANAGEMENT (CONTINUED)
5. 財務風險管理(續)

5.1 Financial risk factors (continued)
5.1 財務風險因素(續)

5.1.1 Liquidity risk (continued)

5.1.1 流動資金風險(續)

	Less than 1 year 1年以內 RMB'000 人民幣千元	Between 1 and 2 years 1至2年 RMB'000 人民幣千元	Between 2 and 5 years 2至5年 RMB'000 人民幣千元	Over 5 years 5年以上 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
As at 30 June 2020 (Unaudited) 於2020年6月30日(未經審核)					
Borrowings from bank and other financial institutions 自銀行及其他金融機構的借款	**7,405,791**	**7,480,164**	**5,677,161**	**983,155**	**21,546,271**
Trade and other payables, excluding accrual for staff costs and allowances, and other taxes payable 貿易及其他應付款項(不包括應計員工成本及津貼以及其他應付稅項)	**4,448,873**	**415,891**	**–**	**–**	**4,864,764**
Amounts due to non-controlling interest 應付非控股權益款項	**4,724,048**	**461,767**	**–**	**–**	**5,185,815**
Amounts due to related parties 應付關聯方款項	**6,768,838**	**463,835**	**–**	**–**	**7,232,673**
Lease liabilities 租賃負債	**38,187**	**40,389**	**100,676**	**508,017**	**687,269**
	23,385,737	**8,862,046**	**5,777,837**	**1,491,172**	**39,516,792**
As at 31 December 2019 (Audited) 於2019年12月31日(經審核)					
Borrowings from bank and other financial institutions 自銀行及其他金融機構的借款	6,937,829	5,805,193	3,637,597	597,216	16,977,835
Trade and other payables, excluding accrual for staff costs and allowances, and other taxes payable 貿易及其他應付款項(不包括應計員工成本及津貼以及其他應付稅項)	2,520,765	261,019	–	–	2,781,784
Amounts due to non-controlling interest 應付非控股權益款項	3,699,982	233,599	–	–	3,933,581
Amounts due to related parties 應付關聯方款項	3,506,788	507,234	–	–	4,014,022
Lease liabilities 租賃負債	14,879	14,879	47,317	257,836	334,911
	16,680,243	6,821,924	3,684,914	855,052	28,042,133

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

5.1.1 Liquidity risk (continued)

The Group also provides guarantees to secure repayment obligations of certain purchasers of the Group's property units and the principal of borrowings of the joint ventures, associates and third parties, which will have contractual cash flows only if the guaranteed purchasers, joint ventures, associates or third parties default the repayment (Note 26).

5.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings from bank and other financial institutions (including current and non-current portions as shown in the consolidated balance sheet) less total of cash and cash equivalents and restricted cash.

5. 財務風險管理（續）

5.1 財務風險因素（續）

5.1.1 流動資金風險（續）

本集團亦提供擔保以確保本集團物業單元的若干買家的還款責任及合營企業、聯營公司及第三方的借款本金，其惟有在受擔保的買家、合營企業、聯營公司或第三方拖欠還款的情況下，才會產生合約現金流量（附註26）。

5.2 資本管理

本集團資本管理之目的為保障本集團持續經營的能力，以為擁有人提供回報和為其他利益相關者提供利益，同時維持最佳的資本結構以減低資本成本。

為維持或調整資本結構，本集團可能會調整派付予擁有人的股息款額、發行新股份或出售資產以減少債務。

本集團以資產負債比率作為監控資本的基準。該比率按借款淨額除以資本總額計算。借款淨額按自銀行及其他金融機構的借款總額（包括綜合資產負債表內列示的即期及非即期部分）減去現金及現金等價物以及受限制現金總額計算。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

5. FINANCIAL RISK MANAGEMENT (CONTINUED)
5. 財務風險管理（續）

5.2 Capital management (continued)
5.2 資本管理（續）

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) （未經審核）	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) （經審核）
Borrowings from bank and other financial institutions 自銀行及其他金融機構的借款	18,726,562	14,848,075
Less: Cash and cash equivalents 減：現金及現金等價物	(12,199,048)	(9,564,316)
Restricted cash 受限制現金	(1,094,948)	(5,797)
Net borrowings 借款淨額	5,432,566	5,277,962
Total equity 權益總額	12,872,280	10,734,728
Total capital 資本總額	18,304,846	16,012,690
Gearing ratio 資產負債比率	30%	33%

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation

(a) Financial assets carried at fair value

The Group's financial assets carried at fair value include financial assets at fair value through profit or loss. The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The financial assets at fair value through profit or loss are measured at fair value, which is grouped into level 3 fair value measurements, subsequent to initial recognition. Techniques, such as discounted cash flow analysis, discount rate and etc., are used to determine fair value for the financial assets at fair value through profit or loss.

The Group's policy was to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers among levels 1, 2 and 3 for recurring fair value measurements.

5. 財務風險管理（續）

5.3 公允價值估計

(a) 按公允價值列賬的金融資產

本集團按公允價值列賬的金融資產包括按公允價值計量且其變動計入損益的金融資產。使用估值法按公允價值列賬的金融工具不同層級界定如下：

第一層級：在活躍市場上交易的金融工具（例如公開交易的衍生工具及權益證券）的公允價值基於報告期末的市場報價。就本集團所持金融資產而使用的市場報價為當前競標價格。該等工具計入第一層級。

第二層級：不在活躍市場上交易的金融工具的公允價值使用最大化應用可觀察市場數據的估值技術確定，並盡可能少地依賴特定實體所適用的估計。倘評估工具公允價值所需的所有重大輸入數據均可觀察，則該工具計入第二層級。

第三層級：倘有一項或多項重大輸入數據並非基於可觀察市場數據，則該工具計入第三層級。非上市股本證券即屬此種情況。

按公允價值計量且其變動計入損益的金融資產於初步確認後按公允價值計量（分類為第三層級公允價值計量）。技術（如貼現現金流量分析及貼現率等）用於釐定按公允價值計量且其變動計入損益的金融資產的公允價值。

本集團的政策是在報告期末確認公允價值層級的轉入及轉出。經常性公允價值計量之第一、第二及第三層級之間概無轉撥。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (continued)

(b) Investment properties

Investment properties of the Group were measured at fair value.

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of investment properties that are recognised and measured at fair value in the interim condensed consolidated financial information. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2020 (six months ended 30 June 2019: same).

5. 財務風險管理（續）

5.3 公允價值估計（續）

(b) 投資物業

本集團的投資物業按公允價值計量。

(i) 公允價值層級

本附註闡述釐定中期簡明綜合財務資料內按公允價值確認及計量的投資物業的公允價值時所作判斷及估計。為得出釐定公允價值所用輸入數據的可信度指標，本集團根據會計準則將其非金融資產分為三個層級。

本集團的政策是在報告期末確認公允價值層級的轉入及轉出。

於截至2020年6月30日止六個月，經常性公允價值計量並無在第一、第二及第三層級之間轉移（截至2019年6月30日止六個月：相同）。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (continued)

(b) Investment properties (continued)

(ii) Valuation techniques used to determine level 3 fair values

The directors determine a property's value within a range of reasonable fair value estimates. Fair values of the Group's completed investment properties are derived using the income capitalisation approach. This valuation method takes into account the net rental income of a property derived from its 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.

Fair values of the Group's investment properties under development are derived on the basis that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. It is assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at the fair values, the direct comparison approach is adopted by making reference to comparable sales transactions as available in the market and also taken into account the costs that will be expended to complete the developments to reflect the quality of the completed developments. The "market value as if completed" represents the opinion of the aggregate selling prices of the property assuming that it would be completed as at the valuation date.

All resulting fair value estimates for investment properties are included in level 3.

5. 財務風險管理（續）

5.3 公允價值估計（續）

(b) 投資物業（續）

(ii) 釐定第三層級公允價值所用估值技術

董事於合理的公允價值估計範圍內釐定物業價值。本集團已竣工投資物業的公允價值使用收益資本化法獲得。該估值方法計及物業以現有租賃所得及／或在現時市場上可收取的租金收入淨額，且已就該等租賃的復歸收入潛力作適當撥備，再將該等租賃予以資本化以按某一適當資本化比率釐定公允價值。

本集團在建投資物業的公允價值乃基於其將根據本集團提供的最新開發建議書開發及完成而得出。其假設在並無繁瑣條件或延遲情況下，已就開發建議書獲得相關政府部門的所有同意、批文及許可證。在計算公允價值時，會採納直接比較法，參照市場可獲得的可資比較銷售交易並考慮完成開發將花費的成本，來反映已完工開發項目的質量。「竣工後市值」指假設物業於估值日期已完工情況下而對物業總銷售價的意見。

一切由此產生的投資物業公允價值估計均列入第三層級。

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (continued)

(b) Investment properties (continued)

(iii) Valuation processes

The Group's investment properties were valued by an independent professionally qualified valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department has a team to review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and the valuer at least once every six months for the Group's interim and annual reporting process.

At each reporting period end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior period valuation report; and
- Holds discussions with the independent valuer.

5. 財務風險管理（續）

5.3 公允價值估計（續）

(b) 投資物業（續）

(iii) 估值程序

本集團的投資物業已由獨立專業合資格估值師進行估值，該估值師持有經認可的相關專業資格，近期亦有估值相同位置及分部的投資物業的經驗。就所有投資物業而言，其現時的用途即為其最高及最佳用途。

本集團的財務部門設有一個團隊，專門審閱由獨立估值師就財務報告目的進行之估值。該團隊直接向執行董事匯報。執行董事、估值團隊及估值師至少每六個月就本集團的中期及年度報告程序對估值程序及結果進行一次討論。

於各報告期末，財務部門：

- 核實獨立估值報告的所有主要輸入數據；
- 評估物業估值相較往期估值報告的變動；及
- 與獨立估值師展開討論。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

6. SEGMENT INFORMATION

The Executive Directors have been identified as the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the Executive Directors, which are used to allocate resources and assess performance. The Group is organised into three business segments: property development and construction, property investment, and other businesses. Other businesses mainly include hotel operations. As the Executive Directors of the Group consider most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented.

The Executive Directors of the Company assess the performance of the operating segments based on a measure of segment results, which is a measure of revenue and gross profit of each operating segment.

Segment assets and segment liabilities are measured in the same way as in the financial statements. These assets and liabilities are allocated based on the operations of the segment. Unallocated assets comprise financial assets at fair value through profit or loss and deferred income tax assets. Unallocated liabilities comprise deferred income tax liabilities, current income tax liabilities, borrowings from bank and other financial institutions and other financial liabilities. Management considered that it is impracticable or not meaningful in allocating these unallocated assets and liabilities to different segments.

6. 分部資料

執行董事被確認為主要經營決策者。管理層已根據經執行董事審閱的報告確定經營分部，以用於分配資源及評估表現。本集團分為三個業務分部：物業開發及建設、物業投資及其他業務。其他業務主要包括酒店業務。由於本集團的執行董事認為本集團大多數收入及業績均於中國市場產生，位於中國境外的僅為本集團資產中不重大的部分（少於10%），故概無呈列地區分部資料。

本公司執行董事根據分部業績的計量評估經營分部的表現，有關計量為計量各經營分部的收入及毛利。

分部資產和分部負債按財務報表所用方式計量。該等資產及負債根據分部業務進行分配。未分配資產包括按公允價值計量且其變動計入損益的金融資產及遞延所得稅資產。未分配負債包括遞延所得稅負債、即期所得稅負債、自銀行及其他金融機構的借款及其他金融負債。管理層認為，將該等未分配資產及負債分配至不同分部並不可行，或意義不大。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

6. SEGMENT INFORMATION (CONTINUED)

6. 分部資料（續）

(i) Segment results for the six months ended 30 June 2020 and 2019 are as follows:

(i) 截至2020年及2019年6月30日止六個月的分部業績如下：

Six months ended 30 June 2020 (Unaudited)

截至2020年6月30日止六個月（未經審核）

	Property development and construction 物業開發及建設 RMB'000 人民幣千元	Property investment 物業投資 RMB'000 人民幣千元	Other businesses 其他業務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Revenue from contracts with customers 客戶合約收入	7,594,585	–	4,878	7,599,463
Recognised at a point in time 於某一時點確認	7,582,690	–	–	7,582,690
Recognised over time 於某一時段確認	11,895	–	4,878	16,773
Revenue from other sources: Rental income 其他來源收入：租金收入	–	49,890	–	49,890
Segment revenue 分部收入	7,594,585	49,890	4,878	7,649,353
Inter-segment revenue 分部間收入	–	–	–	–
Revenue from external customers 來自外部客戶的收入	7,594,585	49,890	4,878	7,649,353
Gross profit 毛利	1,928,732	30,342	3,040	1,962,114
Other income 其他收入				117,454
Other losses – net 其他虧損淨額				(4,645)
Selling and marketing expenses 銷售及營銷開支				(147,857)
Administrative expenses 行政開支				(247,539)
Fair value losses on investment properties 投資物業公允價值虧損	–	(71,540)	–	(71,540)
Finance costs – net 財務成本淨額				(327,099)
Share of results of joint ventures and associates 分佔合營企業及聯營公司業績	519,038	–	–	519,038
Profit before income tax 所得税前利潤				1,799,926
Income tax expenses 所得税開支				(457,050)
Profit for the period 期內利潤				1,342,876
Depreciation and amortisation 折舊及攤銷	12,389	–	3,726	16,115

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

6. SEGMENT INFORMATION (CONTINUED)

6. 分部資料（續）

(i) Segment results for the six months ended 30 June 2020 and 2019 are as follows: (continued)

(i) 截至2020年及2019年6月30日止六個月的分部業績如下（續）：

Six months ended 30 June 2019 (Unaudited)

截至2019年6月30日止六個月（未經審核）

	Property development and construction 物業開發及建設 RMB'000 人民幣千元	Property investment 物業投資 RMB'000 人民幣千元	Other businesses 其他業務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Revenue from contracts with customers 客戶合約收入	3,486,163	–	4,972	3,491,135
Recognised at a point in time 於某一時點確認	3,473,066	–	–	3,473,066
Recognised over time 於某一時段確認	13,097	–	4,972	18,069
Revenue from other sources:				
Rental income 其他來源收入：租金收入	–	26,583	–	26,583
Segment revenue 分部收入	3,486,163	26,583	4,972	3,517,718
Inter-segment revenue 分部間收入	–	–	–	–
Revenue from external customers 來自外部客戶的收入	3,486,163	26,583	4,972	3,517,718
Gross profit 毛利	1,192,509	21,988	1,421	1,215,918
Other income 其他收入				35,521
Other gains – net 其他收益淨額				22,424
Selling and marketing expenses 銷售及營銷開支				(144,254)
Administrative expenses 行政開支				(264,527)
Fair value gains on investment properties 投資物業公允價值收益	–	57,528	–	57,528
Finance costs – net 財務成本淨額				(134,955)
Share of results of joint ventures and associates 分佔合營企業及聯營公司業績	778,720	–	–	778,720
Profit before income tax 所得稅前利潤				1,566,375
Income tax expenses 所得稅開支				(282,992)
Profit for the period 期內利潤				1,283,383
Depreciation and amortisation 折舊及攤銷	6,344	–	3,441	9,785

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

6. SEGMENT INFORMATION (CONTINUED)

6. 分部資料(續)

(ii) Segment assets and liabilities as at 30 June 2020 and 31 December 2019 are as follows:

(ii) 2020年6月30日及2019年12月31日的分部資產及負債如下:

As at 30 June 2020 (Unaudited)

於2020年6月30日(未經審核)

	Property development and construction 物業開發及建設 RMB'000 人民幣千元	Property investment 物業投資 RMB'000 人民幣千元	Other businesses 其他業務 RMB'000 人民幣千元	Unallocated 未獲分配 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Segment assets 分部資產	73,944,357	3,534,407	520,899	876,772	78,876,435
Segment liabilities 分部負債	42,354,391	3,029,011	444,932	20,175,821	66,004,155

As at 31 December 2019 (Audited)

於2019年12月31日(經審核)

	Property development and construction 物業開發及建設 RMB'000 人民幣千元	Property investment 物業投資 RMB'000 人民幣千元	Other businesses 其他業務 RMB'000 人民幣千元	Unallocated 未獲分配 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Segment assets 分部資產	62,520,223	3,270,645	476,263	1,019,869	67,287,000
Segment liabilities 分部負債	38,093,491	1,806,484	351,213	16,301,084	56,552,272

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

7. REVENUE 7. 收入

	Six months ended 30 June 截至6月30日止六個月	
	2020 **2020年** **RMB'000** **人民幣千元** **(Unaudited)** **（未經審核）**	2019 2019年 RMB'000 人民幣千元 (Unaudited) （未經審核）
Revenue from sales of properties 銷售物業所得收入	**7,582,690**	3,473,066
Revenue from construction and project management services 建築及項目管理服務所得收入	**11,895**	13,097
Hotel income 酒店收入	**4,878**	4,972
Rental income 租金收入	**49,890**	26,583
	7,649,353	3,517,718

Revenue mainly included sales of properties, which is recognised at a point in time.

收入主要包括物業銷售，其按照某一時間點確認。

(a) Details of contract liabilities: (a) 合約負債詳情：

	30 June 2020 **2020年6月30日** **RMB'000** **人民幣千元** **(Unaudited)** **（未經審核）**	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) （經審核）
Contract liabilities related to sales of properties 與銷售物業有關的合約負債	**26,951,160**	27,628,013

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

7. REVENUE (CONTINUED)

7. 收入（續）

(a) Details of contract liabilities: (continued)

(a) 合約負債詳情：（續）

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 for property development and sales.

本集團按物業銷售合約內訂明的賬單時間表向客戶收取款項。該等款項通常在履行物業開發及銷售合約前收取。

The following table shows the revenue recognised related to carried-forward contract liabilities.

下表列示就結轉合約負債確認的收入。

	Six months ended 30 June 截至6月30日止六個月	
	2020 **2020年** **RMB'000** **人民幣千元** **(Unaudited)** **（未經審核）**	2019 2019年 RMB'000 人民幣千元 (Unaudited) （未經審核）
Revenue recognised that was included in the contract liabilities balance at the beginning of the period 已確認並計入期初合約負債結餘的收入		
Property development and sales 物業開發及銷售	**7,350,204**	3,403,628
Construction and project management services 建築及項目管理服務	**–**	13,097
	7,350,204	3,416,725

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as of 30 June 2020 and 31 December 2019.

未履約義務的金額與合約負債結餘相若，其預計於截至2020年6月30日及2019年12月31日的1至3年內確認。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

8. EXPENSES BY NATURE 8. 按性質劃分的開支

	Six months ended 30 June 截至6月30日止六個月	
	2020 2020年 RMB'000 人民幣千元 (Unaudited) （未經審核）	2019 2019年 RMB'000 人民幣千元 (Unaudited) （未經審核）
Cost of properties sold – including construction cost, land cost, capitalised interest expenses 已售物業成本（包括建築成本、土地成本、資本化利息開支）	**5,643,723**	2,281,081
Other tax expenses 其他稅項開支	**54,092**	26,981
Staff costs (including directors' emoluments) 員工成本（包括董事酬金）	**186,150**	132,287
Marketing and advertising costs 營銷及廣告成本	**54,272**	64,955
Consulting fees 諮詢費	**22,950**	59,447
Property management fees 物業管理費	**14,577**	16,266
Office lease payments 辦公租賃付款	**8,492**	10,263
Entertainment expenses 招待開支	**13,755**	10,728
Office and travelling expenses 辦公及差旅開支	**20,586**	15,962
Listing expenses 上市開支	**–**	16,906

9. OTHER INCOME 9. 其他收入

	Six months ended 30 June 截至6月30日止六個月	
	2020 2020年 RMB'000 人民幣千元 (Unaudited) （未經審核）	2019 2019年 RMB'000 人民幣千元 (Unaudited) （未經審核）
Management and consulting service income (Note a) 管理及諮詢服務收入（附註a）	**107,594**	27,135
Others 其他	**9,860**	8,386
	117,454	35,521

(a) The amount mainly represents the management and consulting services provided to the Group's joint ventures and associates in relation to the property development projects.

(a) 該款項主要指就物業開發項目而提供予本集團合營企業及聯營公司的管理及諮詢服務。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

10. FINANCE COSTS – NET

10. 財務成本淨額

	Six months ended 30 June 截至6月30日止六個月	
	2020 **2020年** **RMB'000** **人民幣千元** **(Unaudited)** **（未經審核）**	2019 2019年 RMB'000 人民幣千元 (Unaudited) （未經審核）
Finance costs 融資成本		
– Interest-bearing debts －計息債務	**858,547**	683,337
– Net exchange losses on financing activities 融資活動產生的匯兑虧損淨額	**22,878**	–
– Less: capitalised interest －減：資本化利息	**(472,710)**	(492,168)
	408,715	191,169
Finance income 融資收入		
Interest income from 利息收入		
– Bank deposits －銀行存款	**(27,532)**	(19,696)
– Other receivables －其他應收款項	**(28,068)**	(20,955)
– Amounts due from related parties －應收關聯方款項	**(26,016)**	(15,563)
	(81,616)	(56,214)
Finance costs – net 財務成本淨額	**327,099**	134,955

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

11. INCOME TAX EXPENSES 11.所得稅開支

	Six months ended 30 June 截至6月30日止六個月	
	2020 **2020年** **RMB'000** **人民幣千元** **(Unaudited)** **（未經審核）**	2019 2019年 RMB'000 人民幣千元 (Unaudited) （未經審核）
Current income tax: 即期所得稅：		
– PRC corporate income tax －中國企業所得稅	**376,973**	326,292
– PRC land appreciation tax －中國土地增值稅	**99,200**	69,289
	476,173	395,581
Deferred income tax: 遞延所得稅：		
– PRC corporate income tax －中國企業所得稅	**(19,123)**	(112,589)
	457,050	282,992

PRC corporate income tax

The income tax provision of the Group in respect of operations in PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") effective on 1 January 2008.

中國企業所得稅

本集團就中國業務經營計提的所得稅撥備乃根據現有相關立法、詮釋及慣例對期內估計應課稅利潤按適用稅率而計算。

根據2008年1月1日起生效的《中華人民共和國企業所得稅法》(「企業所得稅法」)，位於中國內地的集團實體所適用的企業所得稅稅率為25%。

11. INCOME TAX EXPENSES (CONTINUED)

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for these undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the PRC.

11. 所得稅開支（續）

中國土地增值稅（「土地增值稅」）

根據自1994年1月1日起生效的《中華人民共和國土地增值稅暫行條例》的規定，以及自1995年1月27日起生效的《中華人民共和國土地增值稅暫行條例實施細則》，銷售或轉讓中國國有土地使用權、樓宇及附屬設施的所有收入須按介乎增值30%至60%的累進稅率繳納土地增值稅，惟倘一般住宅物業的銷售增值不超過總可扣稅項目金額的20%，則可予豁免。

本集團已按上述累進稅率就物業銷售計提土地增值稅撥備。

中國股息預扣所得稅

根據於2007年12月6日頒佈的《企業所得稅法實施條例》，於2008年1月1日後，以中國公司產生的利潤向其海外投資者分派的股息應按10%的稅率繳納預扣所得稅，倘中國附屬公司的直接控股公司在香港註冊成立及符合由中國與香港所訂立的稅務條約安排規定，則適用5%的較低預扣稅率。由於本集團並無計劃在中國以外地區分派來自中國附屬公司的該等盈利，故本集團並未就中國附屬公司的未分派盈利應計任何預扣所得稅。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

11. INCOME TAX EXPENSES (CONTINUED)

11. 所得税開支（續）

Hong Kong profits tax

The applicable Hong Kong profit tax rate is 16.5% for the six months ended 30 June 2020 (six months ended 30 June 2019: 16.5%). Hong Kong profits tax has not been provided as the Group did not have any assessable profit for the six months ended 30 June 2020 (six months ended 30 June 2019: same).

香港利得税

適用香港利得税税率於截至2020年6月30日止六個月為16.5%（截至2019年6月30日止六個月：16.5%）。由於本集團並無任何應課税溢利，故截至2020年6月30日止六個月概無計提香港利得税撥備（截至2019年6月30日止六個月：相同）。

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands (the "BVI") was incorporated under the Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax.

海外所得税

本公司於開曼群島根據開曼群島公司法註冊成立為獲豁免有限公司，並獲豁免繳納開曼群島所得税。本公司於英屬維爾京群島（「英屬維爾京群島」）的直接附屬公司乃根據英屬維爾京群島商業公司法註冊成立，並獲豁免繳納英屬維爾京群島所得税。

12. EARNINGS PER SHARE

12. 每股盈利

	Six months ended 30 June 截至6月30日止六個月	
	2020 **2020年** **RMB'000** **人民幣千元** **(Unaudited)** **（未經審核）**	2019 2019年 RMB'000 人民幣千元 (Unaudited) （未經審核）
Profit attributable to owners of the Company (RMB'000) 本公司擁有人應佔利潤（人民幣千元）	**700,043**	995,813
Weighted average number of ordinary shares in issue (in thousand) 已發行普通股加權平均數（以千計）	**2,701,341**	2,507,246
Basic earnings per share (RMB per share) 每股基本盈利（人民幣元每股）	**0.26**	0.40

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equals the basic earnings per share.

本公司無任何已發行的潛在攤薄股份，因此，每股攤薄盈利等於每股基本盈利。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

13. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES
13. 物業、廠房及設備及投資物業

	Property, plant and equipment 物業、廠房及設備 RMB'000 人民幣千元	Investment properties 投資物業 RMB'000 人民幣千元
Six months ended 30 June 2020 截至2020年6月30日止六個月		
At 1 January 2020 (audited) 於2020年1月1日(經審核)	**378,821**	**2,924,115**
Additions 添置	**78,915**	**288,575**
Disposals 出售	**(824)**	**–**
Fair value losses 公允價值虧損	**–**	**(71,540)**
Depreciation and amortisation 折舊及攤銷	**(15,912)**	**–**
At 30 June 2020 (unaudited) 於2020年6月30日(未經審核)	**441,000**	**3,141,150**
Six months ended 30 June 2019 截至2019年6月30日止六個月		
At 31 December 2018 (audited) 於2018年12月31日(經審核)	267,984	1,768,420
Adoption of HKFRS16 採納香港財務報告準則第16號	6,835	–
At 1 January 2019 於2019年1月1日	274,819	1,768,420
Additions 添置	71,641	645,092
Disposals 出售	(147)	–
Fair value gains 公允價值收益	–	57,528
Depreciation and amortisation 折舊及攤銷	(14,164)	–
At 30 June 2019 (unaudited) 於2019年6月30日(未經審核)	332,149	2,471,040

Refer to Note 28 for information on non-current assets pledged as security by the Group.

有關本集團非流動資產抵押為抵押品的資料請參閱附註28。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

14. 使用權益法列賬的投資

For the associates and joint ventures that are accounted for using the equity method, amounts recognised in the interim condensed consolidated balance sheet and the interim condensed consolidated income statement are set out as below:

就採用權益法列賬的聯營公司及合營企業而言，於中期簡明綜合資產負債表及中期簡明綜合收益表確認的款項載列如下：

(a) The amounts recognised in the consolidated balance sheets as "Investments accounted for using the equity method" are as follows:

(a) 於綜合資產負債表內確認為「使用權益法列賬的投資」的款項如下：

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) （未經審核）	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) （經審核）
Joint ventures 合營企業	**2,088,109**	1,053,876
Associates 聯營公司	**3,188,430**	2,738,462
	5,276,539	3,792,338

(b) The amounts recognised in the consolidated income statements as "Share of results of joint ventures and associates" are as follows:

(b) 於綜合收益表內確認為「分佔合營企業及聯營公司業績」的款項如下：

	Six months ended 30 June 截至6月30日止六個月	
	2020 2020年 RMB'000 人民幣千元 (Unaudited) （未經審核）	2019 2019年 RMB'000 人民幣千元 (Unaudited) （未經審核）
Joint ventures 合營企業	**378,765**	34,261
Associates 聯營公司	**140,273**	744,459
	519,038	778,720

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

14. 使用權益法列賬的投資（續）

(c) Set out below are the material joint ventures and associates of the Group as at 30 June 2020. The place of incorporation or registration is also their principal place of business.

(c) 下文載列本集團於2020年6月30日的重大合營企業及聯營公司。相關註冊成立或註冊地點亦為其主要營業地點。

Name of entity 實體名稱	Place of business/ place of incorporation and business 營業地點／註冊成立及營業地點	% of ownership interest 佔所有權權益百分比 30 June 2020 2020年6月30日	 31 December 2019 2019年12月31日	Measurement method 計量方法	Principal activities 主營業務
Hangzhou Deshun Real Estate Co.,Ltd. 杭州德順置業有限公司	The PRC 中國	50%	25%	Equity Method 權益法	Property development 物業開發
Wenzhou Dexin Longrui Real Estate Co.,Ltd. 溫州德信龍瑞置業有限公司	The PRC 中國	39%	39%	Equity Method 權益法	Property development 物業開發
Jinhua Dexin Real Estate Co.,Ltd. 金華德信置業有限公司	The PRC 中國	25%	24%	Equity Method 權益法	Property development 物業開發
Hangzhou Jinfeng Real Estate Development Co.,Ltd. 杭州金豐房地產開發有限公司	The PRC 中國	20%	20%	Equity Method 權益法	Property development 物業開發

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

15. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE
15. 開發中物業及持作出售的竣工物業

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) （未經審核）	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) （經審核）
Properties under development 開發中物業	**36,394,137**	36,657,831
Completed properties held for sale 持作出售的竣工物業	**589,751**	591,370
	36,983,888	37,249,201
Properties under development comprise: 開發中物業包括：		
– Construction costs 一建築成本	**7,106,306**	7,762,228
– Land use rights 一土地使用權	**27,741,483**	27,359,485
– Interests capitalised 一資本化利息	**1,546,348**	1,536,118
	36,394,137	36,657,831

Properties under development and completed properties held for sale of the Group are all located in the PRC and expected to be completed and available for sale within normal operating cycle.

本集團開發中物業及持作出售的竣工物業均位於中國，並預期將於正常營運週期內竣工及可供出售。

The capitalisation rate of borrowings is 9.8% for the six months ended 30 June 2020 (six months ended 30 June 2019: 9.3%)

截至2020年6月30日止六個月，借款的資本化率為9.8%（截至2019年6月30日止六個月：9.3%）。

The information of the Group's pledged assets is disclosed in the Note 28.

有關本集團已抵押資產的資料於附註28披露。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

16. 貿易及其他應收款項以及預付款項

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Trade receivables (Note a) 貿易應收款項(附註a)		
– Third parties – 第三方	64,910	164,646
– Related parties – 關聯方	22,820	34,019
Less: provision for impairment 減:減值撥備	(2,232)	(1,797)
	85,498	196,868
Other receivables 其他應收款項		
– Deposits for property development and construction projects – 物業開發及建築項目按金	885,375	567,737
– Deposits for borrowings – 借款按金	2,800	26,818
– Cash advances with third parties (Note b) – 預付第三方現金(附註b)	603,141	320,264
– Interest receivable – 應收利息	27,162	7,351
– Others – 其他	131,847	109,075
Less: provision for impairment 減:減值撥備	(57,905)	(52,205)
	1,592,420	979,040
Prepayments 預付款項		
Prepayments for acquisition of land use rights (Note c) – 收購土地使用權的預付款項(附註c)	3,405,281	1,629,462
– Prepaid value added tax and other taxes – 預付增值税及其他税項	642,354	725,432
– Prepayments for purchase of construction materials 購買建築材料的預付款項	631,000	–
– Others – 其他	216,889	57,006
	4,895,524	2,411,900
Trade and other receivables and prepayments 貿易及其他應收款項以及預付款項	6,573,442	3,587,808
Less: non-current portion of total trade and other receivables and prepayments 減:貿易及其他應收款項以及預付款項總額的非即期部分	(224,330)	(75,179)
Current portion of trade and other receivables and prepayments 貿易及其他應收款項以及預付款項的即期部分	6,349,112	3,512,629

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

16. 貿易及其他應收款項以及預付款項（續）

(a) Ageing analysis of the gross trade receivables as at 30 June 2020 and 31 December 2019 based on invoice dates or contractual terms are as follows:

(a) 2020年6月30日及2019年12月31日的貿易應收款項總額按發票日期或合約條款的賬齡分析如下：

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) （未經審核）	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) （經審核）
Within 90 days 90天內	**12,195**	42,803
Over 90 days and within 365 days 90天至365天	**13,715**	9,176
Over 365 days and within 2 years 365天至兩年	**8,007**	12,424
Over 2 years 超過兩年	**53,813**	134,262
	87,730	198,665

Trade receivables are denominated in RMB and mainly arise from sales of properties and construction services. Proceeds from sales of properties and construction services are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

貿易應收款項以人民幣計值且主要來自物業銷售及建築服務。物業銷售及建築服務所得款項一般依照買賣協議內訂明的條款收取。一般不會向物業買家授出信貸期。

Trade receivables with ageing over 365 days mainly included receivables of construction service fees for two resettlement community projects, of which the customers are subsidiaries of the local State-owned Assets Supervision and Administration Commission. Management closely monitors the credit qualities and the collectability of these receivables and considers that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information.

賬齡超過365天的貿易應收款項主要包括兩個安置小區項目的應收建築服務費，該等項目的客戶為地方國有資產監督管理委員會的附屬公司。管理層已密切監察該等應收款項的信貸質量及可回收性，並認為，根據與彼等的合作歷史及前瞻性資料，彼等的預期信貸風險極低。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(b) Cash advances with third parties

As at 30 June 2020, cash advances with third parties included amounts of RMB376,055,000 (31 December 2019: RMB54,700,000) which carried interest rates ranging from 10% to 15% per annum (31 December 2019: 10.65%) and were repayable on demand or based on the contractual agreement (31 December 2019: same).

(c) Prepayments for acquisition of land use rights will be reclassified to properties under development when land certificates were obtained.

16. 貿易及其他應收款項以及預付款項（續）

(b) 預付第三方現金

於2020年6月30日，預付第三方現金包括人民幣376,055,000元的款項（2019年12月31日：人民幣54,700,000元），其按介乎10%至15%（2019年12月31日：10.65%）的年利率計息，且須按要求或按照合約協議償還（2019年12月31日：相同）。

(c) 收購土地使用權的預付款項將在取得土地證書後重新分類至開發中物業。

17. RESTRICTED CASH

17. 受限制現金

	30 June 2020 2020年 6月30日 RMB'000 人民幣千元 (Unaudited) （未經審核）	31 December 2019 2019年 12月31日 RMB'000 人民幣千元 (Audited) （經審核）
Denominated in 以下列貨幣計值		
– US$ 一美元	**1,094,490**	–
– RMB 一人民幣	**458**	5,797
	1,094,948	5,797

The Group placed certain cash deposits with designated banks as security for borrowings and issuance of commercial bills.

本集團已向指定銀行存入若干現金存款以為借款及發行商業票據作抵押。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

18. CASH AND CASH EQUIVALENTS 18. 現金及現金等價物

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Denominated in 以下列貨幣計值：		
– RMB 一 人民幣	**12,015,118**	9,028,178
– US$ 一 美元	**152,181**	528,845
– HK$ 一 港元	**31,749**	7,293
	12,199,048	9,564,316

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

將以人民幣計值的結餘轉換為外幣以及將該等外幣匯出中國須遵守中國政府所頒佈的相關外匯管制規則及法規。

19. SHARE CAPITAL 19. 股本

	Number of ordinary shares 普通股數目	Nominal value of ordinary shares 普通股面值 US$ 美元	Equivalent nominal value of ordinary shares 普通股等價面值 RMB'000 人民幣千元
Authorised: 法定：			
As at 1 January 2020 and 30 June 2020 於2020年1月1日及2020年6月30日	**5,000,000,000**	**2,500,000**	**–**
Issued: 已發行：			
As at 1 January 2020 and 30 June 2020 於2020年1月1日及2020年6月30日	**2,701,341,000**	**1,350,671**	**9,200**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

20.OTHER RESERVES

Other reserves mainly included (i) the share premium in relation to the Company's listing after deducting share issuance expenses, and (ii) the accumulated capital contribution from the then shareholders of the group companies in excess of the consideration paid to the then shareholders for acquisition of these group companies during the group reorganisation.

20.其他儲備

其他儲備主要包括(i)扣除股份發行開支後與本公司上市有關的股份溢價，及(ii)集團公司當時股東於集團重組期間，就收購該等集團公司累計注資超出所付當時股東代價部分。

21.STATUTORY RESERVES

In accordance with relevant rules and regulations in the PRC, when declaring dividend, the Group's PRC subsidiaries are required to appropriate not less than 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the respective companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses brought forward from prior years or to increase the paid up capital of respective companies.

21.法定儲備

根據中國有關規則及法規，在宣派股息時，本集團的中國附屬公司須將根據中國會計準則及法規計算的稅後利潤的10%以上劃撥至法定儲備金，直至法定儲備金的累計總額達到各公司註冊資本的50%為止。法定儲備金只能在相關機構批准後用於抵銷過往年度結轉的虧損或增加各公司的實收資本。

22.DIVIDEND

Pursuant to the resolution of the Company's Annual General Meeting held on 4 June 2020, the Company has declared 2019 dividends of RMB216,107,000 out of the share premium account of the Company. These dividends have not been paid as at the date of this interim condensed consolidated financial information is approved for issue by the Board.

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2020. For the six months ended 30 June 2019, dividends of RMB270,134,000 were declared and has been paid in November 2019.

22.股息

根據本公司2020年6月4日召開的年度股東大會決議，本公司已從本公司股份溢價賬戶宣派2019年股息人民幣216,107,000元。且該等股息於本中期簡明綜合財務資料獲董事會批准發行之日尚未派付。

董事會決議不派發截至2020年6月30日止六個月的中期股息。截至2019年6月30日止六個月，宣派股息人民幣270,134,000元並已於2019年11月派付。

23. BORROWINGS FROM BANK AND OTHER FINANCIAL INSTITUTIONS

23. 自銀行及其他金融機構的借款

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) （未經審核）	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) （經審核）
Borrowings included in non-current liabilities:		
計入非流動負債的借款：		
Bank borrowings 銀行借款		
– Secured 一有抵押	**11,256,490**	7,632,580
Borrowings from other financial institutions 自其他金融機構的借款		
– Secured 一有抵押	**2,640,700**	4,442,162
Senior notes 優先票據	**3,647,872**	2,162,333
Less: current portion of non-current borrowings 減：非即期借款的即期部分	**(4,813,770)**	(4,929,160)
	12,731,292	9,307,915
Borrowings included in current liabilities:		
計入流動負債的借款：		
Bank borrowings 銀行借款		
– Secured 一有抵押	**220,000**	–
Borrowings from other financial institutions 自其他金融機構的借款		
– Secured 一有抵押	**961,500**	611,000
Current portion of non-current borrowings 非即期借款的即期部分	**4,813,770**	4,929,160
	5,995,270	5,540,160
Total borrowings from bank and other financial institutions 自銀行及其他金融機構的借款總額	**18,726,562**	14,848,075

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

23. BORROWINGS FROM BANK AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

In 2020, the Group issued senior notes with principal amount of US$200 million at 97.9% discount to face value, at an interest rate of 11.875% per annum and with maturity in 2022.

The carrying amounts of financial and non-financial assets pledged as security for borrowings are disclosed in Note 28.

Certain group companies in the PRC have entered into fund arrangements with trust companies and assets management companies, respectively, pursuant to which these financial institutions raised funds and injected them to the group companies. Certain equity interests of the group companies were held by the financial institutions as collateral of which the Group is obligated to redeem at predetermined prices. The funds bear fixed interest rates and have fixed repayment terms. Thus, the Group did not derecognise its equity interests in the subject group companies but treated the fund arrangements as other borrowings in the condensed consolidated financial information.

(a) The weighted average effective interest rates as at 30 June 2020 is 9.13% (31 December 2019: 8.52%).

(b) The carrying amounts of the borrowings approximated their fair values as at 30 June 2020 and 31 December 2019 as the impact of discounting of borrowings was not significant.

23. 自銀行及其他金融機構的借款（續）

2020年，本集團按較面值折讓97.9%發行本金額為200百萬美元，年利率為11.875%且於2022年到期的優先票據。

已抵押作為借款抵押品的金融及非金融資產的賬面值於附註28披露。

若干中國集團公司已與信託公司及資產管理公司分別訂立融資安排，該等金融機構據此籌集資金注入集團公司。集團公司的若干股權由金融機構持作抵押品，本集團須以預先釐定的價格贖回。該等資金根據固定利率支付利息，按照固定期限還款。因此，本集團並未終止確認其於標的集團公司的股權，而是在簡明綜合財務資料中將融資安排視為其他借款。

(a) 於2020年6月30日的加權平均實際利率為9.13%（2019年12月31日：8.52%）。

(b) 由於借款的貼現影響不大，因此借款於2020年6月30日及2019年12月31日的賬面值與其公允價值相若。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

24. TRADE AND OTHER PAYABLES 24. 貿易及其他應付款項

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Trade payables (Note a) 貿易應付款項(附註a)	**1,216,948**	1,594,530
Notes payables 應付票據	**631,000**	6,030
Other payables: 其他應付款項：		
Other taxes payable 其他應付税項	**1,818,653**	1,687,326
Interests payable 應付利息	**98,253**	105,892
Construction fees received on behalf of constructors 代表施工人員收取的建設費用	**175,032**	154,023
Deposits from contractors and suppliers 自承包商及供應商收取的按金	**290,251**	190,173
Payroll payable 應付工資	**33,333**	141,775
Deposits received for sales of properties 就銷售物業收取的按金	**95,490**	84,090
Loans and advances from third parties (Note b) 來自第三方的貸款及墊款(附註b)	**1,819,387**	437,498
Dividend payables 應付股息	**216,107**	–
Others 其他	**94,810**	169,674
Total trade and other payables 貿易及其他應付款項總額	**6,489,264**	4,571,011
Less: non-current portion of trade and other payables 減：貿易及其他應付款項的非即期部分	**(389,188)**	(247,498)
Current portion of trade and other payables 貿易及其他應付款項的即期部分	**6,100,076**	4,323,513

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

24. TRADE AND OTHER PAYABLES (CONTINUED)

24. 貿易及其他應付款項(續)

(a) The ageing analysis of the trade payables based on invoice dates or contractual terms is as follows:

(a) 貿易應付款項按發票日期或合約條款的賬齡分析如下:

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Within 90 days 90天內	**852,135**	939,377
Over 90 days and within 365 days 90天至365天	**295,727**	584,524
Over 365 days 超過365天	**69,086**	70,629
	1,216,948	1,594,530

The carrying amounts of trade and other payables approximated their fair values.

貿易及其他應付款項的賬面值與其公允價值相若。

(b) Loans and advances from third parties

As at 30 June 2020, loans from third parties included amounts of RMB389,188,000 (31 December 2019: RMB247,498,000) which bear interest rate of 13% per annum (31 December 2019: 8% to 14.5% per annum) and were repayable after one year, and amounts of RMB1,235,000,000 (31 December 2019: RMB190,000,000) which bear interest rates ranging from 13% to 13.2% (31 December 2019: 8% to 12% per annum) and were repayable within one year (31 December 2019: same).

(b) 來自第三方的貸款及墊款

於2020年6月30日,來自第三方的貸款包括人民幣389,188,000元(2019年12月31日:人民幣247,498,000元),年利率為13%(2019年12月31日:年利率8%至14.5%),須於一年后償還;人民幣1,235,000,000元(2019年12月31日:人民幣190,000,000元),年利率介於13%至13.2%(2019年12月31日:8%至12%),須於一年內償還(2019年12月31日:相同)。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

25. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

25. 應收╱應付非控股權益款項

(a) Amounts due from non-controlling interests

As at 30 June 2020, amounts due from non-controlling interests included amounts of RMB92,400,000 (31 December 2019: RMB95,000,000), which carried interest rates of 7.3% per annum (31 December 2019: 4.75%). The remaining balance were interest free. All of the amounts due from non-controlling interests are unsecured and repayable on demand.

(a) 應收非控股權益款項

於2020年6月30日，應收非控股權益款項為人民幣92,400,000元（2019年12月31日：人民幣95,000,000元），該等款項按7.3%的年利率計息（2019年12月31日：4.75%）。餘下款項不計利息。所有應收非控股權益款項均為無抵押並須按要求償還。

(b) Amounts due to non-controlling interests

(b) 應付非控股權益款項

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) （未經審核）	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) （經審核）
Non-current portion (i) 非即期部分(i)	452,998	228,598
Current portion (ii) 即期部分(ii)	4,664,639	3,681,099
	5,117,637	3,909,697

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

25. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS (CONTINUED)

(b) Amounts due to non-controlling interests (continued)

(i) As at 30 June 2020, the amounts included certain cash advances from non-controlling interests, which bear interest rates ranging from 8% to 13% per annum and were repayable according to respective agreements (31 December 2019: 8% to 8.5% per annum).

(ii) As at 30 June 2020, the amounts included certain cash advances from non-controlling interests of approximately RMB145,260,000 (31 December 2019: RMB699,629,000) which bear interest rates ranging from 8% to 8.5% per annum (31 December 2019: 4.35% to 8% per annum) and were repayable according to respective agreements. The cash advances from non-controlling interests as at 30 June 2020 of RMB99,600,000 (31 December 2019: RMB99,600,000) were secured by properties under development of the Group with total carrying value of RMB154,342,000 (31 December 2019: RMB154,342,000).

25. 應收／應付非控股權益款項（續）

(b) 應付非控股權益款項（續）

(i) 於2020年6月30日，該等款項包括若干來自非控股權益的現金墊款，其按介乎8%至13%的年利率計息並根據各自協議予以償還（2019年12月31日：年利率8%至8.5%）。

(ii) 於2020年6月30日，該等款項包括若干來自非控股權益的現金墊款約人民幣145,260,000元（2019年12月31日：人民幣699,629,000元），其按介乎8%至8.5%的年利率計息（2019年12月31日：年利率4.35%至8%），並根據各自協議予以償還。於2020年6月30日的自非控股權益收取的現金墊款為人民幣99,600,000元（2019年12月31日：人民幣99,600,000元）乃由總賬面值人民幣154,342,000元（2019年12月31日：人民幣154,342,000元）的本集團開發中物業作出擔保。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

26. FINANCIAL GUARANTEE

26. 財務擔保

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) (經審核)
Guarantee in respect of mortgage facilities for certain purchasers (Note a) 就若干買家的按揭融資提供的擔保(附註a)	**13,928,510**	12,603,058
Guarantee provided for the borrowings of joint ventures and associates (Note b and Note 29) 就合營企業及聯營公司借款提供的擔保(附註b及附註29)	**4,581,400**	2,469,100
Guarantee provided for the borrowings of third parties (Note b) 就第三方借款提供的擔保(附註b)	**–**	193,300
	18,509,910	15,265,458

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value as at 30 June 2020 and 31 December 2019 is immaterial.

(a) 本集團已為本集團物業單位的若干買家安排銀行融資，並已提供擔保以作為該等買家履行還款責任的抵押。該等擔保將在下列較早時間終止：(i)簽發房地產所有權證，一般在擔保登記完成後平均耗時兩至三年；或(ii)物業買家償付按揭貸款。

根據擔保條款，倘買家拖欠按揭付款，本集團有責任償還未償還的按揭貸款本金以及違約買家欠銀行的應計利息和罰款，且本集團有權接管相關物業的合法業權及擁有權。本集團的擔保期自授出按揭貸款之日起計。董事認為，買家拖欠款項的可能性很小，因此於2020年6月30日及2019年12月31日按公允價值計量的財務擔保並不重大。

26. FINANCIAL GUARANTEE (CONTINUED)

(b) Amounts represented the maximum exposure of the guarantees provided for the borrowings of the related parties and independent third parties at the respective balance sheet dates. The directors consider that the likelihood of default in payments by the related parties and independent third parties is minimal and therefore the financial guarantee measured at fair value as at 30 June 2020 and 31 December 2019 is immaterial.

26. 財務擔保（續）

(b) 該等金額為各資產負債表日期就關聯方及獨立第三方借款而提供的擔保所面臨的最高風險。董事認為，關聯方及獨立第三方拖欠款項的可能性很小，因此於2020年6月30日及2019年12月31日按公允價值計量的財務擔保並不重大。

27. COMMITMENTS

Commitments contracted for but not provided for are as follows:

27. 承擔

已訂約但未撥備之承擔如下：

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) （未經審核）	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) （經審核）
Property development activities 物業開發活動	**13,426,629**	10,690,499
Property, plant and equipment 物業、廠房及設備	**9,642**	12,630
Investments in joint ventures and associates 於合營企業及聯營公司的投資	**1,529,484**	370,239
Investment properties 投資物業	**280,705**	345,320
	15,246,460	11,418,688

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

28. ASSETS PLEDGED AS SECURITY 28. 抵押為抵押品的資產

The Group's assets pledged as securities for the Group's borrowings are as follows:

為本集團借款而抵押的本集團資產如下：

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) (未經審核)	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) (經審核)
ASSETS 資產		
Non-current assets 非流動資產		
Property, plant and equipment 物業、廠房及設備	**58,413**	60,201
Investment properties 投資物業	**315,400**	1,382,200
Total non-current assets pledged as security 抵押為抵押品的非流動資產總額	**373,813**	1,442,401
Current assets 流動資產		
Properties under development and completed properties held for sale 開發中物業及持作出售的竣工物業	**20,256,235**	19,794,692
Total assets pledged as security 抵押為抵押品的資產總額	**20,630,048**	21,237,093

The Company's equity interests in certain subsidiaries were pledged as security for borrowing of the Group as at 30 June 2020.

於2020年6月30日，本公司所持的若干附屬公司股權被抵押為本集團借款抵押品。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

29. RELATED PARTY TRANSACTIONS

(a) The ultimate holding company of the Company is Tak Shin International Limited (BVI), and the ultimate controlling shareholder of the Company is Mr. Hu Yiping ("Mr. Hu").

(b) Key management compensation

Key management compensation for the six months ended 30 June 2020 and 2019 are set out below:

29. 關聯方交易

(a) 本公司的最終控股公司為德欣國際有限公司(英屬維爾京群島),本公司的最終控股股東為胡一平先生(「胡先生」)。

(b) 主要管理層薪酬

截至2020年及2019年6月30日止六個月的主要管理層薪酬載列如下。

	Six months ended 30 June 截至6月30日止六個月	
	2020 **2020年** **RMB'000** **人民幣千元** **(Unaudited)** **(未經審核)**	2019 2019年 RMB'000 人民幣千元 (Unaudited) (未經審核)
Key management compensation 主要管理層薪酬		
– Salaries and other employee benefits 薪金及其他僱員福利	**2,765**	2,546
– Pension costs – 退休金成本	**195**	250
	2,960	2,796

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

29. RELATED PARTY TRANSACTIONS (CONTINUED)

29. 關聯方交易（續）

(c) Balances with related parties

(c) 與關聯方的結餘

As at 30 June 2020 and 31 December 2019, the Group had the following material balances with related parties:

於2020年6月30日及2019年12月31日，本集團與關聯方擁有以下重大結餘：

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) （未經審核）	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) （經審核）
Trade receivables from related parties: 來自關聯方的貿易應收款項：		
Joint ventures 合營企業	1,815	1,047
Associates 聯營公司	18,311	31,870
Entities controlled by Mr.Hu 胡先生控制的實體	2,694	1,102
	22,820	34,019
Amounts due from related parties: 應收關聯方款項：		
Joint ventures 合營企業	708,181	914,601
Associates 聯營公司	3,218,101	1,997,968
Entities controlled by Mr.Hu 胡先生控制的實體	41,134	6,099
	3,967,416	2,918,668
Amounts due to related parties: 應付關聯方款項：		
Joint ventures 合營企業	3,364,304	821,489
Associates 聯營公司	3,697,712	3,091,581
Entities controlled by Mr.Hu 胡先生控制的實體	90,201	71,940
	7,152,217	3,985,010
Less: non-current portion of amounts due to related parties 減：應付關聯方款項的非即期部分	(453,600)	(500,000)
Current portion of amounts due to related parties 應付關聯方款項的即期部分	6,698,617	3,485,010
Trade payables to related parties: 應付關聯方貿易款項：		
Entities controlled by Mr.Hu 胡先生控制的實體	37,376	59,825
Lease liabilities to related parties: 應付關聯方租賃負債：		
Joint ventures 合營企業	164,838	–
Entities controlled by Mr. Hu 胡先生控制的實體	15,681	–
	180,519	–
Prepayments to related parties for investment in an associate: 就投資聯營公司應付關聯方的預付款項：		
Entities controlled by Mr. Hu 胡先生控制的實體	141,587	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties (continued)

As at 30 June 2020, amounts due from joint ventures and associates totalling RMB92,709,000 (31 December 2019: RMB332,293,000) carried interest rate of 7% per annum (31 December 2019: 7% to 12% per annum) and were repayable on demand or based on the contractual agreements (31 December 2019: same).

As at 30 June 2020, amounts due to joint ventures and associates included non-current portion of RMB308,000,000 (31 December 2019: RMB500,000,000) which bear interest rate of 4.35% per annum (31 December 2019: 4.35% per annum) and were repayable after 1 year, and current portion of RMB1,853,900,000 (31 December 2019: RMB231,950,000) which bear interest rates ranging from 4.35% to 12.5% (31 December 2019: 4.35%) and were repayable based on the contractual agreements (31 December 2019: same).

The rest of amounts due from/to related parties mainly represented the cash advances which were unsecured, interest free and repayable on demand.

29. 關聯方交易（續）

(c) 與關聯方的結餘（續）

於2020年6月30日，應收合營企業及聯營公司的款項總額為人民幣92,709,000元（2019年12月31日：人民幣332,293,000元），按7%（2019年12月31日：年利率7%至12%）的年利率計息，且須按要求或按照合約協議償還（2019年12月31日：相同）。

於2020年6月30日，應付合營企業及聯營公司的款項包括非即期部分人民幣308,000,000元（2019年12月31日：人民幣500,000,000元），按4.35%（2019年12月31日：年利率4.35%）的年利率計息，且須於一年後償還，以及即期部分人民幣1,853,900,000元（2019年12月31日：人民幣231,950,000元），按介乎4.35%至12.5%（2019年12月31日：4.35%）的年利率計息，且須按照合約協議償還（2019年12月31日：相同）。

其他應收／應付關聯方的款項主要為無抵押、免息及須按要求償還的現金墊款。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

29. RELATED PARTY TRANSACTIONS (CONTINUED)

29. 關聯方交易（續）

(d) Transactions with related parties

(d) 與關聯方的交易

During the six months ended 30 June 2020 and 2019, the Group had the following significant transactions with related parties.

截至2020年及2019年6月30日止六個月，本集團與關聯方擁有以下重大交易。

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) （未經審核）	30 June 2019 2019年6月30日 RMB'000 人民幣千元 (Unaudited) （未經審核）
(i) Entities controlled by Mr. Hu (i) 胡先生控制的實體		
Receiving of property management services 獲得物業管理服務	**21,860**	15,338
Receiving of construction and decoration services 獲得建築及裝飾服務	**59,107**	60,637
Sales of properties 物業銷售	**11,013**	–
Interest expenses for lease liabilities 租賃負債利息開支	**751**	–
Payment of lease liabilities 租賃負債付款	**4,267**	–
(ii) Joint ventures (ii) 合營企業		
Rendering of management and consulting services 提供管理及諮詢服務	**9,215**	813
Interest income 利息收入	**7,885**	–
Interest expenses 利息開支	**10,222**	3,316
Interest expenses for lease liabilities 租賃負債利息開支	**7,146**	–
Payment of lease liabilities 租賃負債付款	**6,608**	–
(iii) Associates (iii) 聯營公司		
Rendering of management and consulting services 提供管理及諮詢服務	**81,299**	22,445
Interest income 利息收入	**18,131**	15,563
Interest expenses 利息開支	**288**	23,114
(iv) Close family members of Mr. Hu (iv) 胡先生的近親		
Sales of properties 物業銷售	**12,169**	–

The prices for the above transactions were determined in accordance with the terms agreed by the relevant contracting parties.

上述交易的價格乃依照相關訂約方所協定的條款而釐定。

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
中期簡明綜合財務資料附註

29. RELATED PARTY TRANSACTIONS (CONTINUED)

29. 關聯方交易（續）

(e) Guarantee with related parties

(e) 與關聯方的擔保

	30 June 2020 2020年6月30日 RMB'000 人民幣千元 (Unaudited) （未經審核）	31 December 2019 2019年12月31日 RMB'000 人民幣千元 (Audited) （經審核）
Provision of guarantee for borrowings of related parties 就關聯方借款提供擔保		
Joint ventures 合營企業	**2,438,050**	1,271,250
Associates 聯營公司	**2,143,350**	1,197,850
	4,581,400	2,469,100

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Independent Auditor's Report

羅兵咸永道

To the Shareholders of Dexin China Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Dexin China Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 173, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is summarised as follows:

- Classification of investments in subsidiaries, joint ventures and associates

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Classification of investments in subsidiaries, joint ventures and associates	
Refer to Note 4(c), Note 19 and Note 39 to the consolidated financial statements. The Group co-operated with other parties to invest in a large number of property development projects, which were classified as subsidiaries, joint ventures or associates. We focus on the classification of investments in subsidiaries, joint ventures or associates as it is determined based on whether the Group has control, joint control or significant influence over the investees. The assessment involves significant judgements through the analysis of various factors, including constitution of decision making authorities of an investee, such as shareholders' meetings and board of directors' meetings, decision making process, the Group's representation on the decision making authorities of an investee, as well as other facts and circumstances.	In assessing the classification of new investments or changes to existing investments during the year, we have performed the following procedures: 1. We obtained and examined the legal documents in relation to the investments ("Investment Documents"), including the cooperation agreements with other co-developers and articles of associations of the investees, with particular focuses on, including but not limited to the terms and conditions in relation to the rights of investors, cooperation arrangements, termination provisions, management structures and profit-sharing arrangements, and assessed management's judgement by analysing these key terms against accounting standards. Where there have been subsequent changes to the co-developers' agreements, articles of association and management structures, we critically assessed management's re-assessment on whether those changes would affect the initial classification. 2. We examined the documents related to decision making of property development, including minutes of shareholders' meetings and board of directors' meetings of the investees, and evaluated the detailed project management and approval processes on a sample basis, including the authorities in determination and approval of project budgets, financing plan, selection of main constructors and vendors of the projects and the determination of sales and marketing plan. Based on the procedures performed, we found that management's judgements applied in determining the classification of the Group's investments in subsidiaries, joint ventures and associates were supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Au Chi Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2020

Consolidated Income Statement

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	*6*	**9,512,995**	8,212,074
Cost of sales	*7*	**(6,453,672)**	(5,088,712)
Gross profit		**3,059,323**	3,123,362
Other income	*9*	**81,583**	37,265
Other gains – net	*10*	**88,992**	56,744
Selling and marketing expenses	*7*	**(457,555)**	(294,318)
Administrative expenses	*7*	**(720,650)**	(451,914)
Fair value gains on investment properties	*15*	**186,153**	191,717
Operating profit		**2,237,846**	2,662,856
Finance income	*11*	**95,382**	95,590
Finance costs	*11*	**(527,320)**	(470,862)
Finance costs – net		**(431,938)**	(375,272)
Share of results of joint ventures and associates	*19*	**1,175,306**	579,065
Profit before income tax		**2,981,214**	2,866,649
Income tax expenses	*12*	**(724,587)**	(1,025,602)
Profit for the year		**2,256,627**	1,841,047
Profit attributable to:			
Owners of the Company		**1,556,514**	1,453,456
Non-controlling interests		**700,113**	387,591
		2,256,627	1,841,047
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	*29*	**0.60**	0.71

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Profit for the year	**2,256,627**	1,841,047
Other comprehensive income	**–**	–
Total comprehensive income for the year	**2,256,627**	1,841,047
Attributable to:		
Owners of the Company	**1,556,514**	1,453,456
Non-controlling interests	**700,113**	387,591
	2,256,627	1,841,047

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**378,821**	153,149
Land use rights		**–**	114,835
Investment properties	*15*	**2,924,115**	1,768,420
Intangible assets		**1,445**	1,148
Investments accounted for using the equity method	*19*	**3,792,338**	2,008,869
Amounts due from related parties	*38*	**–**	41,000
Financial assets at fair value through profit or loss	*21*	**170,726**	232,255
Deferred income tax assets	*17*	**748,400**	509,915
Trade and other receivables and prepayments	*23*	**75,179**	–
		8,091,024	4,829,591
Current assets			
Properties under development	*22*	**36,657,831**	27,684,622
Completed properties held for sale	*22*	**591,370**	345,610
Trade and other receivables and prepayments	*23*	**3,512,629**	2,702,515
Amounts due from non-controlling interests	*33*	**4,951,599**	3,135,801
Amounts due from related parties	*38*	**2,918,668**	2,737,822
Contract acquisition costs	*6*	**13,705**	14,552
Prepaid income taxes		**879,318**	538,328
Financial assets at fair value through profit or loss	*21*	**100,743**	132,400
Restricted cash	*24*	**5,797**	1,295
Cash and cash equivalents	*25*	**9,564,316**	7,486,911
		59,195,976	44,779,856
Total assets		**67,287,000**	49,609,447
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*26*	**9,200**	6,848
Reserves	*27, 28*	**5,004,285**	2,466,618
		5,013,485	2,473,466
Non-controlling interests		**5,721,243**	4,395,171
Total equity		**10,734,728**	6,868,637

Consolidated Balance Sheet

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings from bank and other financial institutions	*30*	**9,307,915**	4,423,858
Trade and other payables	*31*	**247,498**	–
Amounts due to non-controlling interests	*33*	**228,598**	–
Amounts due to related parties	*38*	**500,000**	–
Deferred income tax liabilities	*17*	**210,650**	277,487
Lease liabilities	*16*	**156,063**	–
		10,650,724	4,701,345
Current liabilities			
Borrowings from bank and other financial institutions	*30*	**5,540,160**	5,354,742
Trade and other payables	*31*	**4,323,513**	2,668,280
Amounts due to non-controlling interests	*33*	**3,681,099**	4,098,180
Amounts due to related parties	*38*	**3,485,010**	4,027,577
Contract liabilities	*6*	**27,628,013**	20,921,303
Current income tax liabilities		**1,242,359**	969,383
Lease liabilities	*16*	**1,394**	–
		45,901,548	38,039,465
Total liabilities		**56,552,272**	42,740,810
Total equity and liabilities		**67,287,000**	49,609,447

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 82 to 173 were approved by the Board of Directors on 19 March 2020 and were signed on its behalf.

Hu Yiping	**Feng Xia**
Director	*Director*

Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company						
	Share capital RMB'000 *(Note 26)*	Other reserves RMB'000 *(Note 27)*	Statutory reserves RMB'000 *(Note 28)*	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	6,848	598,540	372,605	1,495,473	2,473,466	4,395,171	6,868,637
Comprehensive income							
– Profit for the year	–	–	–	1,556,514	1,556,514	700,113	2,256,627
Total comprehensive income	–	–	–	1,556,514	1,556,514	700,113	2,256,627
Transactions with owners in their capacity as owners							
Issue of shares in connection with the Company's listing	2,017	1,426,936	–	–	1,428,953	–	1,428,953
Share issuance costs	–	(46,481)	–	–	(46,481)	–	(46,481)
Issue of shares in connection with the capitalisation issue	335	(335)	–	–	–	–	–
Capital injections from non-controlling interests	–	–	–	–	–	1,230,916	1,230,916
Capital reductions	–	–	–	–	–	(97,885)	(97,885)
Acquisition of additional interests in subsidiaries *(Note 37)*	–	(152,526)	–	–	(152,526)	(206,427)	(358,953)
Acquisition of subsidiaries which do not contain a business	–	–	–	–	–	17,796	17,796
Distributions to non-controlling interests	–	–	–	–	–	(565,037)	(565,037)
Disposal of interests in subsidiaries without change of control	–	23,693	–	–	23,693	246,596	270,289
Interim dividends for 2019 *(Note 13)*	–	(270,134)	–	–	(270,134)	–	(270,134)
Total transactions with owners in their capacity as owners	2,352	981,153	–	–	983,505	625,959	1,609,464
Transfer to statutory reserves	–	–	369,523	(369,523)	–	–	–
Balance at 31 December 2019	9,200	1,579,693	742,128	2,682,464	5,013,485	5,721,243	10,734,728

Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company						
	Share capital RMB'000 *(Note 26)*	Other reserves RMB'000 *(Note 27)*	Statutory reserves RMB'000 *(Note 28)*	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	–	800,177	91,152	623,470	1,514,799	668,950	2,183,749
Comprehensive income							
– Profit for the year	–	–	–	1,453,456	1,453,456	387,591	1,841,047
Total comprehensive income	–	–	–	1,453,456	1,453,456	387,591	1,841,047
Transactions with owners in their capacity as owners							
Issue of new shares upon incorporation of the Company	322	–	–	–	322	–	322
Issue of new shares by the Company and the effect of the group reorganisation	6,526	(6,526)	–	–	–	–	–
Capital injections from non-controlling interests	–	–	–	–	–	3,418,065	3,418,065
Acquisition of additional interests in subsidiaries *(Note 37)*	–	(89,034)	–	–	(89,034)	(19,913)	(108,947)
Capital injection by a third party investor	–	67,662	–	–	67,662	–	67,662
Disposal of subsidiaries	–	–	–	–	–	(4,550)	(4,550)
Distribution to non-controlling interests	–	–	–	–	–	(106,500)	(106,500)
Disposal of interests in subsidiaries without change of control	–	(2,118)	–	–	(2,118)	51,528	49,410
Dividends declared to the then shareholders of the Group *(Note 13)*	–	–	–	(300,000)	(300,000)	–	(300,000)
Deemed distributions to the then shareholders of the Group	–	(171,621)	–	–	(171,621)	–	(171,621)
Total transactions with owners in their capacity as owners	6,848	(201,637)	–	(300,000)	(494,789)	3,338,630	2,843,841
Transfer to statutory reserves	–	–	281,453	(281,453)	–	–	–
Balance at 31 December 2018	6,848	598,540	372,605	1,495,473	2,473,466	4,395,171	6,868,637

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	*32(a)*	**2,004,178**	(1,267,460)
Income tax paid		**(1,067,883)**	(713,971)
Interest paid		**(1,201,223)**	(1,104,444)
Interest received		**95,791**	133,847
Net cash used in operating activities		**(169,137)**	(2,952,028)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		**(111,192)**	(54,388)
Payments for purchase of investment properties		**(695,282)**	(219,975)
Investments in joint ventures		**(587,308)**	(233,325)
Investments in associates		**(1,084,345)**	(488,003)
Purchase of financial assets at fair value through profit or loss		**(543,813)**	(361,605)
Proceeds from disposal of financial assets at fair value through profit or loss		**671,342**	352,186
Advances to non-controlling shareholders		**(2,865,170)**	–
Repayment of advances from non-controlling shareholders		**1,049,372**	–
Advances to third parties		**(313,970)**	(235,476)
Repayment of advances from third parties		**34,781**	465,613
Advances to joint ventures and associates		**(2,727,347)**	(1,292,231)
Collection of advances from joint ventures and associates		**2,212,378**	1,678,173
Payments for acquisition of subsidiaries which do not contain a business		**(922,625)**	–
Advances to other related parties		**(6,088)**	–
Collection of advances from other related parties		**381,211**	2,827,586
Dividends received from joint ventures and associates		**1,349,647**	66,095
Others-net		**21,941**	(47,348)
Net cash generated (used in)/from investing activities		**(4,136,468)**	2,457,302

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Proceeds from the Company's listing		**1,428,953**	–
Payments for listing expenses		**(40,464)**	(6,017)
Proceeds from borrowings from bank and other financial Institutions		**12,193,035**	9,662,665
Repayments of borrowings from bank and other financial Institutions		**(7,217,680)**	(8,940,473)
Repayments of loans to third parties		**(56,001)**	(206,216)
Advances from third parties		**437,498**	68,100
Advances from joint ventures and associates		**1,478,597**	2,065,087
Repayment of advances to joint ventures and associates		**(1,579,060)**	(1,261,295)
Advances from other related parties		**60,654**	108,487
Repayment of advances to other related parties		**(2,758)**	(281,522)
Capital injection from non-controlling interests		**1,230,916**	3,418,065
Capital returned to non-controlling interests		**(97,885)**	–
Distribution to non-controlling interests		**(565,037)**	(106,500)
Payments for acquisition of non-controlling interests		**(358,953)**	(108,947)
Advances from non-controlling interests		**3,707,184**	7,165,764
Repayment of advances to non-controlling interests		**(4,205,295)**	(7,354,567)
Principal elements of lease payments		**(30,334)**	–
Payments for dividends of the Company		**(270,134)**	–
Distributions and dividends paid to the then shareholder of the Group		**–**	(471,621)
Proceeds from disposal of interests in subsidiaries without loss of control		**270,289**	49,410
Capital injection by a third party investor		**–**	67,662
Restricted cash for borrowings		**(4,502)**	162,701
Net cash generated from financing activities		**6,379,023**	4,030,783
Net increase in cash and cash equivalents		**2,073,418**	3,536,057
Cash and cash equivalents at beginning of the year		**7,486,911**	3,950,854
Exchange gains on cash and cash equivalents		**3,987**	–
Cash and cash equivalents at end of the year	*25*	**9,564,316**	7,486,911

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. General information

Dexin China Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 16 January 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the property development and construction services, property investment and hotel operations in the People's Republic of China (the "PRC").

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 February 2019.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These consolidated financial statements have been approved for issued by the Board on 19 March 2020.

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

(iii) New standards, amendments and interpretations not yet adopted

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following new standards, amendments to standards and interpretations for the first time for their annual reporting period commencing 1 January 2019.

HKFRS 16	Leases
HK(IFRIC) 23	Uncertainty over Income Tax Treatments
HKAS 28 (Amendment)	Long-term Interests in Associates or Joint Ventures
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
Improvements to HKFRSs	Annual Improvements to HKFRSs 2015-2017 cycle

The impact of the adoption of HKFRS 16 and its new accounting policies are disclosed in note 2.2 below. The other standards, amendments to standards and interpretations adopted by the Group did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iii) New standards, amendments and interpretations not yet adopted (continued)

(b) New Standards, amendments to standards and interpretations not yet adopted by the Group

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendment)	Definition of material	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (amendments)	1 January 2020
HKFRS 3 (Amendment)	Definition of a business	1 January 2020
Conceptual Framework (Revised)	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint venture	To be determined

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing these consolidated financial information. The impact of new standards and amendments to standards and interpretations above is still under assessment by the Group.

2.2 Changes in accounting policies

(a) The adoption of HKFRS 16 Lease

As indicated in note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.32.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases.* These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8.52%.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(a) The adoption of HKFRS 16 Lease (continued)

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	32,339
Discounted using the lessee's incremental borrowing rate of the date of initial application	29,781
Less: short-term leases and low-value leases recognised on a straight-line basis as expense	(22,946)
Lease liability recognised as at 1 January 2019	6,835
Of which are:	
Current lease liabilities	2,961
Non-current lease liabilities	3,874
	6,835

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(a) The adoption of HKFRS 16 Lease (continued)

(iii) Measurement of right-of-use assets

All right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The land use rights are reclassified to right-of-use assets as at 31 December 2019 and 1 January 2019, respectively.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by approximately RMB121,670,000
- lease liabilities – increase by approximately RMB6,835,000
- land use rights – decrease by approximately RMB114,835,000

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

(b) Change of presentation of certain financial statement line items

The Group has changed the presentation of certain financial statement line items in the consolidated balance sheet as at 31 December 2019 by disaggregating certain financial assets and financial liabilities with different parties, which provides more relevant information to the understanding of the users to the Group's financial position. Accordingly, the comparative amounts, including as at the beginning of the preceding period, have been reclassified and re-presented as below.

Consolidated balance sheet (extract)	31 December 2018 Originally presented RMB'000	Reclassification RMB'000	31 December 2018 Re-presented RMB'000
Current assets			
Trade and other receivables and prepayments	5,838,316	(3,135,801)	2,702,515
Amounts due from non-controlling interests	–	3,135,801	3,135,801
Non-current liabilities			
Borrowings	4,423,858	(4,423,858)	–
Borrowings from bank and other financial institutions	–	4,423,858	4,423,858
Current liabilities			
Trade and other payables	5,173,525	(2,505,245)	2,668,280
Amounts due to non-controlling interests	–	4,098,180	4,098,180
Amounts due to related parties	3,268,072	759,505	4,027,577
Borrowings	7,707,182	(7,707,182)	–
Borrowings from bank and other financial institutions	–	5,354,742	5,354,742

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(b) Change of presentation of certain financial statement line items (continued)

Consolidated balance sheet (extract)	1 January 2018 Originally presented RMB'000	Reclassification RMB'000	1 January 2018 Re-presented RMB'000
Current assets			
Trade and other receivables and prepayments	4,044,727	(1,578,376)	2,466,351
Amounts due from non-controlling interests	–	1,578,376	1,578,376
Non-current liabilities			
Borrowings	5,882,601	(5,882,601)	–
Borrowings from bank and other financial institutions	–	5,882,601	5,882,601
Current liabilities			
Trade and other payables	4,293,782	(2,138,641)	2,155,141
Amounts due to non-controlling interests	–	2,729,558	2,729,558
Amounts due to related parties	2,908,471	488,349	3,396,820
Borrowings	4,253,073	(4,253,073)	–
Borrowings from bank and other financial institutions	–	3,173,807	3,173,807

2.3 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

Business combinations under common control

The consolidated financial statements incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statements and the consolidated statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control consolidation.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or business are eliminated on consolidation.

2. Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

(a) Business combinations (continued)

Business combinations not under common control

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category if equity as specified/permitted by applicable HKFRSs.

(d) Structure entities

For structured entities, the Group assesses whether they should be consolidated based on the contractual terms as to whether the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Third-party beneficiaries' interests in the consolidated structured entities with a limited life or puttable instruments issued and are classified as liabilities in the Group's consolidated balance sheets, and net profits or losses attributable to third-party beneficiaries are recorded in consolidated profit or loss as "finance costs".

(e) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment and is being either the cash consideration amount or the amount of net asset value of the subsidiaries for share-settled transaction under reorganisation and business combination under common control. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

2. Summary of significant accounting policies (continued)

2.4 Associates (continued)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of an associate" in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

2.5 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depend on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to "share of results of a joint venture" in profit or loss.

2. Summary of significant accounting policies (continued)

2.5 Joint arrangements (continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decision.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

(c) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings and leasehold improvements	20 years
Office equipment	3-5 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains-net" in profit or loss.

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and ready for use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.9 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 5 years). Costs associated with maintaining computer software programs are recognised as an expenses as incurred.

2. Summary of significant accounting policies (continued)

2.10 Investment properties

Investment properties, such as right-of-use assets, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are presented in profit or loss as part of a valuation gain or loss.

2.11 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating unit"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property mainly comprises cost of land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. The normal operating cycle is usually between 2 and 3 years.

Costs to fulfil a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfil a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

2. Summary of significant accounting policies (continued)

2.13 Completed properties held for sale

Completed properties remaining unsold at reporting period end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.14 Financial assets

2.14.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.14.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated income statements.

2. Summary of significant accounting policies (continued)

2.14 Financial assets (continued)

2.14.2 Recognition and measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statements of comprehensive income within 'other gains – net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statements of comprehensive income. Dividends from such investments continue to be recognised in the consolidated income statements as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other gains – net' in the consolidated income statements as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2. Summary of significant accounting policies (continued)

2.16 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and debt investment at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For contract assets and all trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.17 Land use rights

As at 31 December 2018, all land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by the Group for development of properties. Land use rights held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets and included in properties under development or completed properties held for sale, while those out of the normal operating cycle are classified as non-current assets. Land use rights to be developed for hotel properties and self-use buildings, are non-current assets, which are stated at cost and subsequently amortised to the profit or loss on a straight-line basis.

2.18 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2. Summary of significant accounting policies (continued)

2.19 Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contact with a customer within contract assets if the Group expects to recover these costs.

2.20 Cash and cash equivalents and restricted cash

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated balance sheets. Restricted cash is excluded from cash and cash equivalents.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

2. Summary of significant accounting policies (continued)

2.23 Borrowings and borrowing costs (continued)

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, like properties under development, assets under construction and investment properties under construction, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.24 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates(and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (continued)

2.24 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Employee benefits

(a) Pension obligations

The group companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

Contributions to these defined contributions plans are expensed as incurred.

(b) Housing benefits, medical insurances and other social insurances

PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other social insurance plan. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2. Summary of significant accounting policies (continued)

2.25 Employee benefits (continued)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.26 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.27 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the PRC and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

2. Summary of significant accounting policies (continued)

2.27 Revenue recognition (continued)

(i) Sales of properties and construction services

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 all of the benefits 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, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is 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.

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 construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time. Revenue in respect of the construction services is recognised over time on a cost-to-cost method. It is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year/period in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS15. The Group becomes entitled to invoice customers based on achieving a series of performance-related milestones. The Group recognises a contract asset for any work performed, and the amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost–to–cost method then the Group recognises a contract liability for the difference. There is no significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost–to–cost method and the milestone payment is always less than one year.

2. Summary of significant accounting policies (continued)

2.27 Revenue recognition (continued)

(ii) Hotel operation

Revenue from hotel operation is recognised in the accounting period in which the related services are rendered.

(iii) Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

2.28 Management and consulting services income

Income from rendering of management and consulting services is recognised in the accounting period in which the related services are rendered.

2.29 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.30 Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

2.31 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of joint ventures and associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2. Summary of significant accounting policies (continued)

2.32 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 16). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2. Summary of significant accounting policies (continued)

2.32 Leases (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 16). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2. Summary of significant accounting policies (continued)

2.33 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, and liquidity risk. The Group's principal activities are conducted in RMB. The directors are of the opinion that the Group's activities do not expose it to any significant foreign exchange risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1.1 Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2019, bank and other borrowings of the Group which were bearing at floating rates amounted to approximately RMB5,921,080,000 (2018: RMB4,777,020,000). If interest rates on borrowings at floating rates had been 50 basis points higher or lower with all other variables held constant and without taking into account interest capitalisation, interest charges for the year ended 31 December 2019 would have been RMB29,605,400 higher/lower (2018: RMB23,885,000 higher/lower).

3.1.2 Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high credit quality institutions. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents (excluding cash on hand), restricted cash, trade and other receivables, amounts due from related parties and financial assets at fair value through profit or loss shown in the consolidated balance sheet.

As at 31 December 2019 and 2018, in order to manage this risk, the Group's bank deposits are mainly deposited with reputable banks which are all high-credit-quality financial institutions incorporated in the PRC.

For the trade receivables arising from sales of properties, the Group manages the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of such guarantees is made in Note 34. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables and amounts due from related parties, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counter parties is low.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	**Group definition of category**	**Basis for recognition of expected credit loss provision**
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are more than 1 year past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 2 years past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data. The loss allowance provision for the Group's financial assets were not material for the year ended 31 December 2019 (2018: same).

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties and contract assets.

Expected loss rate of current contract assets, trade receivables from related parties and trade receivables from government authorities are assessed to be 0.1%. The loss allowance provision for these balances was not material for the year ended 31 December 2019 (2018: same).

In calculating the expected credit loss rate of the trade receivables, the Group has considered the historical credit loss experience to incorporate relevant, current and more forward-looking information for different class of trade receivables which grouped based on shared credit risk characteristics and the days past due. As there was no significant change of the customer base, historical credit loss rate of customers and forward-looking information for the years ended 31 December 2019 and 2018, the Group adopted the same expected credit loss rate for the years ended 31 December 2019 and 2018. The loss allowance provision as at 31 December 2019 and 2018 is determined as follows.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(i) Trade receivables and contract assets (continued)

	Within 1 year	**Over 1 year and within 2 years**	**Over 2 years and within 3 years**	**Over 3 years**	**Total**
At 31 December 2019					
Trade receivables (RMB'000)	**51,979**	**12,424**	**41,302**	**92,960**	**198,665**
Less: receivables from related parties (RMB'000)	**(33,089)**	**–**	**(430)**	**(500)**	**(34,019)**
receivables from government authorities (RMB'000)	**–**	**–**	**(40,872)**	**(91,472)**	**(132,344)**
Gross carrying amount (RMB'000)	**18,890**	**12,424**	**–**	**988**	**32,302**
Expected loss rate	**1%**	**5%**	**20%**	**50%-100%**	
Loss allowance provision (RMB'000)	**188**	**621**	**–**	**988**	**1,797**

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
At 31 December 2018					
Trade receivables (RMB'000)	39,942	58,366	120,004	1,538	219,850
Less: receivables from related parties (RMB'000)	(6,980)	(13,276)	–	(500)	(20,756)
receivables from government authorities (RMB'000)	(599)	(43,626)	(120,000)	–	(164,225)
Gross carrying amount (RMB'000)	32,363	1,464	4	1,038	34,869
Expected loss rate	1%	5%	20%	50%-100%	
Loss allowance provision (RMB'000)	324	73	1	1,023	1,421

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(i) Trade receivables and contract assets (continued)

The closing loss allowance provision for trade receivables from third parties as at 31 December 2019 reconcile to the opening loss allowance for that provision as follows:

	Trade receivables (excluding receivables from related parties and government authorities) RMB'000
At 1 January 2018	1,851
Reversal of provision for loss allowance recognised in profit or loss, net	(430)
At 31 December 2018	1,421
At 1 January 2019	**1,421**
Provision for loss allowance recognised in profit or loss, net	**376**
At 31 December 2019	**1,797**

For the years ended 31 December 2019 and 2018, the provision for loss allowances were recognised in profit or loss in administrative expense in relation to the impaired trade receivables.

As at 31 December 2019, the gross carrying amount of trade receivables excluding receivables from related parties and government authorities was RMB32,302,000 (2018: RMB34,869,000), and thus maximum exposure to loss was RMB30,505,000 (2018: RMB33,448,000).

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(ii) Other receivables

Other financial assets at amortised cost include other receivables from third parties, related parties and non-controlling interests.

To measure the expected credit losses of other receivables, other receivables have been grouped based on shared credit risk characteristics and the days past due.

The closing loss allowance provision for other receivables as at 31 December 2019 reconcile to the opening loss allowance for that provision as follows:

	Other receivables RMB'000
At 1 January 2018	15,840
Provision for loss allowance recognised in profit or loss, net	5,445
At 31 December 2018	21,285
At 1 January 2019	**21,285**
Provision for loss allowance recognised in profit or loss, net	**30,920**
At 31 December 2019	**52,205**

All of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the reporting period was limited to 12 months expected losses. Management considered other receivables from third parties to be low credit risk as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

For the year ended 31 December 2019 and 2018, the provision for loss allowance were recognised in profit or loss in administrative expenses in relation to the impaired other receivables.

For the year ended 31 December 2019, the average expected loss rate on the gross carrying amount of other receivables excluding deposits for acquisitions of land use rights and property development projects was 4% (2018: 1%). Expected loss of deposits for acquisitions of land use rights and property development projects was not material as there was no recent history of default and management considered the credit risk is low.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(ii) Other receivables (continued)

As at 31 December 2019, the maximum exposure to loss of other receivables for third parties, related parties and non-controlling interests were as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Amounts due from related parties	**2,918,668**	2,778,822
Amounts due from non-controlling interests	**4,951,599**	3,135,801
Amounts due from third parties (including deposits and others)	**979,040**	588,599
	8,849,307	6,503,222

3.1.3 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk (continued)

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2019					
Borrowings from bank and other financial institutions	**6,937,829**	**5,805,193**	**3,637,597**	**597,216**	**16,977,835**
Trade and other payables, excluding accrual for staff costs and allowances, and other taxes payable	**2,520,765**	**261,019**	**–**	**–**	**2,781,784**
Amounts due to non-controlling interest	**3,699,982**	**233,599**	**–**	**–**	**3,933,581**
Amounts due to related parties	**3,506,788**	**507,234**	**–**	**–**	**4,014,022**
Lease Liabilities	**14,879**	**14,879**	**47,317**	**257,836**	**334,911**
	16,680,243	**6,821,924**	**3,684,914**	**855,052**	**28,042,133**
As at 31 December 2018					
Borrowings from bank and other financial institutions	6,017,581	3,765,941	763,755	193,487	10,740,764
Trade and other payables, excluding accrual for staff costs and allowances, and other taxes payable	2,211,720	–	–	–	2,211,720
Amounts due to non-controlling interest	4,113,317				4,113,317
Amounts due to related parties	4,027,697	–	–	–	4,027,697
	16,370,315	3,765,941	763,755	193,487	21,093,498

The Group also provides guarantees to secure repayment obligations of certain purchasers of the Group's property units and the principal of borrowings of the joint ventures, associates and third parties, which will have contractual cash flows only if the guaranteed purchasers, joint ventures, associates or third parties default the repayment (Note 34)

3. Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheets) less total of cash and cash equivalents and restricted cash.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Borrowings from bank and other financial institutions *(Note 30)*	**14,848,075**	9,778,600
Less: Cash and cash equivalents *(Note 25)*	**(9,564,316)**	(7,486,911)
Restricted cash *(Note 24)*	**(5,797)**	(1,295)
Net borrowings	**5,277,962**	2,290,394
Total equity	**10,734,728**	6,868,637
Total capital	**16,012,690**	9,159,031
Gearing ratio	**33%**	25%

3.3 Fair value estimation

(a) Financial assets carried at fair value

The Group's financial assets carried at fair value include financial assets at fair value through profit or loss. The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial assets carried at fair value (continued)

Specific valuation techniques used to value financial instruments include:

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2019 and 2018, by level of the inputs to valuation techniques used to measure fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2019				
Financial assets at fair value through profit or loss	**–**	**–**	**271,469**	**271,469**
At 31 December 2018				
Financial assets at fair value through profit or loss	–	–	364,655	364,655

Significant unobservable inputs	Valuation approach	Range of unobservable inputs 31 December 2019	 31 December 2018
Expected rate of return	Return approach	**2%-6%**	2%-6%

Relationship of unobservable inputs to fair value: the higher of expected rate of return, the higher the fair value.

The Group manages the valuation of level 3 instruments for financial reporting purpose on a case by case basis. At least once every reporting year/period, the Group would assess the fair value of the Group's level 3 instruments by using valuation techniques.

The valuation of level 3 instruments mainly included investments in wealth management products issued by banks or other financial institution. As these instruments are not traded in an active market, their fair values have been determined by using applicable valuation techniques, which mainly include discounted cash flows.

If the fair values of the financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the profit before income tax for the year ended 31 December 2019 would have been approximately RMB27,147,000 higher/lower (2018: RMB36,466,000 higher/lower).

The Group's policy was to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no changes in level 3 instruments during the year ended 31 December 2019 (2018: same).

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Investment properties

Investment properties of the Group were measured at fair value.

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of investment properties that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2019 (2018: same).

(ii) Valuation techniques used to determine level 3 fair values

The directors determine a property's value within a range of reasonable fair value estimates. Fair values of the Group's completed investment properties are derived using the income capitalisation approach. This valuation method takes into account the net rental income of a property derived from its 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.

Fair values of the Group's investment properties under development are derived on the basis that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. It is assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at the fair values, the direct comparison approach is adopted by making reference to comparable sales transactions as available in the market and also taken into account the costs that will be expended to complete the developments to reflect the quality of the completed developments. The "market value as if completed" represents the opinion of the aggregate selling prices of the property assuming that it would be completed as at the valuation date.

All resulting fair value estimates for investment properties are included in level 3.

(iii) Fair value measurements using significant unobservable inputs (level 3)

Detailed disclosures of the changes in level 3 items for the years ended 31 December 2019 and 2018 for recurring fair value measurements are disclosed below.

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Investment properties (continued)

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

	Fair value at 31 December	
Properties status	**2019**	2018
	RMB'000	RMB'000
Completed	**1,719,515**	994,520
Under development	**1,204,600**	773,900
	2,924,115	1,768,420

		Range of unobservable inputs As at 31 December	
Properties status	**Unobservable inputs**	**2019**	2018
Completed	Term yield	**4.0%-6.5%**	2.5%-5.5%
	Reversionary yield	**4.5%-7.0%**	3%-6%
	Monthly rental (RMB/sq.m./month)	**21-133**	19-144
	Occupancy rate	**80%-90%**	80%-90%
Under development	Unit rate (RMB/sq.m.)	**6,600-20,500**	6,600-20,300
	Accommodation value (RMB/sq.m.)	**3,600-14,400**	3,570

Relationship of unobservable inputs to fair value:

–[1] The higher rate of term yield and reversionary yield, the lower the fair value;
–[2] The higher monthly rental, the higher the fair value;
–[3] The higher the occupancy rate, the higher the fair value;
–[4] The higher the unit rate, the higher the fair value;
–[5] The higher the accommodation value, the higher the fair value;

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Investment properties (continued)

(v) Valuation processes

The Group's investment properties were valued by an independent professionally qualified valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department has a team to review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and the valuer at least once every six months for the Group's interim and annual reporting process.

At each reporting period end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior period valuation report; and
- Holds discussions with the independent valuer.

4. Critical accounting estimates and judgements

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. The Group has not finalised its PRC land appreciation taxes calculations and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and the related land appreciation taxes. The Group recognised the land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

4. Critical accounting estimates and judgements (continued)

(c) Classification of subsidiaries, joint ventures and associates

The classification of an investment as a subsidiary, a joint venture or an associate is based on whether the Group is determined to have control, joint control or significant influence over the investee, which involves judgements through the analysis of various factors, including the Group's representation on the chief decision making authorities of an investee, such as board of directors' meetings and shareholders' meetings, as well as other facts and circumstances.

Subsidiaries are consolidated, which means each of their assets, liabilities and transactions are included line-by-line in the Group's consolidated financial statements, whereas the interests in joint ventures and associates are equity accounted for as investments on the consolidated balance sheet.

Accordingly, any inappropriate classification as a result of recognition or derecognition of the investments could have a material and pervasive impact on the consolidated financial statements.

(d) Fair value of investment properties

Investment properties including those completed investment properties and investment properties under construction, are carried at their fair value. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent professional property valuer using property valuation techniques which involve certain assumptions of prevailing market conditions.

5. Segment information

The Executive Directors have been identified as the CODM. Management has determined the operating segments based on the reports reviewed by the Executive Directors, which are used to allocate resources and assess performance. The Group is organised into three business segments: property development and construction, property investment, and other businesses. Other businesses mainly include hotel operations. As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented.

The directors of the Company assess the performance of the operating segments based on a measure of segment results, which is a measure of revenue and gross profit of each operating segment.

5. Segment information (continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2019 is as follows:

	Property development and construction RMB'000	Property investment RMB'000	Other businesses RMB'000	Unallocated RMB'000	Total RMB'000
Revenue from contracts with customers	9,446,177	–	12,109	–	9,458,286
Revenue from other sources – Rental income	–	54,709	–	–	54,709
Segment revenue	9,446,177	54,709	12,109	–	9,512,995
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	9,446,177	54,709	12,109	–	9,512,995
Gross profit	3,003,997	49,055	6,271	–	3,059,323
Other income					81,583
Other gains – net					88,992
Selling and marketing expenses					(457,555)
Administrative expenses					(720,650)
Fair value gains on investment properties	–	186,153	–	–	186,153
Finance costs – net					(431,938)
Share of results of joint ventures and associates	1,175,306	–	–	–	1,175,306
Profit before income tax					2,981,214
Income tax expenses					(724,587)
Profit for the year					2,256,627
Depreciation and amortisation	12,716	–	6,914	–	19,630
Segment assets	62,520,223	3,270,645	476,263	1,019,869	67,287,000
Segment liabilities	38,093,491	1,806,484	351,213	16,301,084	56,552,272
Additions to non-current assets (other than financial instruments and deferred income tax assets)	2,062,851	969,542	137,116	–	3,169,509

5. Segment information (continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2018 is as follows:

	Property development and construction RMB'000	Property investment RMB'000	Other businesses RMB'000	Unallocated RMB'000	Total RMB'000
Revenue from contracts with customers	8,171,126	–	13,937	–	8,185,063
Revenue from other sources – Rental income	–	27,011	–	–	27,011
Segment revenue	8,171,126	27,011	13,937	–	8,212,074
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	8,171,126	27,011	13,937	–	8,212,074
Gross profit	3,097,991	19,035	6,336	–	3,123,362
Other income					37,265
Other gains – net					56,744
Selling and marketing expenses					(294,318)
Administrative expenses					(451,914)
Fair value gains on investment properties	–	191,717	–	–	191,717
Finance costs – net					(375,272)
Share of results of joint ventures and associates	579,065	–	–	–	579,065
Profit before income tax					2,866,649
Income tax expenses					(1,025,602)
Profit for the year					1,841,047
Depreciation and amortisation	11,728	–	865	–	12,593
Segment assets	46,422,878	2,076,472	235,527	874,570	49,609,447
Segment liabilities	28,055,891	1,103,820	203,189	13,377,910	42,740,810
Additions to non-current assets (other than financial instruments and deferred income tax assets)	721,328	415,203	157,483	–	1,294,014

5. Segment information (continued)

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Segment assets	**66,267,131**	48,734,877
Unallocated:		
Financial assets at fair value through profit or loss	**271,469**	364,655
Deferred income tax assets	**748,400**	509,915
Total assets per consolidated balance sheet	**67,287,000**	49,609,447

Reportable segments' liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Segment liabilities	**40,251,188**	29,362,900
Unallocated:		
Deferred income tax liabilities	**210,650**	277,487
Current income tax liabilities	**1,242,359**	969,383
Borrowings and other liabilities	**14,848,075**	12,131,040
Total liabilities per consolidated balance sheet	**56,552,272**	42,740,810

6. Revenue

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue from property development and sales	**9,446,177**	8,171,126
Hotel income	**12,109**	13,937
Rental income	**54,709**	27,011
	9,512,995	8,212,074

Revenue mainly included sales of properties, which is recognised at a point in time.

6. Revenue (continued)

(a) Details of contract acquisition costs:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Costs for obtaining contracts	**13,705**	14,552

Management expects the incremental costs, primarily sales commission and stamp duty, incurred for obtaining the property sales contracts are recoverable. The Group capitalised these incremental costs and amortised them when the related revenue is recognised. There was no impairment loss in relation to the costs capitalised.

(b) Details of contract liabilities:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contract liabilities related to sales of properties	**27,628,013**	20,921,303

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 for property development and sales.

Revenue recognised related to carried-forward contract liabilities amounted to RMB9,355,246,000 for the year ended 31 December 2019 (2018: RMB7,859,270,000).

(c) Unsatisfied contracts related to sales of properties

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Sales of properties		
Expected to be recognised		
– within one year	**15,969,488**	9,507,862
– after one year	**13,954,279**	11,713,111
	29,923,767	21,220,973

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

7. Expenses by nature

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of properties sold – including construction cost, land cost, capitalised interest expenses	**6,403,025**	5,019,124
Cost of construction services and others	**7,146**	7,201
Staff costs (including directors' emoluments) *(Note 8)*	**422,700**	289,383
Marketing and advertising costs	**213,573**	158,265
Consulting and project management fees	**176,890**	73,541
Other taxes and surcharges	**76,238**	94,954
Property management fees	**44,367**	18,233
Office lease payments	**23,849**	16,632
Entertainment expenses	**28,133**	23,577
Office and travelling expenses	**42,274**	32,147
Depreciation *(Note 14)*	**18,796**	11,624
Amortisation of intangible assets	**834**	969
Auditor's remuneration	**6,550**	1,600
– Audit services	**5,050**	1,500
– Non-audit services	**1,500**	100
Listing expenses	**16,906**	31,541

8. Staff costs – including directors' emoluments

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses and other benefits	**445,791**	291,227
Pension costs – statutory pension	**59,369**	44,683
Others	**16,504**	16,961
Total employee benefits expenses	**521,664**	352,871
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(98,964)**	(63,488)
	422,700	289,383

Pensions scheme – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

(a) Directors' emoluments

The directors' emoluments paid/payable by the Group are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fees, salaries and bonuses and other benefits	**4,409**	2,616
Pension costs	**267**	237
	4,676	2,853

The emoluments received by individual directors are presented as below:

8. Staff costs – including directors' emoluments (continued)

(a) Directors' emoluments (continued)

(i) For the year ended 31 December 2019

Name of Directors	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to retirement scheme RMB'000	Total RMB'000
Executive Directors					
Mr. Hu Yiping	–	501	–	89	590
Mr. Fei Zhongmin	–	1,008	950	89	2,047
Ms. Feng Xia	–	808	800	89	1,697
Non-executive Directors					
Mr. Hu Shihao	–	–	–	–	–
Mr. Wang Yongquan	114	–	–	–	114
Mr. Chen Hengliu	114	–	–	–	114
Mr. Ding Jiangang	114	–	–	–	114
Total	342	2,317	1,750	267	4,676

(ii) For the year ended 31 December 2018

Name of Directors	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to retirement scheme RMB'000	Total RMB'000
Executive Directors					
Mr. Hu Yiping	–	300	–	72	372
Mr. Fei Zhongmin	–	1,009	280	83	1,372
Ms. Feng Xia (Appointed on 8 January 2018)	–	747	280	82	1,109
Ms. Zhu Hong (Resigned on 8 January 2018)	–	–	–	–	–
Non-executive Directors					
Mr. Hu Shihao (Appointed on 14 August 2018)	–	–	–	–	–
Total	–	2,056	560	237	2,853

8. Staff costs – including directors' emoluments (continued)

(a) Directors' emoluments (continued)

(iii) Directors' retirement benefits

No retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries for the year ended 31 December 2019 (2018: same).

(iv) Directors' termination benefits

None of the directors received any termination benefits for the year ended 31 December 2019 (2018: none).

(v) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2019, the Group did not pay consideration to any third parties for making available directors' services (2018: nil).

(vi) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

Save as disclosed in Note 38, as at 31 December 2019, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2018: nil).

(vii) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 38, no significant transactions, arrangements, and contracts in relations to the Group's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 included 1 (2018: 1) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 4 (2018: 4) individuals during the year ended 31 December 2019 are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages and salaries and bonuses and other benefits	**9,675**	5,413
Pension costs – statutory pension	**266**	314
	9,941	5,727

8. Staff costs – including directors' emoluments (continued)

(b) Five highest paid individuals (continued)

The emoluments of these remaining individuals of the Group fell within the following bands:

	Year ended 31 December	
	2019	2018
	number of individual	number of individual
Annual emolument band		
RMB895,780 to RMB1,343,670 (equivalent to HKD1,000,000 to HKD1,500,000)	**–**	4
RMB1,791,560 to RMB2,239,450 (equivalent to HKD2,000,000 to HKD2,500,000)	**2**	–
RMB2,687,340 to RMB3,135,230 (equivalent to HKD3,000,000 to HKD3,500,000)	**1**	–
RMB3,135,230 to RMB3,583,120 (equivalent to HKD3,500,000 to HKD4,000,000)	**1**	–

9. Other income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Management and consulting service income *(Note a)*	**67,178**	33,773
Others	**14,405**	3,492
	81,583	37,265

(a) The amount mainly represents the management and consulting services provided to the Group's joint ventures and associates in relation to the property development projects.

10. Other gains – Net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Gains on financial assets at fair value through profit or loss	**34,343**	10,699
Exchange gain	**25,490**	10,468
Others	**29,159**	35,577
	88,992	56,744

11. Finance costs – net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Finance costs		
– Borrowings from bank and other financial institutions	**1,059,795**	870,797
– Amounts due to non-controlling interests and related parties	**227,617**	217,537
– Interest for lease liabilities	**10,588**	–
– Less: capitalised interest	**(770,680)**	(617,472)
	527,320	470,862
Finance income		
Interest income from		
– Bank deposits	**(44,724)**	(31,164)
– Other receivables	**(25,437)**	(22,110)
– Amounts due from related parties	**(25,221)**	(42,316)
	(95,382)	(95,590)
Finance costs – net	**431,938**	375,272

12. Income tax expenses

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current income tax:		
– PRC corporate income tax	**627,033**	673,218
– PRC land appreciation tax	**372,836**	503,638
	999,869	1,176,856
Deferred income tax *(Note 17)*:		
– PRC corporate income tax	**(210,435)**	(185,116)
– PRC land appreciation tax	**(64,847)**	33,862
	(275,282)	(151,254)
	724,587	1,025,602

12. Income tax expenses (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/loss of the consolidated entities as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**2,981,214**	2,866,649
Adjust for share of results of joint ventures and associates reported net of tax	**(1,175,306)**	(579,065)
	1,805,908	2,287,584
Tax calculated at applicable corporate income tax rate	**451,477**	571,896
Effect of expenses not deductible for income tax purpose	**35,570**	39,311
Effect of tax losses not recognised as deferred income tax assets	**48,724**	11,270
Deductible tax loss not recognised as deferred income tax assets in prior years	**(42,176)**	–
PRC land appreciation tax deductible for income tax purpose	**(76,997)**	(134,375)
Corporate income tax	**416,598**	488,102
PRC land appreciation tax	**307,989**	537,500
	724,587	1,025,602

PRC corporate income tax

The income tax provision of the Group in respect of operations in PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") effective on 1 January 2008.

12. Income tax expenses (continued)

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the BVI was incorporated under the BVI Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax. The Group's subsidiaries in Hong Kong are subject to profits tax at the rate of 16.5%.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for these undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the PRC.

13. Dividend

At the board of directors meeting held on 28 August 2019, the directors of the Company proposed an interim dividend for the six months ended 30 June 2019 of RMB0.10 per ordinary share amounting to approximately RMB270,134,000 out of share premium account of the Company (Note 40(a)). The interim dividends were paid in November 2019.

At the board of directors meeting held on 19 March 2020, the directors of the Company proposed a final dividend for the year ended 31 December 2019 of RMB0.08 per ordinary share amounting to approximately RMB216,107,000 out of share premium account of the Company. These proposed dividends have not been reflected as dividends payable in this consolidated financial statements for the year ended 31 December 2019, but will be reflected as dividends distribution in 2020.

For the year ended 31 December 2018, dividends of RMB300,000,000 were declared and paid by the Group's subsidiary to the Group's then shareholders.

14. Property, plant and equipment

	Buildings and leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Right-of-use assets RMB'000	Total RMB'000
Year ended 31 December 2019						
Opening net book amount as at 1 January 2019, as previously reported	91,723	2,352	6,779	52,295	–	153,149
Change in accounting policy *(Note 2.2)*	–	–	–	–	121,670	121,670
Opening net book amount as at 1 January 2019, as restated	91,723	2,352	6,779	52,295	121,670	274,819
Additions	64,401	4,554	5,902	43,801	18,458	137,116
Disposals	(6)	(51)	(1,291)	–	–	(1,348)
Depreciation	(21,390)	(3,939)	(2,893)	–	(3,544)	(31,766)
Closing net book amount	134,728	2,916	8,497	96,096	136,584	378,821
At 31 December 2019						
Cost	193,791	12,592	16,610	96,096	145,003	464,092
Accumulated depreciation	(59,063)	(9,676)	(8,113)	–	(8,419)	(85,271)
Net book amount	134,728	2,916	8,497	96,096	136,584	378,821

14. Property, plant and equipment (continued)

	Buildings and leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2018					
Cost	128,415	7,428	9,621	1,199	146,663
Accumulated depreciation	(29,571)	(5,288)	(5,461)	–	(40,320)
Net book amount	98,844	2,140	4,160	1,199	106,343
Year ended 31 December 2018					
Opening net book amount	98,844	2,140	4,160	1,199	106,343
Additions	10,429	1,583	4,650	51,096	67,758
Disposals	(2,579)	(40)	(123)	–	(2,742)
Depreciation	(14,971)	(1,331)	(1,908)	–	(18,210)
Closing net book amount	91,723	2,352	6,779	52,295	153,149
At 31 December 2018					
Cost	134,498	8,504	12,589	52,295	207,886
Accumulated depreciation	(42,775)	(6,152)	(5,810)	–	(54,737)
Net book amount	91,723	2,352	6,779	52,295	153,149

14. Property, plant and equipment (continued)

Depreciation has been charged to the consolidated income statements as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of sales	**8,939**	6,089
Selling and marketing expenses	**329**	778
Administrative expenses	**9,528**	4,757
Properties under development	**12,970**	6,586
	31,766	18,210

All buildings were located in the PRC.

The information of the Group's pledged assets is disclosed in the Note 36.

15. Investment properties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening net book amount	**1,768,420**	1,254,600
Addition	**969,542**	415,203
Fair value changes	**186,153**	191,717
Disposal of a subsidiary	**–**	(93,100)
Closing net book amount	**2,924,115**	1,768,420
Rental income	**54,709**	27,011
Fair value gains on investment properties	**186,153**	191,717
	240,862	218,728

As at 31 December 2019 and 2018, the Group had no contractual obligations for repairs, maintenance or enhancements.

As at 31 December 2019, an investment property of RMB137,555,000 was resulted from an operating sub lease.

The information of the Group's pledged assets is disclosed in the Note 36.

16. Leases

(a) Amounts recognised in the balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Property, plant and equipment - right-of-use assets		
Land-use rights	136,584	121,670
Lease liabilities		
Current	1,394	2,961
Non-current	156,063	3,874
	157,457	6,835

(b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended 31 December 2019 RMB'000
Depreciation charge of right-of-use assets	
Land use rights	3,544
Interest expense (included in finance cost)	10,588
Expense relating to short-term leases and low value assets (included in cost of goods sold and administrative expenses)	23,849

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

17. Deferred income tax

(a) Deferred income tax assets

	As at 31 December 2019 RMB'000	2018 RMB'000
The balance comprises temporary differences attributable to:		
Tax losses	**456,896**	240,364
Impairment of assets	**19,170**	9,499
Deductible temporary differences of investments in subsidiaries	**242,893**	222,861
Others	**51,513**	54,126
Total deferred income tax assets	**770,472**	526,850
Set-off of deferred income tax liabilities	**(22,072)**	(16,935)
Net deferred income tax assets	**748,400**	509,915

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2019, the Group did not recognise deferred income tax assets of RMB89,040,000 (2018: RMB82,492,000) in respect of tax losses amounting to RMB356,160,000 (2018: RMB329,968,000), that can be carried forward against future taxable income. These tax losses will expire up to and including year 2024.

Movements of deferred income tax assets without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Movements	Tax losses RMB'000	Impairment of assets RMB'000	Deductible temporary differences of investments in subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	209,650	8,657	43,692	38,635	300,634
Credit to profit or loss	45,283	842	179,169	15,491	240,785
Disposal of a subsidiary	(14,569)	–	–	–	(14,569)
At 31 December 2018	240,364	9,499	222,861	54,126	526,850
Credit/(charge) to profit or loss	186,492	9,671	20,032	(2,613)	213,582
Acquisition of a subsidiary	30,040	–	–	–	30,040
At 31 December 2019	**456,896**	**19,170**	**242,893**	**51,513**	**770,472**

17. Deferred income tax (contined)

(b) Deferred income tax liabilities

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
Revaluation gains of investment properties	**232,722**	186,184
Recognition of contract revenue and contract costs over time	**–**	43,391
Deferred land appreciation tax	**–**	64,847
Total deferred income tax liabilities	**232,722**	294,422
Set-off of deferred income tax assets	**(22,072)**	(16,935)
Net deferred income tax liabilities	**210,650**	277,487

Movements of deferred income tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Movements	**Revaluation gains of investment properties RMB'000**	**Recognition of contract revenue and contract costs over time RMB'000**	**Deferred land appreciation tax RMB'000**	**Total RMB'000**
At 1 January 2018	146,798	35,651	30,985	213,434
Charge to profit or loss	47,929	7,740	33,862	89,531
Disposal of investment properties	(8,543)	–	–	(8,543)
At 31 December 2018	186,184	43,391	64,847	294,422
Charge/(credit) to profit or loss	46,538	(43,391)	(64,847)	(61,700)
At 31 December 2019	**232,722**	**–**	**–**	**232,722**

(c) Deferred income tax liabilities of RMB278,007,000 (2018: RMB148,770,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled RMB2,780,072,000 as at 31 December 2019 (2018: RMB1,487,700,000), as the Group does not have a plan to distribute these earnings out of the PRC.

18. Subsidiaries

(a) Material non-controlling interests

Set out below is the summarised financial information for a subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for the subsidiary is before inter-company eliminations.

Dexin Lishui Real Estate Co., Ltd.

Summarised balance sheet

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Current		
– Assets	**530,284**	2,004,106
– Liabilities	**(109,994)**	(2,025,387)
Total net current assets/(liabilities)	**420,290**	(21,281)
Non-current		
– Assets	**615**	17,479
Total net non-current assets	**615**	17,479
Net assets/(liabilities)	**420,905**	(3,802)
Proportionate share of the net assets/(liabilities) attributable to non-controlling interests	**206,243**	(1,863)

Summarised income statement and statement of comprehensive income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**1,820,729**	164
Profit before income tax	**627,786**	617
Income tax expenses	**(203,079)**	(487)
Profit and total comprehensive income for the year	**424,707**	130
Total comprehensive income for the year allocated to non-controlling interests	**208,106**	64

18. Subsidiaries (continued)

(a) Material non-controlling interests (continued)

Dexin Lishui Real Estate Co., Ltd. (continued)

Summarised statement of cash flows

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	**(225,892)**	246,321
Net cash generated from investing activities	**29,429**	355,184
Net cash generated from/(used in) financing activities	**24,500**	(744,785)
Net decrease in cash and cash equivalents	**(171,963)**	(143,280)
Cash and cash equivalents at beginning of the year	**178,512**	321,792
Cash and cash equivalents at end of the year	**6,549**	178,512

Ruian Dexin Real Estate Co., Ltd.

Summarised balance sheet

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Current		
– Assets	**1,401,506**	2,596,400
– Liabilities	**(876,862)**	(2,362,651)
Total net current assets	**524,644**	233,749
Non-current		
– Assets	**2,195**	120
– Liabilities	**–**	(77,900)
Total net non-current liabilities	**2,195**	(77,780)
Net assets	**526,839**	155,969
Proportionate share of the net assets attributable to non-controlling interests	**131,710**	38,992

18. Subsidiaries (continued)

(a) Material non-controlling interests (continued)

Ruian Dexin Real Estate Co., Ltd. (continued)

Summarised income statement and statement of comprehensive income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**1,583,257**	416,426
Profit before income tax	**619,124**	211,649
Income tax expenses	**(248,254)**	(53,004)
Profit and total comprehensive income for the year	**370,870**	158,645
Total comprehensive income for the year allocated to non-controlling interests	**92,718**	39,661

Summarised statement of cash flows

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net cash used in operating activities	**(348,845)**	(74,081)
Net cash generated from/(used in) investing activities	**72,523**	(422,225)
Net cash generated from financing activities	**166,309**	144,562
Net decrease in cash and cash equivalents	**(110,013)**	(351,744)
Cash and cash equivalents at beginning of the year	**143,500**	495,244
Cash and cash equivalents at end of the year	**33,487**	143,500

19. Investments accounted for using the equity method

(a) Investments accounted for using the equity method

(i) The amounts recognised in the consolidated balance sheets as "Investments accounted for using the equity method" are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Joint ventures	**1,053,876**	790,774
Associates	**2,738,462**	1,218,095
	3,792,338	2,008,869

(ii) The amounts recognised in the consolidated income statements as "Share of results of joint ventures and associates" are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Joint ventures	**136,750**	197,065
Associates	**1,038,556**	382,000
	1,175,306	579,065

19. Investments accounted for using the equity method (continued)

(b) Set out below are the principal joint ventures and associates of the Group as at 31 December 2019 and 2018. The place of incorporation or registration is also their principal place of business.

(i) Joint ventures:

Name of entity	Place of business/ place of incorporation and business	% of ownership interest As at 31 December 2019	2018	Measurement method	Principal activities
武義德信置業有限公司 WuYi Dexin Real Estate Co., Ltd.	The PRC	**25%**	25%	Equity Method	Property development
樂清凱譽置業有限公司 Yueqing Kaiyu Real Estate Co., Ltd.	The PRC	**28%**	28%	Equity Method	Property development
杭州德信潤楠置業有限公司 Hangzhou Dexin Runnan Real Estate Co.,Ltd.	The PRC	**32%**	–	Equity Method	Property development
昆山杭城德新置業有限公司 Kunshan Hangcheng Dexin Real Estate Co., Ltd.	The PRC	**33%**	–	Equity Method	Property development
杭州宇威置業有限公司 Hangzhou Yuwei Real Estate Co., Ltd.	The PRC	**17%**	17%	Equity Method	Property development
杭州華宇業瑞房地產開發有限公司 Hangzhou Huayu Yerui Real Estate Development Co., Ltd.	The PRC	**23%**	23%	Equity Method	Property development

(ii) Associates:

Name of entity	Place of business/ place of incorporation and business	% of ownership interest As at 31 December 2019	2018	Measurement method	Principal activities
德信地產(衢州)有限公司 Dexin Real Estate (Quzhou) Co., Ltd.	The PRC	**50%**	47%	Equity Method	Property development
溫州萬瑞置業有限公司 Wenzhou Wanrui Real Estate Co., Ltd.	The PRC	**35%**	35%	Equity Method	Property development
浙江金澳置業有限公司 Zhejiang Jinao Real Estate Co., Ltd.	The PRC	**23%**	16%	Equity Method	Property development
溫州碧桂園房地產開發有限公司 Wenzhou Country Garden Real Estate Development Co., Ltd.	The PRC	**30%**	30%	Equity Method	Property development
杭州新城松郡房地產開發有限公司 Hangzhou Xincheng Songjun Real Estate Development Co., Ltd.	The PRC	**30%**	30%	Equity Method	Property development
杭州濱潤房地產開發有限公司 Hangzhou Binrun Real Estate Development Co., Ltd.	The PRC	**20%**	20%	Equity Method	Property development
德清德錦置業有限公司 Deqing DeJin Real Estate Co., Ltd.	The PRC	**50%**	42%	Equity Method	Property development
杭州創蜀房地產開發有限責任公司 Hangzhou Chuangshu Real Estate Development Co., Ltd.	The PRC	**14%**	10%	Equity Method	Property development
杭州勵東房地產開發有限公司 Hangzhou Lidong Real Estate Development Co., Ltd.	The PRC	**50%**	–	Equity Method	Property development
溫州和盟置業有限公司 Wenzhou Hemeng Real Estate Co., Ltd.	The PRC	**11%**	–	Equity Method	Property development

19. Investments accounted for using the equity method (continued)

(c) Summarised financial information for associates and joint ventures

(i) Set out below is the summarised financial information for Dexin Real Estate (Quzhou) Co., Ltd., which is a material associate to the Group.

Summarised balance sheet

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets	**1,361**	–
Current assets		
Cash and cash equivalents	**8,144**	132,295
Other current assets	**713,525**	3,203,550
	721,669	3,335,845
Total assets	**723,030**	3,335,845
Current liabilities		
Other current liabilities	**623,376**	3,107,131
Total liabilities	**623,376**	3,107,131
Net assets	**99,654**	228,714
The Group's share in %	**50%**	47%
The Group's share of net assets	**49,827**	107,496
Elimination of unrealised profit or losses	**(10,355)**	–
Carrying amount	**39,472**	107,496

Summarised statement of comprehensive income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**2,836,418**	1,672,040
Interest income	**–**	4,513
Income tax expenses	**(585,532)**	(121,927)
Profit and total comprehensive income for the year	**842,778**	236,271
Dividends received from the associate	**485,919**	–

19. Investments accounted for using the equity method (continued)

(c) Summarised financial information for associates and joint ventures (continued)

(ii) Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Dexin Real Estate (Quzhou) Co., Ltd.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Opening net assets	**228,714**	(7,557)
Profit for the year	**842,778**	236,271
Dividends	**(971,838)**	–
Closing net assets	**99,654**	228,714
The Group's share of net assets	**49,827**	107,496
Elimination of unrealised profit or losses	**(10,355)**	–
Interest in associate	**39,472**	107,496
Carrying value	**39,472**	107,496

(iii) Set out below are the summarised financial information for joint ventures, which are individually immaterial to the Group.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**443,295**	301,420
Other comprehensive income	**–**	–
Total comprehensive income for the year	**443,295**	301,420

(iv) Set out below are the summarised financial information for associates, which are individually immaterial to the Group.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**2,313,249**	1,650,086
Other comprehensive income	**–**	–
Total comprehensive income for the year	**2,313,249**	1,650,086

20. Financial instruments by category

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Financial assets:		
Assets at amortised cost		
– Trade and other receivables	**1,175,908**	807,028
– Amounts due from non-controlling interests	**4,951,599**	3,135,801
– Amounts due from related parties	**2,918,668**	2,778,822
– Restricted cash	**5,797**	1,295
– Cash and cash equivalents	**9,564,316**	7,486,911
Financial assets at fair value through profit or loss	**271,469**	364,655
	18,887,757	14,574,512
Financial liabilities:		
Financial liabilities at amortised cost		
– Trade and other payables, excluding accrual for staff costs and allowances and other taxes payable	**2,741,910**	2,211,720
– Amounts due to non-controlling interests	**3,909,697**	4,098,180
– Amounts due to related parties	**3,985,010**	4,027,577
– Borrowings from bank and other financial institutions	**14,848,075**	9,778,600
Lease liabilities	**157,457**	–
	25,642,149	20,116,077

21. Financial assets at fair value through profit or loss

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Wealth management products	**222,768**	312,950
Others	**48,701**	51,705
	271,469	364,655
Less: non-current portion	**(170,726)**	(232,255)
Current portion	**100,743**	132,400

Wealth management products were mainly investments in financial instruments issued by banks or other financial institutions, which had no guaranteed returns. They had initial terms ranging from 1 to 3 years. The fair values of these investments approximated their carrying values as at 31 December 2019 and 2018.

22. Properties under development and completed properties held for sale

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Properties under development	**36,657,831**	27,684,622
Completed properties held for sale	**591,370**	345,610
	37,249,201	28,030,232
Property under development comprise:		
– Construction costs	**7,762,228**	4,673,273
– Land use rights	**27,359,485**	21,927,788
– Interests capitalised	**1,536,118**	1,083,561
	36,657,831	27,684,622

Properties under development and completed properties held for sale of the Group are all located in the PRC and expected to be completed and available for sale within normal operating cycle.

The capitalisation rate of borrowings is 9.2% for the year ended 31 December 2019 (2018: 9.5%).

The information of the Group's pledged assets is disclosed in the Note 36.

23. Trade and other receivables and prepayments

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables *(Note a)*		
– Third party	**164,646**	199,094
– Related party	**34,019**	20,756
Less: provision for impairment	**(1,797)**	(1,421)
	196,868	218,429
Other receivables		
– Deposits for property development and construction projects	**567,737**	476,006
– Deposits for borrowings	**26,818**	66,207
– Cash advances with third parties	**320,264**	41,075
– Interest receivable	**7,351**	7,760
– Others	**109,075**	18,836
Less: provision for impairment	**(52,205)**	(21,285)
	979,040	588,599
Prepayments		
– Prepayments for acquisition of land use rights *(Note b)*	**1,629,462**	730,400
– Prepaid value added tax and other taxes	**725,432**	1,094,033
– Others	**57,006**	71,054
	2,411,900	1,895,487
Total trade and other receivables and prepayments	**3,587,808**	2,702,515
Less: non-current portion of total trade and other receivables and prepayments	**(75,179)**	–
Current portion of trade and other receivables and prepayments	**3,512,629**	2,702,515

23. Trade and other receivables and prepayments (continued)

(a) Ageing analysis of the trade receivables as at 31 December 2019 and 2018 based on invoice dates or contractual terms are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 90 days	**42,803**	29,884
Over 90 days and within 365 days	**9,176**	10,058
Over 365 days and within 2 years	**12,424**	58,366
Over 2 years	**134,262**	121,542
	198,665	219,850

Trade receivables are denominated in RMB and mainly arise from sales of properties and construction services. Proceeds from sales of properties and construction service are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

Trade receivables with ageing over 365 days mainly included receivables of construction service fees for two resettlement community projects, of which the customers are subsidiaries of the local State-owned Assets Supervision and Administration Commission. Management considers the credit risk is not high since these customers have no recent history of default. The Group maintains frequent communications with these customers. Management closely monitors the credit qualities and the collectability of these receivables and considers that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information.

(b) Prepayments for acquisition of land use rights will be reclassified to properties under development when land certificates were obtained.

24. Restricted cash

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Denominated in RMB	**5,797**	1,295

The Group placed certain cash deposits with designated banks as security mainly for borrowings and issuance of commercial bills.

25. Cash and cash equivalents

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Denominated in:		
– RMB	**9,028,178**	7,479,699
– USD	**528,845**	5,862
– HKD	**7,293**	1,350
	9,564,316	7,486,911

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

26. Share capital

	Number of ordinary shares	**Nominal value of ordinary shares USD**	**Equivalent nominal value of ordinary shares RMB'000**
Authorised:			
As at 1 January 2019	**100,000,000**	**1,000,000**	
Increase	**4,900,000,000**	**1,500,000**	
As at 31 December 2019	**5,000,000,000**	**2,500,000**	
Issued:			
As at 1 January 2019	**100,000,000**	**1,000,000**	**6,848**
Sub-division of shares	**1,900,000,000**	**–**	**–**
Issue of shares in connection with the capitalisation issue *(Note (i))*	**100,000,000**	**50,000**	**335**
Issue of shares in connection with the Company's listing *(Note (ii))*	**601,341,000**	**300,671**	**2,017**
As at 31 December 2019	**2,701,341,000**	**1,350,671**	**9,200**

Pursuant to the written resolutions passed by the shareholders on 11 January 2019, the Company sub-divided all its issued and unissued shares with par value of US\$0.01 each into 20 shares of US\$0.0005 each. Accordingly, the number of issued ordinary shares increased from 100,000,000 shares to 2,000,000,000 shares. In addition, the Company increased its authorised share capital from US\$1,000,000 to US\$2,500,000 divided into 5,000,000,000 shares with a par value of US\$0.0005 each.

26. Share capital (continued)

(i) Capitalisation issue

On 26 February 2019, the capitalisation issue pursuant to the shareholders' resolution dated 11 January 2019 was effected. The Company issued 100,000,000 ordinary shares at par value of US$0.0005 each to holders of shares on the register of members of the Company at the close of business of 26 February 2019, by way of capitalisation of an amount of US$50,000 standing to the credit of the share premium account of the Company.

(ii) Global offering

On 26 February 2019, the Company issued a total of 532,000,000 ordinary shares at a price of HK$2.80 per share as a result of the completion of the global offering.

69,341,000 shares were issued upon the exercise of the over-allotment option on 19 March 2019 at a price of HK$2.80 per share.

Number of total issued shares of the Company was increased to 2,701,341,000 shares upon completion of the capitalisation issue, the global offering and the exercise of over-allotment option. Total proceeds from the global offering amounted to RMB1,428,953,000 and share issuance costs amounted to RMB46,481,000.

27. Other reserves

	Share premium RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2018	–	800,177	800,177
Issue of new shares by the Company and the effect of the group reorganisation	–	(6,526)	(6,526)
Acquisition of additional interests in subsidiaries *(Note 37)*	–	(89,034)	(89,034)
Capital injection by a third party investor	67,662	–	67,662
Disposal of interests in subsidiaries without change of control	–	(2,118)	(2,118)
Deemed distributions to the then shareholders of the Group	–	(171,621)	(171,621)
Balance at 31 December 2018	67,662	530,878	598,540
Balance at 1 January 2019	**67,662**	**530,878**	**598,540**
Issue of shares in connection with the Company's listing	**1,426,936**	**–**	**1,426,936**
Share issuance costs	**(46,481)**	**–**	**(46,481)**
Issue of shares in connection with the capitalisation issue	**(335)**	**–**	**(335)**
Acquisition of additional interests in subsidiaries *(Note 37)*	**–**	**(152,526)**	**(152,526)**
Disposal of interests in subsidiaries without change of control	**–**	**23,693**	**23,693**
Interim dividends for 2019 *(Note 13)*	**(270,134)**	**–**	**(270,134)**
Balance at 31 December 2019	**1,177,648**	**402,045**	**1,579,693**

Other reserves mainly represented the share premium from the Company's listing and the accumulated capital contribution from the then shareholders of the group companies in excess of the consideration given in relation to the reorganisation.

28. Statutory reserves

In accordance with relevant rules and regulations in the PRC, when declaring dividend, the Group's PRC subsidiaries are required to appropriate not less than 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the respective companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses brought forward from prior years or to increase the paid up capital of respective companies.

29. Earnings per share

In determining the weighted average number of ordinary shares in issue during the year ended 31 December 2019 and 2018, the ordinary shares issued but not paid upon the incorporation of the Company, the ordinary shares issued in exchange for the listing business in the reorganisation, the sub-division of shares on 14 August 2018 and 11 January 2019 and the capitalisation issue (Note 26), were deemed to be issued on 1 January 2018.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	**1,556,514**	1,453,456
Weighted average number of ordinary shares in issue (in thousand)	**2,605,091**	2,034,411
Basic earnings per share (RMB per share)	**0.60**	0.71

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equals the basic earnings per share.

30. Borrowings

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings		
– Secured	**7,632,580**	3,183,000
Other borrowings		
– Secured	**4,442,162**	4,295,400
– Unsecured	**–**	1,028,200
Senior notes	**2,162,333**	–
Less: current portion of non-current borrowings	**(4,929,160)**	(4,082,742)
	9,307,915	4,423,858
Borrowings included in current liabilities:		
Bank borrowings		
– Secured	**–**	599,000
Other borrowings		
– Secured	**611,000**	673,000
Current portion of non-current borrowings	**4,929,160**	4,082,742
	5,540,160	5,354,742
Total borrowings	**14,848,075**	9,778,600

In 2019, the Group issued medium-term notes with principal amount of USD300 million at 98.095% discount to face value, at an interest rate of 12.875% per annum and with maturity in 2021.

The Group's bank and other borrowings as at 31 December 2019 of RMB12,685,742,000(2018: RMB8,750,400,000) were secured by certain own-used properties, land use rights, investment properties, equity interests of group companies, properties under development and completed properties held for sale of the Group with total carrying values of RMB25,969,240,000 (2018: RMB19,442,200,000). The Company's equity interests in certain subsidiaries were pledged as security for borrowing of the Group at 31 December 2019.

Certain group companies in the PRC have entered into fund arrangements with trust companies and assets management companies, respectively, pursuant to which these financial institutions raised funds and injected them to the group companies. Certain equity interests of the group companies were held by the financial institutions as collateral of which the Group is obligated to redeem at predetermined prices. The funds bear fixed interest rates and have fixed repayment terms. Thus, the Group did not derecognise its equity interests in the subject group companies but treated the fund arrangements as other borrowings in the consolidated financial statements.

30. Borrowings (continued)

(a) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
6 months or less	**3,988,760**	4,701,600
6-12 months	**2,125,800**	4,032,492
1-2 years	**6,697,915**	773,593
2-5 years	**1,748,270**	93,185
Over 5 years	**287,330**	177,730
Total	**14,848,075**	9,778,600

(b) The repayment terms of the borrowings are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**5,540,160**	5,354,742
1 – 2 years	**5,391,815**	3,522,943
2 – 5 years	**3,392,270**	723,185
Over 5 years	**523,830**	177,730
Total	**14,848,075**	9,778,600

(c) The weighted average effective interest rates as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019	2018
Weighted average effective interest rates	**8.52%**	8.18%

(d) The carrying amounts of the borrowings are denominated in the following currencies.

	As at 31 December	
	2019	2018
RMB	**12,685,742**	9,778,600
USD	**2,162,333**	–
Total	**14,848,075**	9,778,600

30. Borrowings (continued)

(e) The carrying amounts of the borrowings approximated their fair values as at 31 December 2019 and 2018 as the impact of discounting of borrowings was not significant.

31. Trade and other payables

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables *(Note a)*	**1,594,530**	1,400,010
Notes payables	**6,030**	7,612
Other payables:		
Other taxes payable	**1,687,326**	371,566
Interests payable	**105,892**	139,313
Construction fees received on behalf of constructors	**154,023**	299,540
Deposits from contractors and suppliers	**190,173**	164,162
Payroll payable	**141,775**	84,994
Deposits received for sales of properties	**84,090**	34,128
Advances from third parties *(Note b)*	**437,498**	56,001
Others	**169,674**	110,954
Total trade and other payables	**4,571,011**	2,668,280
Less: non-current portion of trade and other payables	**(247,498)**	–
Current portion of trade and other payables	**4,323,513**	2,668,280

(a) The ageing analysis of the trade payables based on invoice dates or contractual terms is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 90 days	**939,377**	1,207,401
Over 90 days and within 365 days	**584,524**	117,368
Over 365 days	**70,629**	75,241
	1,594,530	1,400,010

(b) Advances from third parties

As at 31 December 2019, these advances from third parties bear interest rates ranging from 8% to 14.5% per annum (31 December 2018: 12% per annum) and were repayable on demand or based on the contractual agreements (31 December 2018: same).

32. Cash generated from/(used in) operations

(a) Reconciliation of profit for the year to net cash generated from/(used in) operations.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax for the year	**2,981,214**	2,866,649
Adjustments for:		
– Depreciation of property, plant and equipment	**18,796**	11,624
– Interest expenses	**527,320**	470,862
– Interest income	**(95,382)**	(95,590)
– Gains on financial assets at fair value through profit or loss	**(34,343)**	(10,699)
– Share of results of joint ventures and associates	**(1,175,306)**	(579,065)
– Fair value gains on investment properties	**(186,153)**	(191,717)
– Others-net	**3,300**	(29,449)
Cash generated from operations before changes in working capital	**2,039,446**	2,442,615
Changes in working capital:		
– Properties under development and completed properties held for sale	**(8,635,974)**	(9,232,747)
– Contract liabilities	**6,706,710**	5,695,881
– Trade and other receivables and prepayments	**497,962**	(384,121)
– Trade and other payables	**1,395,187**	209,654
– Contract acquisition costs	**847**	1,258
Cash generated from/(used in) operations	**2,004,178**	(1,267,460)

32. Cash generated from/(used in) operations (continued)

(b) Reconciliation of liabilities arising from financing activities

	Borrowings from bank and other financial institutions RMB'000	Amounts due to joint ventures and associates RMB'000	Amounts due to non-controlling interests RMB'000	Amounts due to other related parties RMB'000	Advance from third parties RMB'000	Lease Liabilities RMB'000
Balance as at 31 December 2018	9,778,600	4,013,533	4,098,180	14,044	56,001	–
Non-cash changes						
– Acquisition of a subsidiary	–	–	309,628	–	–	–
– Addition of lease liabilities	–	–	–	–	–	177,203
– Finance expense recognised	119,610	–	–	–	–	10,588
– Foreign exchange adjustments	(25,490)	–	–	–	–	–
Cash Flows						
– Increase	12,193,035	1,478,597	3,707,184	60,654	437,498	–
– Decrease	(7,217,680)	(1,579,060)	(4,205,295)	(2,758)	(56,001)	(30,334)
Balance as at 31 December 2019	14,848,075	3,913,070	3,909,697	71,940	437,498	157,457

33. Amounts due from/to non-controlling interests

(a) Amounts due from non-controlling interests

As at 31 December 2019, amounts due from non-controlling interests included amounts of RMB95,000,000 (31 December 2018: RMB95,000,000), which carried interest rate of 4.75% per annum (31 December 2018: 4.75% to 12% per annum). The remaining balances were interest free. All of the amounts due from non-controlling interests are unsecured and repayable on demand.

(b) Amounts due to non-controlling interests

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current portion *(i)*	**228,598**	–
Current portion *(ii)*	**3,681,099**	4,098,180
	3,909,697	4,098,180

(i) As at 31 December 2019, the amounts included certain cash advances from non-controlling interests, which bear interest rates ranging from 8% to 8.5% per annum and were repayable according to respective agreements (31 December 2018: none). The cash advances from non-controlling interests as at 31 December 2019 of RMB99,600,000 (2018: none) were secured by properties under development of the Group with total carrying value of RMB154,342,000 (2018: none).

(ii) As at 31 December 2019, the amounts included certain cash advances from non-controlling interests of approximately RMB699,629,000 (31 December 2018：RMB1,536,934,000) which bear interest rates ranging from 4.35% to 8% per annum (31 December 2018: 4.35% to 13% per annum) and were repayable according to respective agreements.

34. Financial guarantee

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Guarantee in respect of mortgage facilities for certain purchasers *(note a)*	**12,603,058**	9,830,260
Guarantee provided for the borrowings of joint ventures and associates *(note b and note 38)*	**2,469,100**	1,587,410
Guarantee provided for the borrowings of third parties *(note b)*	**193,300**	459,210
	15,265,458	11,876,880

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value as at 31 December 2019 and 2018 is immaterial.

(b) Amounts represented the maximum exposure of the guarantees provided for the borrowings of the related parties and independent third parties at the respective balance sheet dates. The directors consider that the likelihood of default in payments by the related parties and independent third parties is minimal and therefore the financial guarantee measured at fair value as at 31 December 2019 and 2018 is immaterial.

35. Commitments

Commitments contracted for but not provided for are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
– Property development activities	**10,690,499**	5,664,496
– Property, plant and equipment	**12,630**	8,622
– Investments in joint ventures and associates	**370,239**	60,284
– Investment properties	**345,320**	163,225
	11,418,688	5,896,627

36. Assets pledged as security

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**56,983**	58,890
Right-of-use assets – land use rights	**3,218**	92,969
Investment properties	**1,382,200**	1,228,817
Total non-current assets pledged as security	**1,442,401**	1,380,676
Current assets		
Properties under development and completed properties held for sale	**19,794,692**	15,896,943
Total assets pledged as security	**21,237,093**	17,277,619

The Company's equity interests in certain subsidiaries were pledged as security for borrowing of the Group at 31 December 2019.

37. Transaction with non-controlling interests

(a) Acquisition of additional interest in subsidiaries

During the year ended 31 December 2019, the Group acquired additional equity interest of certain subsidiaries, the Group recognised a decrease in non-controlling interests and a decrease in equity attributable to owners of the Company. The differences between the carrying amounts of non-controlling interest acquired and consideration paid are set out below:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Total carrying amount of non-controlling interests acquired	**206,427**	19,913
Less: total consideration paid and payable to non-controlling interests	**(358,953)**	(108,947)
Total difference recognised within equity	**(152,526)**	(89,034)

(b) Disposal of ownership interest in subsidiaries without change of control

During the year ended 31 December 2019, the Group disposed of certain equity interest in subsidiaries without change of control. The Group recognised an increase in non-controlling interests and a decrease in equity attributable to owners of the Company as set out below.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Consideration received from non-controlling interests	**270,289**	49,410
Less: carrying amounts of the equity interest disposed of	**(246,596)**	(51,528)
Total difference recognised within equity	**23,693**	(2,118)

37. Transaction with non-controlling interests (continued)

(c) The aggregate effect of the above transactions with non-controlling interests on the equity attributable to owners of the Company are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Changes in equity attributable to owners of the Company arising from:		
– Acquisition of additional interest in subsidiaries	**(152,526)**	(89,034)
– Disposal of ownership interest in subsidiaries without loss of control	**23,693**	(2,118)
	(128,833)	(91,152)

38. Related party transactions

(a) The ultimate holding company of the Company is Tak Shin International Limited (BVI), and the ultimate controlling shareholder of the Company is Mr. Hu.

(b) Key management compensation

Key management compensation for the year ended 31 December 2019 and 2018 are set out below:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Key management compensation		
– Salaries and other employee benefits	**10,066**	6,709
– Pension costs	**533**	491
	10,599	7,200

38. Related party transactions (continued)

(c) Balances with related parties

As at 31 December 2019 and 2018, the Group had the following material balances with related parties:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables from related parties:		
Joint ventures	**1,047**	756
Associates	**31,870**	19,070
Entities controlled by Mr. Hu	**1,102**	930
	34,019	20,756
Amounts due from related parties:		
Joint ventures	**914,601**	487,017
Associates	**1,997,968**	1,910,582
Entities controlled by Mr. Hu	**6,099**	381,223
	2,918,668	2,778,822
Amounts due to related parties:		
Joint ventures	**821,489**	952,470
Associates	**3,091,581**	3,061,063
Entities controlled by Mr. Hu	**71,940**	14,044
	3,985,010	4,027,577
Less: non-current portion of amounts due to related parties	**(500,000)**	–
Current portion of amounts due to related parties	**3,485,010**	4,027,577
Trade payables to related parties:		
Entities controlled by Mr. Hu	**59,825**	26,459

As at 31 December 2019, amounts due to joint ventures and associates included non-current portion of RMB500,000,000 (31 December 2018: none) which bear interest rates of 4.35% per annum and were repayable after 1 year, and current portion of RMB231,950,000 (31 December 2018: RMB759,505,000) which carried interest rate of 4.35% per annum (31 December 2018: 4.35% to 13% per annum) and were repayable based on the contractual agreements (31 December 2018: same).

38. Related party transactions (continued)

(c) Balances with related parties (continued)

As at 31 December 2019, amounts due from joint ventures and associates totalling RMB332,293,000 (31 December 2018: RMB36,300,000) bear interest rates ranging from 7% to 12% per annum (31 December 2018: 12% per annum) and were repayable on demand or based on the contractual agreements (31 December 2018: same).

The rest of amounts due from/to related parties mainly represented the cash advances which were unsecured, interest free and repayable on demand.

(d) Transactions with related parties

During the year ended 31 December 2019 and 2018, the Group had the following significant transactions with related parties.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
(i) Entities controlled by Mr. Hu		
Receiving of property management services	**59,779**	19,156
Receiving of construction and decoration services	**171,552**	113,462
Sales of properties	**11,366**	–
Purchase of financial assets at fair value through profit or loss	**–**	301,290
Receiving of financing and management services	**–**	48,642
Interest income	**–**	11,593
Interest expenses	**–**	23,006
(ii) Joint ventures		
Rendering of management and consulting services	**1,862**	4,137
Interest income	**19,143**	5,572
Interest expenses	**4,995**	8,801
(iii) Associates		
Rendering of management and consulting services	**50,000**	19,086
Interest income	**6,078**	25,151
Interest expenses	**62,477**	2,035
(iv) An entity jointly controlled by Mr. Hu		
Purchase of equity interests of a subsidiary	**353,550**	–
(v) Close family members of Mr. Hu		
Sales of properties	**1,483**	3,145

The prices for the above transactions were determined in accordance with the terms agreed by the relevant contracting parties.

38. Related party transactions (continued)

(e) Guarantee with related parties

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Provision of guarantee for borrowings of related parties		
– Joint ventures	**1,271,250**	157,500
– Associates	**1,197,850**	1,429,910
	2,469,100	1,587,410
Received guarantee from Mr. Hu or Mr. Hu and his spouse in connection with the Group's borrowings	**–**	1,287,000

39. Particulars of subsidiaries

Particulars of the principal subsidiaries of the Group as at 31 December 2019 and 2018 are set out as below.

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital RMB	Paid up capital RMB	Proportion of ownership interest 31 December 2019	2018
德信地產集團有限公司 Dexin Real Estate Group Co., Ltd.	1 September 1995	Limited liability company	The PRC	Property development	3,390,000,000	3,386,718,750	**100%**	100%
瑞安市德信置業有限公司 Ruian Dexin Real Estate Co., Ltd.	18 February 2016	Limited liability company	The PRC	Property development	20,000,000	20,000,000	**75%**	75%
德信地產(麗水)有限公司 Dexin Real Estate (Lishui) Co., Ltd. *(Note a)*	13 October 2016	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**51%**	51%
浙江德廣置業有限公司 Zhejaing Deguang Real Estate Co., Ltd. *(Note a)*	23 August 2016	Limited liability company	The PRC	Property development	100,000,000	100,000,000	**55%**	51%
浙江德鴻置業有限公司 Zhejiang Dehong Real Estate Co., Ltd.	29 August 2017	Limited liability company	The PRC	Property development	200,000,000	200,000,000	**60%**	54%
慈溪市梁建置業有限責任公司 Cixi Liangjian Real Estate Co., Ltd. *(Note a)*	4 July 2017	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**40%**	34%
德清錦鴻置業有限公司 Deqing Jinhong Real Estate Co., Ltd. *(Note b)*	9 October 2017	Limited liability company	The PRC	Property development	200,000,000	200,000,000	**34%**	32%

39. Particulars of subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital RMB	Paid up capital RMB	Proportion of ownership interest 31 December 2019	2018
浙江德晨置業有限公司 Zhejiang Dechen Real Estate Co., Ltd.	16 October 2017	Limited liability company	The PRC	Property development	200,000,000	200,000,000	**65%**	63%
湖州德越置業有限公司 Huzhou Deyue Real Estate Co., Ltd.	11 October 2017	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**80%**	96%
台州德信置業有限公司 Taizhou Dexin Real Estate Co., Ltd.	16 June 2017	Limited liability company	The PRC	Property development	10,000,000	10,000,000	**100%**	100%
台州德新園置業有限公司 Taizhou Dexinyuan Real Estate Co., Ltd. *(Note b)*	19 January 2017	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**27%**	27%
德信地產(寧波)有限公司 Dexin Real Estate (Ningbo) Co., Ltd. *(Note b)*	24 February 2016	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**30%**	30%
上饒市合韜置業有限公司 Shangrao Hetao Real Estate Co., Ltd. *(Note b)*	16 March 2018	Limited liability company	The PRC	Property development	280,000,000	280,000,000	**47%**	27%
溫州德信東宸置業有限公司 Wenzhou Dexin Dongchen Real Estate Co., Ltd. *(Note b)*	12 July 2018	Limited liability company	The PRC	Property development	500,000,000	500,000,000	**23%**	26%
杭州德信錦玉置業有限公司 Hangzhou Dexin Jinyu Real Estate Co., Ltd. *(Note b)*	13 July 2018	Limited liability company	The PRC	Property development	300,000,000	300,000,000	**24%**	26%
衢州德信置業有限公司 Quzhou Dexin Real Estate Co.,Ltd. *(Note a)*	26 June 2017	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**26%**	24%
衢州站前東路碧桂園房地產開發有限公司 Quzhou Zhanqiandonglu Country Garden Real Estate Development Co.,Ltd. *(Note a)*	29 June 2017	Limited liability company	The PRC	Property development	10,000,000	10,000,000	**26%**	24%

The English names of PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

(a) The Group has controlled these companies through agreements entered into with certain minority shareholders pursuant to which the minority shareholders confirmed to act in accordance with the Group in decision on relevant activities including but not limited to budget, pricing and promotion strategies of these companies. As the Group has exposure or rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority voting position and the existing rights to direct the relevant activities, these companies are thus accounted for as subsidiaries of the Group.

(b) The Group indirectly hold the equity interest in these companies through layers of holding structures and the Group has control over the board of directors of these companies who can make majority votes to decide the key financial and operating decisions of these companies. The proportion of equity interests as disclosed above represent the effective equity interests attributable to the Group.

40. Balance sheet and reserve movements of the Company

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
ASSETS			
Non-current assets			
Amounts due from subsidiries		**2,851,096**	–
Investments in subsidiaries		**1,738,541**	1,738,541
		4,589,637	1,738,541
Current assets			
Cash and cash equivalents		**373,488**	272
Amounts due from shareholder		**322**	322
Other receivables and prepayments		**17,538**	10,239
		391,348	10,833
Total assets		**4,980,985**	1,749,374
EQUITY			
Equity attributable to owners of the Company			
Share capital		**9,200**	6,848
Reserves	*a*	**2,748,255**	1,700,746
		2,757,455	1,707,594
LIABILITIES			
Current liabilities			
Other payables		**–**	15,732
Trade and other payables		**2,993**	–
Amount due to a subsidiary		**58,204**	26,048
		61,197	41,780
Non-current liabilities			
Borrowings		**2,162,333**	–
Total liabilities		**2,223,530**	41,780
Total equity and liabilities		**4,980,985**	1,749,374

The balance sheet of the Company was approved by the Board of Directors on 19 March 2020 and was signed on its behalf.

Hu Yiping	**Feng Xia**
Director	*Director*

40. Balance sheet and reserve movements of the Company (continued)

(a) Reserve movements of the Company

	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 16 January 2018 (date of incorporation)	–	–	–	–
Deemed contribution	67,662	1,660,244	–	1,727,906
Loss for the period	–	–	(27,160)	(27,160)
At 31 December 2018	67,662	1,660,244	(27,160)	1,700,746
At 31 December 2018	**67,662**	**1,660,244**	**(27,160)**	**1,700,746**
Issuance of ordinary shares upon initial public offering	**1,426,936**	**–**	**–**	**1,426,936**
Share issuance costs	**(46,481)**	**–**	**–**	**(46,481)**
Capitalisation of share premium from global offering	**(335)**	**–**	**–**	**(335)**
Interim dividends for 2019	**(270,134)**	**–**	**–**	**(270,134)**
Loss for the year	**–**	**–**	**(62,477)**	**(62,477)**
At 31 December 2019	**1,177,648**	**1,660,244**	**(89,637)**	**2,748,255**

41. Subsequent events

(a) The Company has issued US$200 million senior notes bearing an interest rate of 11.875% per annum due in April 2022 at an issue price of 97.90% on 23 January 2020. The senior notes were listed on the Hong Kong Stock Exchange on 24 January 2020.

(b) Since early 2020, the epidemic of Coronavirus Disease 2019 (the "COVID-19 outbreak") has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

The overall financial effect of the above cannot be reliably estimated as of the date of these consolidated financial statements.

The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the leasing market, the financial position and operating results of the Group.

Financial Summary

RESULTS

	Year ended 31 December				
	2015	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	5,695,479	6,979,701	6,553,989	8,212,074	**9,512,995**
Profit before income tax	115,355	798,392	1,218,061	2,866,649	**2,981,214**
Income tax expenses	(50,696)	(284,981)	(378,692)	(1,025,602)	**(724,587)**
Profit for the year	64,659	513,411	839,369	1,841,047	**2,256,627**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income for the year	64,659	513,411	839,369	1,841,047	**2,256,627**
Attributable to:					
Owners of the Company	30,950	330,809	737,543	1,453,456	**1,556,514**
Non-controlling interests	33,709	182,602	101,826	387,591	**700,113**
	64,659	513,411	839,369	1,841,047	**2,256,627**

ASSETS AND LIABILITIES

	As at 31 December				
	2015	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	15,882,662	21,178,677	35,417,221	49,609,447	**67,287,000**
Total liabilities	(14,688,328)	(19,639,275)	(33,233,472)	(42,740,810)	**(56,552,272)**
Net assets	1,194,334	1,539,402	2,183,749	6,868,637	**10,734,728**
Owners of the Company	838,790	1,084,436	1,514,799	2,473,466	**5,013,485**
Non-controlling interests	355,544	454,966	668,950	4,395,171	**5,721,243**
Total equity	1,194,334	1,539,402	2,183,749	6,868,637	**10,734,728**

羅兵咸永道

To the Shareholders of Dexin China Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Dexin China Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 163, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Classification of investments in subsidiaries, joint ventures and associates
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Classification of investments in subsidiaries, joint ventures and associates	
Refer to Note 4(d), Note 19 and Note 37 to the consolidated financial statements. The Group co-operated with other parties to invest in a large number of property development projects, which were classified as subsidiaries, joint ventures or associates. We focus on the classification of an investment as a subsidiary, a joint venture or an associate as it is determined based on whether the Group has control, joint control or significant influence over the investee. The assessment involves significant judgements through the analysis of various factors, including constitution of decision making authorities of an investee, such as shareholders' meetings and board of directors' meetings, decision making process, the Group's representation on the decision making authorities of an investee, as well as other facts and circumstances.	In assessing the classification of new investments or changes to existing investments during the year, we have performed the following procedures: 1. We obtained and examined the legal documents in relation to the investments ("Investment Documents"), including the cooperation agreements with other co-developers and articles of associations of the investees, with particular focuses on, including but not limited to the terms and conditions in relation to the rights of investors, cooperation arrangements, termination provisions, management structures and profit-sharing arrangements, and assessed management's judgement by analysing these key terms against accounting standards. Where there have been subsequent changes to the co-developers' agreements, articles of association and management structures, we critically assessed management's re-assessment on whether those changes would affect the initial classification. 2. We examined the documents related to decision making of property development, including minutes of shareholders' meetings and board of directors' meetings of the investees, and evaluated the detailed project management and approval processes on a sample basis, including the authorities in determination and approval of project budgets, selection of main constructors and vendors of the projects and the determination of sales and marketing plan. Based on the procedures performed, we found that management's judgements applied in determining the classification of the Group's investments in subsidiaries, joint ventures and associates were supported by available evidence.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to Note 3.3 (b), Note 4(e) and Note 16 to the consolidated financial statements. The Group's investment properties are stated at fair value. As at 31 December 2018, the Group's investment properties amounted to RMB1,768 million and the fair value gains on investment properties for the year ended 31 December 2018 amounted to RMB192 million. Independent external valuations were obtained for the full property portfolio in order to support management's estimates. We focused on this area due to the significance of the fair value gains on investment properties recognised in the consolidated financial statements and the valuations of the investment properties involved significant management judgement and assumptions, including term yield, reversionary yield, market rental, unit rate, accommodation value, expected developer's profit margin and estimated construction costs to completion.	In assessing management's valuation of investment properties, we have performed the following procedures: 1. We evaluated the competence, capabilities and objectivity of the independent external valuer. 2. We assessed the appropriateness of valuation techniques adopted in the valuation of different nature of investment properties with the involvement of our in-house valuation experts. 3. We assessed the reasonableness of the key assumptions applied in the valuations by selecting key assumptions, including term yield, reversionary yield, market rental, unit rate, accommodation value and developer's profit margin, and comparing them with our own expectation using evidence of comparable market transactions. 4. We checked, on a sample basis, the estimated construction costs to completion, by comparing to the approved construction budgets and historical information of similar properties of the Group. We found that the judgements and assumptions made by the management in relation to the valuation of investment properties were supported by available audit evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Kam Chin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2019

Consolidated Income Statement

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	*6*	**8,212,074**	6,553,989
Cost of sales	*7*	**(5,088,712)**	(5,021,308)
Gross profit		**3,123,362**	1,532,681
Other income	*9*	**37,265**	62,540
Other gains – net	*10*	**56,744**	20,834
Selling and marketing expenses	*7*	**(294,318)**	(200,734)
Administrative expenses	*7*	**(451,914)**	(262,202)
Fair value gains on investment properties	*16*	**191,717**	226,107
Operating profit		**2,662,856**	1,379,226
Finance income	*11*	**95,590**	106,482
Finance costs	*11*	**(470,862)**	(427,931)
Finance costs – net		**(375,272)**	(321,449)
Share of results of joint ventures and associates	*19*	**579,065**	160,284
Profit before income tax		**2,866,649**	1,218,061
Income tax expenses	*12*	**(1,025,602)**	(378,692)
Profit for the year		**1,841,047**	839,369
Profit attributable to:			
Owners of the Company		**1,453,456**	737,543
Non-controlling interests		**387,591**	101,826
		1,841,047	839,369
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	*29*	**0.71**	0.37

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit for the year	1,841,047	839,369
Other comprehensive income	–	–
Total comprehensive income for the year	1,841,047	839,369
Attributable to:		
Owners of the Company	1,453,456	737,543
Non-controlling interests	387,591	101,826
	1,841,047	839,369

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**153,149**	106,343
Land use rights	*15*	**114,835**	28,199
Investment properties	*16*	**1,768,420**	1,254,600
Intangible assets		**1,148**	1,090
Investments accounted for using the equity method	*19*	**2,008,869**	970,214
Amounts due from related parties	*36*	**41,000**	49,000
Prepayments	*23*	**–**	169,668
Financial assets at fair value through profit or loss	*21*	**232,255**	184,056
Deferred income tax assets	*17*	**509,915**	245,332
		4,829,591	3,008,502
Current assets			
Properties under development	*22*	**27,684,622**	17,044,187
Completed properties held for sale	*22*	**345,610**	638,293
Trade and other receivables and prepayments	*23*	**5,838,316**	4,044,727
Amounts due from related parties	*36*	**2,737,822**	5,943,108
Contract assets	*6*	**14,552**	15,810
Prepaid income taxes		**538,328**	446,896
Financial assets at fair value through profit or loss	*21*	**132,400**	160,481
Restricted cash	*24*	**1,295**	164,363
Cash and cash equivalents	*25*	**7,486,911**	3,950,854
		44,779,856	32,408,719
Total assets		**49,609,447**	35,417,221
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*26*	**6,848**	–
Reserves	*27, 28*	**2,466,618**	1,514,799
		2,473,466	1,514,799
Non-controlling interests		**4,395,171**	668,950
Total equity		**6,868,637**	2,183,749

		As at 31 December	
		2018	2017
	Note	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*30*	**4,423,858**	5,882,601
Deferred income tax liabilities	*17*	**277,487**	158,132
		4,701,345	6,040,733
Current liabilities			
Trade and other payables	*31*	**5,173,525**	4,293,782
Amounts due to related parties	*36*	**3,268,072**	2,908,471
Contract liabilities	*6*	**20,921,303**	15,322,347
Current income tax liabilities		**969,383**	415,066
Borrowings	*30*	**7,707,182**	4,253,073
		38,039,465	27,192,739
Total liabilities		**42,740,810**	33,233,472
Total equity and liabilities		**49,609,447**	35,417,221

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 70 to 163 were approved by the Board of Directors on 28 March 2019 and were signed on its behalf.

Hu Yiping	**Feng Xia**
Director	*Director*

Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company						
	Share capital RMB'000 *(Note 26)*	Other reserves RMB'000 *(Note 27)*	Statutory reserves RMB'000 *(Note 28)*	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	–	907,357	51,534	125,545	1,084,436	454,966	1,539,402
Comprehensive income							
– Profit for the year	–	–	–	737,543	737,543	101,826	839,369
Total comprehensive income	–	–	–	737,543	737,543	101,826	839,369
Transactions with owners in their capacity as owners							
Acquisition of additional interests in subsidiaries (Note 35)	–	(30,896)	–	–	(30,896)	(8,862)	(39,758)
Capital injections from non-controlling interests	–	–	–	–	–	357,420	357,420
Distribution to non-controlling interests	–	–	–	–	–	(236,400)	(236,400)
Dividends declared to the then shareholders of the Group (Note 13)	–	–	–	(200,000)	(200,000)	–	(200,000)
Deemed distributions to the then shareholders of the Group (Note 27)	–	(76,284)	–	–	(76,284)	–	(76,284)
Total transactions with owners in their capacity as owners	–	(107,180)	–	(200,000)	(307,180)	112,158	(195,022)
Transfer to statutory reserves	–	–	39,618	(39,618)	–	–	–
Balance at 31 December 2017	–	800,177	91,152	623,470	1,514,799	668,950	2,183,749

Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company						
	Share capital RMB'000 *(Note 26)*	Other reserves RMB'000 *(Note 27)*	Statutory reserves RMB'000 *(Note 28)*	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	–	800,177	91,152	623,470	1,514,799	668,950	2,183,749
Comprehensive income							
– Profit for the year	–	–	–	1,453,456	1,453,456	387,591	1,841,047
Total comprehensive income	–	–	–	1,453,456	1,453,456	387,591	1,841,047
Transactions with owners in their capacity as owners							
Issue of new shares upon incorporation of the Company	322	–	–	–	322	–	322
Issue of new shares by the Company and the effect of the group reorganisation	6,526	(6,526)	–	–	–	–	–
Capital injections from non-controlling interests	–	–	–	–	–	3,418,065	3,418,065
Acquisition of additional interests in subsidiaries (Note 35)	–	(89,034)	–	–	(89,034)	(19,913)	(108,947)
Capital injection by a third party investor	–	67,662	–	–	67,662	–	67,662
Disposal of subsidiaries	–	–	–	–	–	(4,550)	(4,550)
Distribution to non-controlling interests	–	–	–	–	–	(106,500)	(106,500)
Disposal of interests in subsidiaries without change of control	–	(2,118)	–	–	(2,118)	51,528	49,410
Dividends declared to the then shareholders of the Group (Note 13)	–	–	–	(300,000)	(300,000)	–	(300,000)
Deemed distributions to the then shareholders of the Group (Note 27)	–	(171,621)	–	–	(171,621)	–	(171,621)
Total transactions with owners in their capacity as owners	6,848	(201,637)	–	(300,000)	(494,789)	3,338,630	2,843,841
Transfer to statutory reserves	–	–	281,453	(281,453)	–	–	–
Balance at 31 December 2018	6,848	598,540	372,605	1,495,473	2,473,466	4,395,171	6,868,637

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

		Year ended 31 December	
		2018	2017
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	*32(a)*	**(1,267,460)**	1,285,424
Income tax paid		**(713,971)**	(290,259)
Interest paid		**(1,104,444)**	(830,180)
Interest received		**133,847**	91,445
Net cash (used in)/generated from operating activities		**(2,952,028)**	256,430
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		**(54,388)**	(13,873)
Payments for purchase of intangible assets		**(1,027)**	(1,182)
Payments for purchase of investment properties		**(219,975)**	(343,879)
Payments for purchase of land use rights of properties for own use		**(89,725)**	–
Proceeds from disposal of property, plant and equipment		**3,142**	5,580
Investments in joint ventures		**(233,325)**	(312,723)
Investments in associates		**(488,003)**	(146,232)
Purchase of financial assets at fair value through profit or loss		**(361,605)**	(285,320)
Proceeds from disposal of financial assets at fair value through profit or loss		**352,186**	414,867
Proceeds from disposal of associates		**3,852**	–
Advances to third parties		**(235,476)**	(150,514)
Repayment of advances from third parties		**465,613**	98,398
Advances to joint ventures and associates		**(1,292,231)**	(2,257,007)
Repayment of advances from joint ventures and associates		**1,678,173**	745,164
Net cash inflow from disposal of a subsidiary		**36,651**	–
Advances to other related parties		**(241)**	(552,298)
Repayment of advances from other related parties		**2,827,586**	350,350
Dividends received from joint ventures and associates		**66,095**	135,200
Net cash generated from/(used in) investing activities		**2,457,302**	(2,313,469)

Consolidated Statement of Cash Flows

		Year ended 31 December	
		2018	2017
	Note	RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from borrowings		13,240,202	9,393,651
Repayments of borrowings		(11,244,836)	(7,380,618)
Advances from joint ventures and associates		1,101,232	1,786,739
Repayment of advances to joint ventures and associates		(678,946)	(155,200)
Advances from other related parties		105,487	61,559
Repayment of advances to other related parties		(168,172)	(29,106)
Capital injection from non-controlling interests		3,418,065	357,420
Capital injection by a third party investor		67,662	–
Distribution to non-controlling interests		(106,500)	(236,400)
Payments for acquisition of non-controlling interests	35(a)	(108,947)	(39,758)
Payments for listing expenses		(6,017)	(325)
Advances from non-controlling interests		4,119,973	2,487,717
Repayment of advances to non-controlling interests		(5,448,910)	(1,219,775)
Distributions and dividends paid to the then shareholders of the Group		(471,621)	(276,284)
Proceeds from disposal of interests in subsidiaries without loss of control	35(b)	49,410	–
Restricted cash pledged for borrowings		(335,562)	(133,075)
Restricted cash released		498,263	2,330
Net cash generated from financing activities		4,030,783	4,618,875
Net increase in cash and cash equivalents		3,536,057	2,561,836
Cash and cash equivalents at beginning of the year		3,950,854	1,389,018
Cash and cash equivalents at end of the year	25	7,486,911	3,950,854

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. General information, reorganisation and basis of presentation

1.1 General information

Dexin China Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 16 January 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Island. The Company is an investment holding company. The Company and its subsidiaries now comprising the group (the "Group") are principally engaged in the property development and construction services, property investment and hotel operations (the "Listing Business") in the People's Republic of China (the "PRC").

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 February 2019.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These consolidated financial statements have been approved for issued by the Board on 28 March 2019.

1.2 Reorganisation

Prior to the completion of the reorganisation (the "Reorganisation") as described below, the Listing Business was principally operated by Dexin Real Estate Group Co., Ltd. ("Dexin Group Company") and its subsidiaries. The Listing Business is ultimately controlled by Mr. Hu Yiping (胡一平, "Mr. Hu" or "Controlling Shareholder") throughout the years ended 31 December 2018 and 2017.

Prior to the completion of the Reorganisation, Dexin Group Company also held certain subsidiaries engaged in property management (the "Non-listing Business"). The Listing Business and the Non-listing Business are operated independently and managed by different management teams. For the purpose of the consolidated financial statements, only the financial information of the Listing Business was included throughout the years ended 31 December 2018 and 2017.

In preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the Reorganisation was undertaken pursuant to which the group companies engaged in the Listing Business and controlled by Dexin Group Company were transferred to the Company. The Reorganisation involves the following major steps:

(a) Incorporation of the Company and the investment holding companies by the Controlling Shareholder

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 16 January 2018, all the issued ordinary shares of which were held by Tak Shin International Limited ("Tak Shin International"), a company owned by Mr. Hu and Mr. Hu Shihao (胡詩豪, the son of Mr. Hu) of 92% and 8%, respectively.

Tak Yick International Limited was incorporated in the British Virgin Islands ("BVI") with limited liability on 7 February 2018 by the Company.

Dexin Holding (Hong Kong) Limited ("Dexin HK") was incorporated in Hong Kong with limited liability on 22 March 2018 by Tak Yick International Limited.

1. General information, reorganisation and basis of presentation (continued)

1.2 Reorganisation (continued)

(a) Incorporation of the Company and the investment holding companies by the Controlling Shareholder (continued)

On 31 January 2018, Zhejiang Dexin Investment Company Limited ("Dexin Investment") was established in the PRC by Dexin Holding Group Limited ("Dexin Holding"), the immediate holding company of Dexin Group Company.

(b) Incorporation of the investment holding companies by an independent third party

Createwisdom International Limited was incorporated in the BVI with limited liability on 25 January 2018 by Mr. Chen Yue, an independent third party.

Daxin International Limited was incorporated in the BVI with limited liability on 25 January 2018 by Createwisdom International Limited.

Yinxin Holding (Hong Kong) Limited ("Yinxin Holding") was incorporated in Hong Kong with limited liability on 22 March 2018 by Daxin International Limited.

(c) Transfer of the entire equity interest of Dexin Group Company to Dexin Investment

On 14 March 2018, Dexin Holding transferred its entire equity interest in Dexin Group Company to Dexin Investment at a consideration of RMB1,127,749,800. Upon completion of such equity transfer, Dexin Group Company became a wholly-owned subsidiary of Dexin Investment.

(d) Capital injection into Dexin Investment by Yinxin Holding

On 7 May 2018, Yinxin Holding acquired 6% of the equity interest of Dexin Investment by way of capital injection of RMB67,661,634, which was paid on 10 July 2018. Upon completion of the capital injection, Dexin Investment was converted into a sino-foreign joint venture enterprise and was owned by Dexin Holding and Yinxin Holding as to 94% and 6% respectively.

(e) Transfer of 94% equity interest in Dexin Investment to Dexin HK

On 17 July 2018, Dexin Holding transferred its 94% equity interest in Dexin Investment to Dexin HK at a consideration of RMB200,000,000. The consideration was funded by shareholders loan from Mr. Hu and Mr. Hu Shihao ("Shareholder's Loans"). Upon completion of such equity transfer, Dexin Investment was owned by Dexin HK and Yinxin Holding as to 94% and 6%, respectively, and became an indirect subsidiary of the Company.

1. General information, reorganisation and basis of presentation (continued)

1.2 Reorganisation (continued)

(f) Transfer of 6% equity interest in Dexin Investment to the Company

On 14 August 2018, each issued and unissued share of the Company with a par value of US$1.00 each was sub-divided into 100 shares with a par value of US$0.01 each upon completion of the share sub-division, the share capital of the Company was US$50,000 divided into 5,000,000 shares with a par value of US$0.01 each.

On 17 August 2018, Createwisdom International Limited transferred its entire equity interest in Daxin International Limited to the Company in exchange for 6,000,000 Shares in the Company. On 17 August 2018, the Shareholder's Loans were capitalised in full by way of the Company's allotment and issue of 89,000,000 shares to Tak Shin International. On the same day, Tak Shin International transferred 9,500,000 shares of the Company at par value to Tak Yuan International Limited ("Tak Yuan International"). Upon completion of such equity transfer and loan capitalisation, the Company was then owned as to 84%, 10% and 6% by Tak Shin International, Tak Yuan International and Createwisdom International Limited respectively.

After the completion of Reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business, is mainly conducted through Dexin Group Company and its subsidiaries and is ultimately controlled by Mr. Hu. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management and the ultimate owner of the Listing Business remained the same. Accordingly, the consolidated financial statements of the Group is prepared using the carrying values of the Listing Business for the years ended 31 December 2018 and 2017.

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. In particular, the Group has consistently adopted HKFRS 9 and HKFRS 15 for the years ended 31 December 2018 and 2017.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iii) New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Amendments to HKFRS 9	Prepayment features with negative compensation[1]
Amendments to HKAS 19	Plan amendment, curtailment or settlement[1]
HKFRS 16	Leases[1]
HK (IFRIC) Int 23	Uncertainty over income tax treatments[1]
HKAS 28 (Amendment)	Long-term interests in associates and joint ventures[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture[3]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[2]
HKFRS 3 (Amendments)	Definition of a Business[2]
Improvements to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle[1]

1 Effective for annual period beginning on or after 1 January 2019.
2 Effective for annual period beginning on or after 1 January 2020.
3 Effective date to be determined.

The Group's assessment of the impact of the adoption of HKFRS 16 is as follows:

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact, Mandatory application date/Date of adoption by the Group

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB32,339,000, representing 0.1% of the Group's current liabilities. The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iii) New standards, amendments and interpretations not yet adopted (continued)

HKFRS 16 Leases (continued)

Impact, Mandatory application date/Date of adoption by the Group (continued)

As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

At this stage, the Group does not intend to adopt the standard before its effective date and does not expect it will have a material impact on the financial performance and position of the Group when it becomes effective.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

Business combinations under common control

The consolidated financial statements incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statements and the consolidated statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control consolidation.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or business are eliminated on consolidation.

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

(a) Business combinations (continued)

Business combinations not under common control

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category if equity as specified/permitted by applicable HKFRSs.

(d) Structure entities

For structured entities, the Group assesses whether they should be consolidated based on the contractual terms as to whether the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Third-party beneficiaries' interests in the consolidated structured entities with a limited life or puttable instruments issued and are classified as liabilities in the Group's consolidated balance sheets, and net profits or losses attributable to third-party beneficiaries are recorded in consolidated profit or loss as "finance costs".

(e) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment and is being either the cash consideration amount or the amount of net asset value of the subsidiaries for share-settled transaction under reorganisation and business combination under common control. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. Summary of significant accounting policies (continued)

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of an associate" in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depend on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to "share of results of a joint venture" in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decision.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(c) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings and leasehold improvements	20 years
Office equipment	3-5 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains-net" in profit or loss.

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and ready for use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2. Summary of significant accounting policies (continued)

2.8 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 5 years). Costs associated with maintaining computer software programs are recognised as an expenses as incurred.

2.9 Investment properties

Investment properties are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are presented in profit or loss as part of a valuation gain or loss.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating unit"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property mainly comprises cost of land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. The normal operating cycle is usually between 2 and 3 years.

2. Summary of significant accounting policies (continued)

2.11 Properties under development (continued)

Costs to fulfil a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfil a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

2.12 Completed properties held for sale

Completed properties remaining unsold at reporting period end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.13 Financial assets

2.13.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.13.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated income statements.

2. Summary of significant accounting policies (continued)

2.13 Financial assets (continued)

2.13.2 Recognition and measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statements of comprehensive income within 'other gains – net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statements of comprehensive income. Dividends from such investments continue to be recognised in the consolidated income statements as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other gains – net' in the consolidated income statements as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2. Summary of significant accounting policies (continued)

2.15 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and debt investment at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For contract assets and all trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.17 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by the Group for development of properties. Land use rights held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets and included in properties under development or completed properties held for sale, while those out of the normal operating cycle are classified as non-current assets. Land use rights to be developed for hotel properties and self-use buildings, are non-current assets, which are stated at cost and subsequently amortised to the profit or loss on a straight-line basis.

2.18 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2. Summary of significant accounting policies (continued)

2.19 Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contact with a customer within contract assets if the Group expects to recover these costs.

2.20 Cash and cash equivalents and restricted cash

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in “restricted cash” of the consolidated balance sheets. Restricted cash is excluded from cash and cash equivalents.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

2. Summary of significant accounting policies (continued)

2.23 Borrowings and borrowing costs (continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, like properties under development, assets under construction and investment properties under construction, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.24 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates(and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (continued)

2.24 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Employee benefits

(a) Pension obligations

The group companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

Contributions to these defined contributions plans are expensed as incurred.

(b) Housing benefits, medical insurances and other social insurances

PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other social insurance plan. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2. Summary of significant accounting policies (continued)

2.25 Employee benefits (continued)

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.26 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.27 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the PRC and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) Sales of properties and construction services

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 all of the benefits 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.

2. Summary of significant accounting policies (continued)

2.27 Revenue recognition (continued)

(i) Sales of properties and construction services (continued)

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

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the 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.

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 construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time. Revenue in respect of the construction services is recognised over time on a cost-to-cost method. It is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year/period in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS 15. The Group becomes entitled to invoice customers based on achieving a series of performance-related milestones. The Group recognises a contract asset for any work performed, and the amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference. There is no significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

(ii) Hotel operation

Revenue from hotel operation is recognised in the accounting period in which the related services are rendered.

(iii) Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

2. Summary of significant accounting policies (continued)

2.28 Management and consulting services income

Income from rendering of management and consulting services is recognised in the accounting period in which the related services are rendered.

2.29 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.30 Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

2.31 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of joint ventures and associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.32 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Dividend distribution to the then shareholders of the group companies during the period before the Reorganisation was completed is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the directors of the respective group companies.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, and liquidity risk. The Group's principal activities are conducted in RMB. The directors are of the opinion that the Group's activities do not expose it to any significant foreign exchange risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.1 Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2018, bank and other borrowings of the Group which were bearing at floating rates amounted to approximately RMB4,777,020,000 (2017: RMB1,467,850,000). If interest rates on borrowings at floating rates had been 50 basis points higher or lower with all other variables held constant and without taking into account interest capitalisation, interest charges for the year ended 31 December 2018 would have been RMB23,885,000 higher/lower (2017: RMB7,339,000 higher/lower).

3.1.2 Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high credit quality institutions. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents (excluding cash on hand), restricted cash, trade and other receivables, amounts due from related parties and financial assets at fair value through profit or loss shown in the consolidated balance sheet.

As at 31 December 2018 and 2017, in order to manage this risk, the Group's bank deposits are mainly deposited with reputable banks which are all high-credit-quality financial institutions incorporated in the PRC.

For the trade receivables arising from sales of properties, the Group manages the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of such guarantees is made in Note 33. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

For other receivables and amounts due from related parties, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counter parties is low.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are more than 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data. The loss allowance provision for the Group's financial assets were not material for the year ended 31 December 2018 (2017: same).

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties and contract assets.

Expected loss rate of current contract assets, trade receivables from related parties and trade receivables from government authorities are assessed to be 0.1%. The loss allowance provision for these balances was not material for the year ended 31 December 2018 (2017: same).

In calculating the expected credit loss rate of the trade receivables, the Group has considered the historical credit loss experience to incorporate relevant, current and more forward-looking information for different class of trade receivables which grouped based on shared credit risk characteristics and the days past due. As there was no significant change of the customer base, historical credit loss rate of customers and forward-looking information for the years ended 31 December 2018 and 2017, the Group adopted the same expected credit loss rate for the years ended 31 December 2018 and 2017. The loss allowance provision as at 31 December 2018 and 2017 is determined as follows.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(i) Trade receivables and contract assets (continued)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
At 31 December 2018					
Trade receivables (RMB'000)	**39,942**	**58,366**	**120,004**	**1,538**	**219,850**
Less: receivables from related parties (RMB'000)	**(6,980)**	**(13,276)**	**–**	**(500)**	**(20,756)**
receivables from government authorities (RMB'000)	**(599)**	**(43,626)**	**(120,000)**	**–**	**(164,225)**
Gross carrying amount (RMB'000)	**32,363**	**1,464**	**4**	**1,038**	**34,869**
Expected loss rate	**1%**	**5%**	**20%**	**50%-100%**	
Loss allowance provision (RMB'000)	**324**	**73**	**1**	**1,023**	**1,421**

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
At 31 December 2017					
Trade receivables (RMB'000)	67,267	235,617	13	2,046	304,943
Less: receivables from related parties (RMB'000)	(67,103)	(14,919)	–	(672)	(82,694)
receivables from government authorities (RMB'000)	–	(211,169)	–	–	(211,169)
Gross carrying amount (RMB'000)	164	9,529	13	1,374	11,080
Expected loss rate	1%	5%	20%	50%-100%	
Loss allowance provision (RMB'000)	2	476	3	1,370	1,851

The closing loss allowance provision for trade receivables from third parties as at 31 December 2018 reconcile to the opening loss allowance for that provision as follows:

	Trade receivables (excluding receivables from related parties and government authorities) RMB'000
At 1 January 2017	1,611
Provision for loss allowance recognised in profit or loss, net	240
At 31 December 2017	1,851
At 1 January 2018	**1,851**
Reversal of provision for loss allowance recognised in profit or loss, net	**(430)**
At 31 December 2018	**1,421**

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(i) Trade receivables and contract assets (continued)

For the years ended 31 December 2018 and 2017, the provision for loss allowances were recognised in profit or loss in administrative expense in relation to the impaired trade receivables.

As at 31 December 2018, the gross carrying amount of trade receivables excluding receivables from related parties and government authorities was RMB34,869,000 (2017: RMB11,080,000), and thus maximum exposure to loss was RMB33,448,000 (2017: RMB9,229,000).

(ii) Other receivables

Other financial assets at amortised cost include other receivables from third parties, related parties and non-controlling interests.

To measure the expected credit losses of other receivables, other receivables have been grouped based on shared credit risk characteristics and the days past due.

The closing loss allowance provision for other receivables as at 31 December 2018 reconcile to the opening loss allowance for that provision as follows:

	Other receivables RMB'000
At 1 January 2017	10,493
Provision for loss allowance recognised in profit or loss, net	5,347
At 31 December 2017	15,840
At 1 January 2018	**15,840**
Provision for loss allowance recognised in profit or loss, net	**5,445**
At 31 December 2018	**21,285**

All of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the reporting period was limited to 12 months expected losses. Management considered other receivables from third parties to be low credit risk as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(ii) Other receivables (continued)

For the year ended 31 December 2018 and 2017, the provision for loss allowance were recognised in profit or loss in administrative expenses in relation to the impaired other receivables.

For the year ended 31 December 2018, the average expected loss rate on the gross carrying amount of other receivables excluding deposits for acquisitions of land use rights and property development projects was 1% (2017: 1%). Expected loss of deposits for acquisitions of land use rights and property development projects was not material as there was no recent history of default and management considered the credit risk is low.

As at 31 December 2018, the maximum exposure to loss of other receivables for third parties, related parties and non-controlling interests were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Amounts due from related parties	**2,778,822**	5,992,108
Amounts due from non-controlling interests	**3,135,801**	1,578,376
Amounts due from third parties (including deposits and others)	**588,599**	752,689
	6,503,222	8,323,173

3.1.3 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

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

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2018					
Borrowings	**8,385,278**	**3,765,941**	**763,755**	**193,487**	**13,108,461**
Trade and other payables, excluding accrual for staff costs and allowances, and other taxes payable	**4,716,965**	**–**	**–**	**–**	**4,716,965**
Amounts due to related parties	**3,268,072**	**–**	**–**	**–**	**3,268,072**
Financial guarantee	**11,876,880**	**–**	**–**	**–**	**11,876,880**
	28,247,195	**3,765,941**	**763,755**	**193,487**	**32,970,378**
As at 31 December 2017					
Borrowings	5,124,121	4,545,761	1,247,023	159,645	11,076,550
Trade and other payables, excluding accrual for staff costs and allowances, and other taxes payable	4,083,828	–	–	–	4,083,828
Amounts due to related parties	2,908,471	–	–	–	2,908,471
Financial guarantee	7,495,623	–	–	–	7,495,623
	19,612,043	4,545,761	1,247,023	159,645	25,564,472

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheets) less total of cash and cash equivalents and restricted cash.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Total borrowings *(Note 30)*	**12,131,040**	10,135,674
Less: Cash and cash equivalents *(Note 25)*	**(7,486,911)**	(3,950,854)
Restricted cash *(Note 24)*	**(1,295)**	(164,363)
Net borrowings	**4,642,834**	6,020,457
Total equity	**6,868,637**	2,183,749
Total capital	**11,511,471**	8,204,206
Gearing ratio	**40%**	73%

3.3 Fair value estimation

(a) Financial assets carried at fair value

The Group's financial assets carried at fair value include financial assets at fair value through profit or loss. The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial assets carried at fair value (continued)

Specific valuation techniques used to value financial instruments include:

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2018 and 2017, by level of the inputs to valuation techniques used to measure fair value.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018				
Financial assets at fair value through profit or loss	**–**	**–**	**364,655**	**364,655**
At 31 December 2017				
Financial assets at fair value through profit or loss	–	–	344,537	344,537

		Range of unobservable inputs	
		31 December	31 December
Significant unobservable inputs	**Valuation approach**	**2018**	2017
Expected rate of return	Return approach	**2%-6%**	2%-6%

Relationship of unobservable inputs to fair value: the higher of expected rate of return, the higher the fair value.

The Group manages the valuation of level 3 instruments for financial reporting purpose on a case by case basis. At least once every reporting year/period, the Group would assess the fair value of the Group's level 3 instruments by using valuation techniques.

The valuation of level 3 instruments mainly included investments in wealth management products issued by banks or other financial institution. As these instruments are not traded in an active market, their fair values have been determined by using applicable valuation techniques, which mainly include discounted cash flows.

If the fair values of the financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the profit before income tax for the year ended 31 December 2018 would have been approximately RMB36,466,000 higher/lower (2017: RMB34,454,000 higher/lower).

The Group's policy was to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no changes in level 3 instruments during the year ended 31 December 2018 (2017: same).

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Investment properties

Investment properties of the Group were measured at fair value.

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of investment properties that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2018 (2017: same).

(ii) Valuation techniques used to determine level 3 fair values

The directors determine a property's value within a range of reasonable fair value estimates. Fair values of the Group's completed investment properties are derived using the income capitalisation approach. This valuation method takes into account the net rental income of a property derived from its 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.

Fair values of the Group's investment properties under development are derived on the basis that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. It is assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at the fair values, the direct comparison approach is adopted by making reference to comparable sales transactions as available in the market and also taken into account the costs that will be expended to complete the developments to reflect the quality of the completed developments. The "market value as if completed" represents the opinion of the aggregate selling prices of the property assuming that it would be completed as at the valuation date.

All resulting fair value estimates for investment properties are included in level 3.

(iii) Fair value measurements using significant unobservable inputs (level 3)

Detailed disclosures of the changes in level 3 items for the years ended 31 December 2018 and 2017 for recurring fair value measurements are disclosed below.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Investment properties (continued)

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

	Fair value at 31 December	
Properties status	**2018**	2017
	RMB'000	RMB'000
Completed	**994,520**	926,500
Under development	**773,900**	328,100
	1,768,420	1,254,600

		Range of unobservable inputs	
		As at 31 December	
Properties status	**Unobservable inputs**	**2018**	2017
Completed	Term yield	**2.5%-5.5%**	4%-4.5%
	Reversionary yield	**3%-6%**	4.5%-5%
	Monthly rental (RMB/sq.m./month)	**19-144**	19-142
	Occupancy rate	**80%-90%**	80%-90%
Under development	Unit rate (RMB/sq.m.)	**6,600-20,300**	11,500-17,000
	Accommodation value (RMB/sq.m.)	**357**	330-3,800

Relationship of unobservable inputs to fair value:

– 1 The higher rate of term yield and reversionary yield, the lower the fair value;
– 2 The higher monthly rental, the higher the fair value;
– 3 The higher the occupancy rate, the higher the fair value;
– 4 The higher the unit rate, the higher the fair value;
– 5 The higher the accommodation value, the higher the fair value.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Investment properties (continued)

(v) Valuation processes

The Group's investment properties were valued by an independent professionally qualified valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department has a team to review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and the valuer at least once every six months for the Group's interim and annual reporting process.

At each reporting period end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior period valuation report; and
- Holds discussions with the independent valuer.

4. Critical accounting estimates and judgements

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Revenue recognition

Revenue from sales of properties is recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group can not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements.

4 Critical accounting estimates and judgements (continued)

(a) Revenue recognition (continued)

In assessing whether the Group has an enforceable right to payment for its sale contracts, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgements on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for sales contracts.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

(b) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(c) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. The Group has not finalised its PRC land appreciation taxes calculations and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and the related land appreciation taxes. The Group recognised the land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

4 Critical accounting estimates and judgements (continued)

(d) Classification of subsidiaries, joint ventures and associates

The classification of an investment as a subsidiary, a joint venture or an associate is based on whether the Group is determined to have control, joint control or significant influence over the investee, which involves judgements through the analysis of various factors, including the constitution of decision making authorities of the investee and the Group's representation on the decision making authorities of an investee, such as board of directors' meetings and shareholders' meetings, as well as other facts and circumstances.

Subsidiaries are consolidated, which means each of their assets, liabilities and transactions are included line-by-line in the Group's consolidated financial statements, whereas the interests in joint ventures and associates are equity accounted for as investments on the consolidated balance sheet.

Accordingly, any inappropriate classification as a result of recognition or derecognition of the investments could have a material and pervasive impact on the consolidated financial statements.

(e) Fair value of investment properties

Investment properties including those completed investment properties and investment properties under construction, are carried at their fair value. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent professional property valuer using property valuation techniques which involve certain assumptions of prevailing market conditions.

5. Segment information

The Executive Directors have been identified as the CODM. Management has determined the operating segments based on the reports reviewed by the Executive Directors, which are used to allocate resources and assess performance. The Group is organised into three business segments: property development and construction, property investment, and other businesses. Other businesses mainly include hotel operations. As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented. The Group has a large number of purchaser, none of whom contributed 10% or more of the Group's revenue.

The directors of the Company assess the performance of the operating segments based on a measure of segment results, which is a measure of revenue and gross profit of each operating segment.

5. Segment information (continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2018 is as follows:

	Property development and construction RMB'000	Property investment RMB'000	Other businesses RMB'000	Unallocated RMB'000	Total RMB'000
Revenue from contracts with customers	8,171,126	–	13,937	–	8,185,063
Recognised at a point in time	7,666,996	–	–	–	7,666,996
Recognised over time	504,130	–	13,937	–	518,067
Revenue from other sources:					
Rental income	–	27,011	–	–	27,011
Segment revenue	8,171,126	27,011	13,937	–	8,212,074
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	8,171,126	27,011	13,937	–	8,212,074
Gross profit	3,097,991	19,035	6,336	–	3,123,362
Other income					37,265
Other gains – net					56,744
Selling and marketing expenses					(294,318)
Administrative expenses					(451,914)
Fair value gains on investment properties	–	191,717	–	–	191,717
Finance costs – net					(375,272)
Share of results of joint ventures and associates	579,065	–	–	–	579,065
Profit before income tax					2,866,649
Income tax expenses					(1,025,602)
Profit for the year					1,841,047
Depreciation and amortisation	11,728	–	865	–	12,593
Segment assets	46,422,878	2,076,472	235,527	874,570	49,609,447
Segment liabilities	28,055,891	1,103,820	203,189	13,377,910	42,740,810
Additions to non-current assets (other than financial instruments and deferred income tax assets)	721,328	415,203	157,483	–	1,294,014

5. Segment information (continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2017 is as follows:

	Property development and construction RMB'000	Property investment RMB'000	Other businesses RMB'000	Unallocated RMB'000	Total RMB'000
Revenue from contracts with customers	6,531,042	–	16,128	–	6,547,170
Recognised at a point in time	6,065,800	–	–	–	6,065,800
Recognised over time	465,242	–	16,128	–	481,370
Revenue from other sources:					
Rental income	–	6,819	–	–	6,819
Segment revenue	6,531,042	6,819	16,128	–	6,553,989
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	6,531,042	6,819	16,128	–	6,553,989
Gross profit	1,516,792	6,819	9,070	–	1,532,681
Other income					62,540
Other gains – net					20,834
Selling and marketing expenses					(200,734)
Administrative expenses					(262,202)
Fair value gains on investment properties	–	226,107	–	–	226,107
Finance costs – net					(321,449)
Share of results of joint ventures and associates	160,284	–	–	–	160,284
Profit before income tax					1,218,061
Income tax expenses					(378,692)
Profit for the year					839,369
Depreciation and amortisation	11,461	–	1,632	–	13,093
Segment assets	33,166,958	1,566,401	93,993	589,869	35,417,221
Segment liabilities	21,741,131	681,518	101,951	10,708,872	33,233,472
Additions to non-current assets (other than financial instruments and deferred income tax assets)	473,653	424,161	21	–	897,835

5. Segment information (continued)

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Segment assets	**48,734,877**	34,827,352
Unallocated:		
Financial assets at fair value through profit or loss	**364,655**	344,537
Deferred income tax assets	**509,915**	245,332
Total assets per consolidated balance sheet	**49,609,447**	35,417,221

Reportable segments' liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Segment liabilities	**29,362,900**	22,524,600
Unallocated:		
Deferred income tax liabilities	**277,487**	158,132
Current income tax liabilities	**969,383**	415,066
Borrowings	**12,131,040**	10,135,674
Total liabilities per consolidated balance sheet	**42,740,810**	33,233,472

6. Revenue

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue from sales of properties	**8,130,049**	6,501,385
Revenue from construction and project management services	**41,077**	29,657
Hotel income	**13,937**	16,128
Rental income	**27,011**	6,819
	8,212,074	6,553,989

Represented by:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue from sales of properties, construction and project management services and hotel operation		
Recognised at a point in time	**7,666,996**	6,065,800
Recognised over time	**518,067**	481,370
	8,185,063	6,547,170
Revenue from other sources:		
Rental income	**27,011**	6,819
	8,212,074	6,553,989

6. Revenue (continued)

(a) Details of contract assets:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Costs for obtaining contracts	**14,552**	15,810

Management expects the incremental costs, primarily sales commission and stamp duty, incurred for obtaining the property sales contracts are recoverable. The Group capitalised these incremental costs and amortised them when the related revenue is recognised. There was no impairment loss in relation to the costs capitalised.

(b) Details of contract liabilities:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Contract liabilities related to sales of properties	**20,921,303**	15,270,289
Contract liabilities related to construction and project management services	**–**	52,058
	20,921,303	15,322,347

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 for property development and sales.

The following table shows the revenue recognised related to carried-forward contract liabilities.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Property development and sales	**7,818,193**	5,213,830
Construction and project management services	**41,077**	29,657
	7,859,270	5,243,487

6. Revenue (continued)

(c) Unsatisfied contracts related to sales of properties

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Sales of properties		
Expected to be recognised		
– within one year	9,507,862	6,800,397
– after one year	11,713,111	10,979,304
	21,220,973	17,779,701

(d) Unsatisfied contracts related to construction and project management services

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Expected to be recognised		
– within one year	12,903	53,980

7. Expenses by nature

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of properties sold – including construction cost, land cost, capitalised interest expenses	**5,019,124**	4,748,960
Cost of construction services and others	**7,201**	7,172
Business taxes and other taxes	**94,954**	286,323
Staff costs (including directors' emoluments) *(Note 8)*	**289,383**	196,547
Marketing and advertising costs	**158,265**	111,598
Consulting fees	**73,541**	34,034
Property management fees	**18,233**	16,033
Office lease payments	**16,632**	15,510
Entertainment expenses	**23,577**	12,884
Office and travelling expenses	**32,147**	23,369
Depreciation *(Note 14)*	**11,624**	11,159
Amortisation of intangible assets	**969**	934
Auditor's remuneration	**1,600**	779
– Audit services	**1,500**	741
– Non-audit services	**100**	38
Listing expenses	**31,541**	595
Provision for impairment of trade and other receivables – net	**5,015**	5,862

8. Staff costs – including directors' emoluments

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses and other benefits	**291,227**	213,155
Pension costs – statutory pension	**44,683**	24,259
Others	**16,961**	9,496
Total employee benefits expenses	**352,871**	246,910
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(63,488)**	(50,363)
	289,383	196,547

8. Staff costs – including directors' emoluments (continued)

Pensions scheme – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

(a) Directors' emoluments

The directors' emoluments paid/payable by the Group are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Fees, salaries and bonuses and other benefits	**2,616**	1,409
Pension costs	**237**	76
	2,853	1,485

The emoluments received by individual directors are presented as below:

(i) For the year ended 31 December 2018

Name of Directors	Fees	Salaries and other benefits	Discretionary bonuses	Contribution to retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Mr. Hu Yiping	–	300	–	72	372
Mr. Fei Zhongmin	–	1,009	280	83	1,372
Ms. Feng Xia (Appointed on 8 January 2018)	–	747	280	82	1,109
Ms. Zhu Hong (Resigned on 8 January 2018)	–	–	–	–	–
Non-executive Directors*					
Mr. Hu Shihao (Appointed on 14 August 2018)	–	–	–	–	–
Total	–	2,056	560	237	2,853

* There were no fees or other emoluments payable to non-executive directors during the year ended 31 December 2018.

The Company appointed three independent non-executive directors on 11 January 2019.

8. Staff costs – including directors' emoluments (continued)

(a) Directors' emoluments (continued)

(ii) For the year ended 31 December 2017

Name of Directors	Fees	Salaries and other benefits	Discretionary bonuses	Contribution to retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Mr. Hu Yiping	–	–	–	–	–
Ms. Zhu Hong (Resigned on 8 January 2018)	–	–	–	–	–
Mr. Fei Zhongmin	–	1,009	400	76	1,485
	–	1,009	400	76	1,485

(iii) Directors' retirement benefits

No retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries for the year ended 31 December 2018 (2017: same).

(iv) Directors' termination benefits

None of the directors received any termination benefits for the year ended 31 December 2018 (2017: none).

(v) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2018, the Group did not pay consideration to any third parties for making available directors' services (2017: nil).

(vi) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

Save as disclosed in Note 36, as at 31 December 2018, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2017: nil).

(vii) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 36, no significant transactions, arrangements, and contracts in relations to the Group's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2018.

8. Staff costs – including directors' emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 included 1 (2017: 1) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 4 (2017: 4) individuals during the year ended 31 December 2018 are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages and salaries and bonuses and other benefits	**5,413**	4,739
Pension costs – statutory pension	**314**	294
	5,727	5,033

The emoluments of these remaining individuals of the Group fell within the following bands:

	Year ended 31 December	
	2018	2017
Annual emolument band		
Nil to RMB876,200 (equivalent to nil to HKD1,000,000)	**–**	–
RMB876,200 to RMB1,314,300 (equivalent to HKD1,000,000 to HKD1,500,000)	**4**	4

9. Other income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Management and consulting service income *(Note a)*	**33,773**	60,328
Others	**3,492**	2,212
	37,265	62,540

(a) The amount represents the management and consulting services provided to the Group's joint ventures and associates in relation to the property development projects.

10. Other gains – net

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Gains on financial assets at fair value through profit or loss	**10,699**	20,520
Gains on disposal of a subsidiary *(Note a)*	**30,018**	–
Exchange gain	**10,468**	–
Others	**5,559**	314
	56,744	20,834

(a) During the year ended 31 December 2018, the Group disposed of interests in a subsidiary to a third party for a cash consideration of RMB90,000,000 and recognised a gain on disposal of RMB30,018,000 (2017: nil).

11. Finance costs/(income) – net

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Finance costs		
– Bank and other borrowings	**1,088,334**	912,652
– Less: capitalised interest	**(617,472)**	(484,721)
	470,862	427,931
Finance income		
Interest income from		
– Bank deposits	**(31,164)**	(18,346)
– Other receivables	**(22,110)**	(47,407)
– Amounts due from related parties	**(42,316)**	(40,729)
	(95,590)	(106,482)
Finance costs – net	**375,272**	321,449

12. Income tax expense

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Current income tax:		
– PRC corporate income tax	**673,218**	262,084
– PRC land appreciation tax	**503,638**	29,555
	1,176,856	291,639
Deferred income tax *(Note 17)*:		
– PRC corporate income tax	**(185,116)**	57,544
– PRC land appreciation tax	**33,862**	29,509
	(151,254)	87,053
	1,025,602	378,692

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/loss of the consolidated entities as follows:

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Profit before income tax	**2,866,649**	1,218,061
Adjust for share of results of joint ventures and associates reported net of tax	**(579,065)**	(160,284)
	2,287,584	1,057,777
Tax calculated at applicable corporate income tax rate	**571,896**	264,444
Effect of expenses not deductible for income tax purpose	**39,311**	58,596
Effect of tax losses not recognised as deferred income tax assets	**11,270**	11,354
PRC land appreciation tax deductible for income tax purpose	**(134,375)**	(14,766)
Corporate income tax	**488,102**	319,628
PRC land appreciation tax	**537,500**	59,064
	1,025,602	378,692

12. Income tax expense (continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") effective on 1 January 2008.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the BVI was incorporated under the BVI Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax. The Group's subsidiaries in Hong Kong are subject to corporate income tax at the rate of 16.5%.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for these undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the PRC.

13. Dividend

The Board does not recommend to declare any final dividend for the year ended 31 December 2018.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Dividends declared and paid to the Group's then shareholders by the Group's subsidiary	**300,000**	200,000

The rates for dividend and the number of shares ranking for dividend is not presented as such information is not considered meaningful for the purpose of the consolidated financial statements.

14. Property, plant and equipment

	Buildings and leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017					
Cost	126,559	6,683	8,427	482	142,151
Accumulated depreciation	(21,865)	(4,865)	(5,071)	–	(31,801)
Net book amount	104,694	1,818	3,356	482	110,350
Year ended 31 December 2017					
Opening net book amount	104,694	1,818	3,356	482	110,350
Additions	10,811	941	2,250	717	14,719
Disposals	(5,459)	(10)	(56)	–	(5,525)
Depreciation	(11,202)	(609)	(1,390)	–	(13,201)
Closing net book amount	98,844	2,140	4,160	1,199	106,343
At 31 December 2017					
Cost	128,415	7,428	9,621	1,199	146,663
Accumulated depreciation	(29,571)	(5,288)	(5,461)	–	(40,320)
Net book amount	98,844	2,140	4,160	1,199	106,343
Year ended 31 December 2018					
Opening net book amount	**98,844**	**2,140**	**4,160**	**1,199**	**106,343**
Additions	**10,429**	**1,583**	**4,650**	**51,096**	**67,758**
Disposals	**(2,579)**	**(40)**	**(123)**	**–**	**(2,742)**
Depreciation	**(14,971)**	**(1,331)**	**(1,908)**	**–**	**(18,210)**
Closing net book amount	**91,723**	**2,352**	**6,779**	**52,295**	**153,149**
At 31 December 2018					
Cost	**134,498**	**8,504**	**12,589**	**52,295**	**207,886**
Accumulated depreciation	**(42,775)**	**(6,152)**	**(5,810)**	**–**	**(54,737)**
Net book amount	**91,723**	**2,352**	**6,779**	**52,295**	**153,149**

14. Property, plant and equipment (continued)

Depreciation has been charged to the consolidated income statements as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**6,089**	5,256
Selling and marketing expenses	**778**	920
Administrative expenses	**4,757**	4,983
Properties under development	**6,586**	2,042
	18,210	13,201

All buildings were located in the PRC.

As at 31 December 2018, properties with carrying amount of RMB58,890,000 (2017: RMB44,980,000) were pledged as collateral for the Group's borrowings (Note 30).

15. Land use rights

	RMB'000
Year ended 31 December 2017	
Opening net book amount	29,045
Amortisation	(846)
Closing net book amount	28,199
Year ended 31 December 2018	
Opening net book amount	**28,199**
Additions	**89,725**
Amortisation	**(3,089)**
Closing net book amount	**114,835**

Amounts represent the land use rights of hotels under construction. The relevant land use rights are on leases of 40 years and the land is located in the PRC.

Land use rights with a total carrying amount of RMB92,969,000 as at 31 December 2018 (2017: nil) were pledged as collateral for the Group's borrowings (Note 30).

16. Investment properties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Opening net book amount	**1,254,600**	774,000
Addition	**415,203**	254,493
Fair value changes	**191,717**	226,107
Disposal of a subsidiary	**(93,100)**	–
Closing net book amount	**1,768,420**	1,254,600
Rental income	**27,011**	6,819
Fair value gains on investment properties	**191,717**	226,107
	218,728	232,926

As at 31 December 2018 and 2017, the Group had no contractual obligations for repairs, maintenance or enhancements.

Investment properties with a total carrying amount of RMB1,228,817,000 as at 31 December 2018 (2017: RMB250,100,000) were pledged as collateral for the Group's borrowings (Note 30).

17. Deferred income tax

(a) Deferred income tax assets

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
Tax losses	**240,364**	209,650
Impairment of assets	**9,499**	8,657
Deductible temporary differences of investments in subsidiaries	**222,861**	43,692
Others	**54,126**	38,635
Total deferred income tax assets	**526,850**	300,634
Set-off of deferred income tax liabilities	**(16,935)**	(55,302)
Net deferred income tax assets	**509,915**	245,332

17. Deferred income tax (continued)

(a) Deferred income tax assets (continued)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2018, the Group did not recognise deferred income tax assets of RMB40,316,000 (2017: RMB29,046,000) in respect of tax losses amounting to RMB161,264,000 (2017: RMB116,183,000), that can be carried forward against future taxable income. These tax losses will expire up to and including year 2023.

Movements of deferred income tax assets without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Movements	Tax losses	Impairment of assets	Deductible temporary differences of investments in subsidiaries	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	226,378	9,867	–	31,163	267,408
(Charge)/credit to profit or loss	(16,728)	(1,210)	43,692	7,472	33,226
At 31 December 2017	209,650	8,657	43,692	38,635	300,634
Credit to profit or loss	45,283	842	179,169	15,491	240,785
Disposal of a subsidiary	(14,569)	–	–	–	(14,569)
At 31 December 2018	**240,364**	**9,499**	**222,861**	**54,126**	**526,850**

(b) Deferred income tax liabilities

	As at 31 December 2018 RMB'000	2017 RMB'000
The balance comprises temporary differences attributable to:		
Revaluation gains of investment properties	**186,184**	146,798
Recognition of contract revenue and contract costs over time	**43,391**	35,651
Deferred land appreciation tax	**64,847**	30,985
Total deferred income tax liabilities	**294,422**	213,434
Set-off of deferred income tax assets	**(16,935)**	(55,302)
Net deferred income tax liabilities	**277,487**	158,132

17. Deferred income tax (continued)

(b) Deferred income tax liabilities (continued)

Movements of deferred income tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Movements	Revaluation gains of investment properties	Recognition of contract revenue and contract costs over time	Deferred land appreciation tax	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	90,271	1,408	1,476	93,155
Charge to profit or loss	56,527	34,243	29,509	120,279
At 31 December 2017	146,798	35,651	30,985	213,434
Charge to profit or loss	47,929	7,740	33,862	89,531
Disposal of investment properties	(8,543)	–	–	(8,543)
At 31 December 2018	**186,184**	**43,391**	**64,847**	**294,422**

18. Subsidiaries

(a) Material non-controlling interests

Set out below is the summarised financial information for a subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for the subsidiary is before inter-company eliminations.

Wenzhou Dexin Mingcheng Real Estate Co., Ltd.

Summarised balance sheet

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Current		
– Assets	**662,682**	1,719,196
– Liabilities	**(315,115)**	(1,581,377)
Total net current assets	**347,567**	137,819
Non-current		
– Assets	**50,066**	25,774
– Liabilities	**–**	(74,370)
Total net non-current assets/(liabilities)	**50,066**	(48,596)
Net assets	**397,633**	89,223
Proportionate share of the net assets attributable to non-controlling interests	**178,935**	40,150

18. Subsidiaries (continued)

(a) Material non-controlling interests (continued)

Wenzhou Dexin Mingcheng Real Estate Co., Ltd (continued)

Summarised income statement and statement of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**1,360,191**	159,148
Profit/(loss) before income tax	**531,946**	(13,803)
Income tax expenses	**(223,536)**	(3,984)
Profit/(loss) for the year	**308,410**	(17,787)
Total comprehensive income for the year	**308,410**	(17,787)
Total comprehensive income for the year allocated to non-controlling interests	**138,785**	(8,004)

Summarised statement of cash flows

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	**(145,175)**	769,979
Net cash generated from/(used in) investing activities	**314,074**	(750,590)
Net cash used in financing activities	**(191,793)**	(191,801)
Net decrease in cash and cash equivalents	**(22,894)**	(172,412)
Cash and cash equivalents at beginning of the year	**26,378**	198,790
Cash and cash equivalents at end of the year	**3,484**	26,378

19. Investments accounted for using the equity method

(a) Investments accounted for using the equity method

(i) The amounts recognised in the consolidated balance sheets as "Investments accounted for using the equity method" are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Joint ventures	**790,774**	416,185
Associates	**1,218,095**	554,029
	2,008,869	970,214

(ii) The amounts recognised in the consolidated income statements as "Share of results of joint ventures and associates" are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Joint ventures	**197,065**	(8,163)
Associates	**382,000**	168,447
	579,065	160,284

19. Investments accounted for using the equity method (continued)

(b) Set out below are the principal joint ventures and associates of the Group as at 31 December 2018 and 2017. The place of incorporation or registration is also their principal place of business.

(i) Joint ventures:

Name of entity	Place of business/ place of incorporation and business	% of ownership interest As at 31 December 2018	2017	Measurement method	Principal activities
杭州華宇業瑞房地產開發有限公司 Hangzhou Huayu Yerui Real Estate Development Co., Ltd.	The PRC	**23%**	–	Equity Method	Property development
杭州華威德信投資有限公司 Hangzhou Huawei Dexin Investment Co., Ltd.	The PRC	**35%**	35%	Equity Method	Property development
樂清凱譽置業有限公司 Yueqing Kaiyu Real Estate Co., Ltd.	The PRC	**28%**	25%	Equity Method	Property development
浙江德信濱湖置業有限公司 Zhejiang Dexin Binhu Real Estate Co., Ltd.	The PRC	**40%**	40%	Equity Method	Property development
杭州京平置業有限公司 Hangzhou Jingping Real Estate Co., Ltd.	The PRC	**65%**	65%	Equity Method	Property development

19. Investments accounted for using the equity method (continued)

(b) (continued)

(ii) Associates:

Name of entity	Place of business/ place of incorporation and business	% of ownership interest As at 31 December 2018	2017	Measurement method	Principal activities
杭州德順置業有限公司 Hangzhou Deshun Real Estate Co., Ltd.	The PRC	**25%**	22%	Equity Method	Property development
浙江金澳置業有限公司 Zhejiang Jinao Real Estate Co., Ltd.	The PRC	**16%**	16%	Equity Method	Property development
溫州德信泓宸置業有限公司 Wenzhou Dexin Hongchen Real Estate Co., Ltd.	The PRC	**28%**	–	Equity Method	Property development
杭州浙旅萍水房地產開發有限公司 Hangzhou Zhelv Pingshui Real Estate Development Co., Ltd.	The PRC	**36%**	36%	Equity Method	Property development
九江市跨貿小鎮建設有限公司 Jiujiang Cross Trade Town Construction Co., Ltd.	The PRC	**20%**	20%	Equity Method	Property development
溫州新都置業有限公司 Wenzhou Xindu Real Estate Co., Ltd.	The PRC	**25%**	25%	Equity Method	Property development
德清德瑞置業有限公司 Deqing Derui Real Estate Co., Ltd.	The PRC	**28%**	28%	Equity Method	Property development
溫州德信龍瑞置業有限公司 Wenzhou Dexin Longrui Real Estate Co., Ltd	The PRC	**36%**	36%	Equity Method	Property development
義烏濱信房地產開發有限公司 Yiwu Binxin Real Estate Development Co., Ltd.	The PRC	**33%**	33%	Equity Method	Property development
廣州雲佳房地產開發有限公司 Guangzhou Yunjia Real Estate Development Co., Ltd.	The PRC	**25%**	25%	Equity Method	Property development
杭州杭派資產管理有限公司 Hangzhou Hangpai Assets Management Co., Ltd.	The PRC	**35%**	35%	Equity Method	Property development
杭州濱潤房地產開發有限公司 Hangzhou Binrun Real Estate Development Co., Ltd.	The PRC	**20%**	20%	Equity Method	Property development
溫州碧桂園房地產開發有限公司 Wenzhou Country Garden Real Estate Development Co., Ltd.	The PRC	**30%**	30%	Equity Method	Property development

19. Investments accounted for using the equity method (continued)

(b) (continued)

(ii) Associates: (continued)

Name of entity	Place of business/ place of incorporation and business	% of ownership interest As at 31 December 2018	2017	Measurement method	Principal activities
瑞安市中梁瑞置業有限公司 Rui'an Zhongliangrui Real Estate Co., Ltd.	The PRC	**20%**	20%	Equity Method	Property development
德清星辰房地產開發有限公司 Deqing Xingchen Real Estate Development Co., Ltd.	The PRC	**20%**	20%	Equity Method	Property development
杭州新城松郡房地產開發有限公司 Hangzhou Xincheng Songjun Real Estate Development Co., Ltd.	The PRC	**30%**	30%	Equity Method	Property development
溫州萬瑞置業有限公司 Wenzhou Wanrui Real Estate Co., Ltd.	The PRC	**35%**	35%	Equity Method	Property development
溫州萬賢置業有限公司 Wenzhou Wanxian Real Estate Co., Ltd.	The PRC	**20%**	–	Equity Method	Property development
德信地產(衢州)有限公司 Dexin Real Estate (Quzhou) Co., Ltd.	The PRC	**47%**	47%	Equity Method	Property development

19. Investments accounted for using the equity method (continued)

(c) Summarised financial information for associates and joint ventures

(i) Set out below is the summarised financial information for Hangzhou Jingping Real Estate Co.,Ltd, which is a material joint venture to the Group.

Summarised balance sheet

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets	**–**	10,147
Current assets		
Cash and cash equivalents	**32,889**	47,535
Other current assets	**1,029,339**	2,962,074
	1,062,228	3,009,609
Total assets	**1,062,228**	3,019,756
Current liabilities		
Other current liabilities	**493,276**	2,777,640
Total liabilities	**493,276**	2,777,640
Net assets	**568,952**	242,116
The Group's share in %	**65%**	65%
Carrying amount	**369,819**	157,375

Summarised statement of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**2,567,808**	–
Interest income	**313**	1,087
Income tax (expense)/credit	**(434,833)**	5,303
Profit/(loss) for the year	**326,836**	(21,210)
Total comprehensive income for the year	**326,836**	(21,210)
Dividends received from the joint venture	**–**	–

19. Investments accounted for using the equity method (continued)

(c) Summarised financial information for associates and joint ventures (continued)

(ii) Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Hangzhou Jingping Real Estate Co., Ltd.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Opening net assets	**242,116**	263,326
Profit/(loss) for the year	**326,836**	(21,210)
Closing net assets	**568,952**	242,116
Interest in joint venture	**369,819**	157,375
Carrying value	**369,819**	157,375

(iii) Set out below is the summarised financial information for Dexin Real Estate (Quzhou) Co., Ltd., which is a material associate to the Group.

Summarised balance sheet

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets	**–**	11,196
Current		
Cash and cash equivalents	**132,295**	232,412
Other current assets	**3,203,550**	3,914,091
	3,335,845	4,146,503
Total assets	**3,335,845**	4,157,699
Current liabilities		
Other current liabilities	**3,107,131**	4,165,256
Total liabilities	**3,107,131**	4,165,256
Net assets	**228,714**	(7,557)
The Group's share in %	**47%**	47%
Carrying amount	**107,496**	–

19. Investments accounted for using the equity method (continued)

(c) Summarised financial information for associates and joint ventures (continued)

(iii) (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**1,672,040**	1,676
Interest income	**4,513**	4,171
Income tax (expense)/credit	**(121,927)**	9,650
Profit/(loss) for the year	**236,271**	(28,951)
Total comprehensive income for the year	**236,271**	(28,951)
Dividends received from the associate	**–**	–

(iv) Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Dexin Real Estate (Quzhou) Co., Ltd.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Opening net assets	**(7,557)**	21,394
Profit/(loss) for the year	**236,271**	(28,951)
Closing net assets	**228,714**	(7,557)
Interest in associate	**107,496**	(3,552)
Carrying value	**107,496**	–

(v) Set out below are the summarised financial information for joint ventures, which are individually immaterial to the Group.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Loss for the year	**(25,416)**	(31,808)
Other comprehensive income	**–**	–
Total comprehensive income for the year	**(25,416)**	(31,808)

19. Investments accounted for using the equity method (continued)

(c) Summarised financial information for associates and joint ventures (continued)

(vi) Set out below are the summarised financial information for associates, which are individually immaterial to the Group.

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Profit for the year	**1,650,086**	469,249
Other comprehensive income	**–**	–
Total comprehensive income for the year	**1,650,086**	469,249

20. Financial instruments by category

	As at 31 December 2018 RMB'000	2017 RMB'000
Financial assets:		
Assets at amortised cost		
– Trade and other receivables	**3,942,829**	2,635,336
– Amounts due from related parties	**2,778,822**	5,992,108
– Restricted cash	**1,295**	164,363
– Cash and cash equivalents	**7,486,911**	3,950,854
Financial assets at fair value through profit or loss	**364,655**	344,537
	14,574,512	13,087,198
Financial liabilities:		
Financial liabilities at amortised cost		
– Trade and other payables, excluding accrual for staff costs and allowances and other taxes payable	**4,716,965**	4,083,828
– Amounts due to related parties	**3,268,072**	2,908,471
– Borrowings	**12,131,040**	10,135,674
	20,116,077	17,127,973

21. Financial assets at fair value through profit or loss

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Wealth management products	**312,950**	321,487
Others	**51,705**	23,050
	364,655	344,537
Less: non-current portion	**(232,255)**	(184,056)
Current portion	**132,400**	160,481

Wealth management products were mainly investments in financial instruments issued by banks or other financial institutions, which had no guaranteed returns. They had initial terms ranging from 1 to 3 years. The fair values of these investments approximated their carrying values as at 31 December 2018 and 2017.

22. Properties under development and completed properties held for sale

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Properties under development	**27,684,622**	17,044,187
Completed properties held for sale	**345,610**	638,293
	28,030,232	17,682,480
Property under development comprise:		
– Construction costs	**4,673,273**	2,331,792
– Land use rights	**21,927,788**	14,022,560
– Interests capitalised	**1,083,561**	689,835
	27,684,622	17,044,187

22. Properties under development and completed properties held for sale (continued)

Properties under development and completed properties held for sale of the Group are all located in the PRC and expected to be completed and available for sale within normal operating cycle.

The capitalisation rate of borrowings is 9.5% for the year ended 31 December 2018 (2017: 8.6%).

As at 31 December 2018 and 2017, the Group's pledged properties held for sale and properties under development are set out as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Carrying amounts of completed properties held for sale and properties under development:		
– Pledged as collateral for the Group's borrowings	**15,896,943**	11,820,923

23. Trade and other receivables and prepayments

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables *(Note a)*		
– Third party	**199,094**	222,249
– Related party	**20,756**	82,694
Less: provision for impairment	**(1,421)**	(1,851)
	218,429	303,092
Notes receivables	**–**	1,179
Other receivables		
– Amounts due from non-controlling interests *(Note b)*	**3,135,801**	1,578,376
– Deposits for acquisitions of land use rights and property development projects	**–**	256,410
– Deposits for property development and construction projects	**476,006**	138,581
– Deposits for borrowings	**66,207**	20,895
– Cash advances with third parties	**41,075**	271,212
– Interest receivable	**7,760**	46,017
– Others	**18,836**	35,414
Less: provision for impairment	**(21,285)**	(15,840)
	3,724,400	2,331,065
Prepayments		
– Prepayments for acquisition of land use rights *(Note c)*	**730,400**	951,847
– Prepaid value added tax and other taxes	**1,094,033**	581,049
– Others	**71,054**	46,163
	1,895,487	1,579,059
Trade and other receivables and prepayments	**5,838,316**	4,214,395
Less: non-current portion of prepayments	**–**	(169,668)
Current portion of trade and other receivables and prepayments	**5,838,316**	4,044,727

23. Trade and other receivables and prepayments (continued)

(a) Ageing analysis of the trade receivables as at 31 December 2018 and 2017 based on invoice dates or contractual terms are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 90 days	**29,884**	67,183
Over 90 days and within 365 days	**10,058**	84
Over 365 days and within 2 years	**58,366**	235,617
Over 2 years	**121,542**	2,059
	219,850	304,943

Trade receivables are denominated in RMB and mainly arise from sales of properties and construction services. Proceeds from sales of properties and construction service are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

Trade receivables with ageing over 365 days mainly included receivables of construction service fees for two resettlement community projects, of which the customers are subsidiaries of the local State-owned Assets Supervision and Administration Commission. Management considers the credit risk is not high since these customers have no recent history of default. The Group maintains frequent communications with these customers. Management closely monitors the credit qualities and the collectability of these receivables and considers that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information.

(b) As at 31 December 2018, amounts due from non-controlling interests included amounts of RMB95,000,000 (2017: RMB70,000,000), which carried interest at rates ranging from 4.75% to 12% per annum (2017: 4.75% to 10%). The remaining balance were interest free. All of the amounts due from non-controlling interests are unsecured and repayable on demand.

(c) Prepayments for acquisition of land use rights will be reclassified to properties under development when land certificates were obtained.

24. Restricted cash

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Denominated in RMB	**1,295**	164,363

The Group placed certain cash deposits with designated banks as security mainly for borrowings and issuance of commercial bills.

25. Cash and cash equivalents

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Denominated in		
– RMB	**7,479,699**	3,950,854
– USD	**5,862**	–
– HKD	**1,350**	–
	7,486,911	3,950,854

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

26. Share capital

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
		USD	RMB'000
Authorised:			
As at 16 January 2018 (date of incorporation)	**50,000**	**50,000**	**322**
Sub-division of shares	**4,950,000**	**–**	**–**
Issue of ordinary shares	**95,000,000**	**950,000**	**6,526**
As at 31 December 2018	**100,000,000**	**1,000,000**	**6,848**
Issued:			
Issued upon incorporation on 16 January 2018	**50,000**	**50,000**	**322**
Sub-division of shares	**4,950,000**	**–**	**–**
Issue of ordinary shares	**95,000,000**	**950,000**	**6,526**
As at 31 December 2018	**100,000,000**	**1,000,000**	**6,848**

26. Share capital (continued)

As at the date of incorporation, the authorised share capital of the Company was US$50,000 divided into 50,000 shares with a par value of US$1 each.

On the date of incorporation, 50,000 ordinary shares of the Company were issued but not paid.

On 14 August 2018, each issued and unissued share with a par value of US$1.00 each was sub-divided into 100 shares with a par value of US$0.01 each. Upon completion of the share sub-division, the authorised share capital of the Company was US$50,000 divided into 5,000,000 shares with a par value of US$0.01 each. On 17 August 2018, the Company issued 6,000,000 shares and 89,000,000 shares to Createwisdom International Limited and Tak Shin International Limited respectively in connection with the Reorganisation and the authorised number of ordinary shares of the Company was increased to 100,000,000 with a par value of US$0.01 each.

Pursuant to the written resolutions passed by the shareholders on 11 January 2019, the Company sub-divided all its issued and unissued shares with par value of US$0.01 each into 20 shares of US$0.0005 each. Accordingly, the number of issued ordinary shares increased from 100,000,000 shares to 2,000,000,000 shares. In addition, the Company increased its authorised share capital from US$1,000,000 to US$2,500,000 divided into 5,000,000,000 shares with a par value of US$0.0005 each.

(i) Capitalisation issue

On 26 February 2019, the capitalisation issue pursuant to the shareholders' resolution dated 11 January 2019 was effected. The Company issued 100,000,000 ordinary shares at par value of US$0.0005 each to holders of shares on the register of members of the Company at the close of business of 26 February 2019, by way of capitalisation of an amount of US$50,000 standing to the credit of the share premium account of the Company.

(ii) Global offering

On 26 February 2019, the Company issued a total of 532,000,000 ordinary shares at a price of HK$2.80 per share as a result of the completion of the global offering.

69,341,000 shares were issued upon the exercise of the over-allotment option on 19 March 2019 at a price of HK$2.80 per share.

Number of total issued shares of the Company was increased to 2,701,341,000 shares upon completion of the capitalisation issue, the global offering and the exercise of over-allotment option.

27. Other reserves

Other reserves mainly represented the share premium and the accumulated capital contribution from the then shareholders of the group companies in excess of the consideration given in relation to the Reorganisation.

Deemed distribution to the then shareholders of the Group of RMB171,621,000 for the year ended 31 December 2018 represents mainly the premium paid by the Group to Kylin Investment Management Co., Ltd. ("Kylin Investment", note 36(a)) under the funding arrangement between the Group and Kylin Investment.

28. Statutory reserves

In accordance with relevant rules and regulations in the PRC, when declaring dividend, the Group's PRC subsidiaries are required to appropriate not less than 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the respective companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses brought forward from prior years or to increase the paid up capital of respective companies.

29. Earnings per share

In determining the weighted average number of ordinary shares in issue during the years ended 31 December 2018 and 2017, the ordinary shares issued but not paid upon the incorporation of the Company, the ordinary shares issued in exchange for the Listing Business in the Reorganisation (Note 1.2), the sub-division of shares on 14 August 2018 and 11 January 2019 and the capitalisation issue (Note 26), were deemed to be issued on 1 January 2017 as if the Company has been incorporated by then.

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**1,453,456**	737,543
Weighted average number of ordinary shares in issue (in thousand)	**2,034,411**	1,974,000
Basic earnings per share (RMB per share)	**0.71**	0.37

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equals the basic earnings per share.

30. Borrowings

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings		
– Secured	**3,183,000**	2,077,502
– Unsecured	**–**	91,463
Other borrowings		
– Secured	**4,295,400**	4,206,042
– Unsecured	**1,281,820**	2,262,508
Less: current portion of non-current borrowings	**(4,336,362)**	(2,754,914)
	4,423,858	5,882,601
Borrowings included in current liabilities:		
Bank borrowings		
– Secured	**599,000**	100,000
– Unsecured	**–**	27,252
Other borrowings		
– Secured	**741,000**	526,000
– Unsecured	**2,030,820**	844,907
Current portion of non-current borrowings	**4,336,362**	2,754,914
	7,707,182	4,253,073
Total borrowings	**12,131,040**	10,135,674

As at 31 December 2018, all of the Group's borrowings were denominated in RMB (2017: same).

30. Borrowings (continued)

The Group's bank and other borrowings as at 31 December 2018 of RMB8,818,400,000 (2017: RMB6,909,544,000) were secured by certain buildings, land use rights, investment properties, equity interests of group companies, properties under development and completed properties held for sale of the Group with total carrying values of RMB19,442,200,000 (2017: RMB12,844,842,000).

In addition to pledge of assets, bank and other borrowings of RMB1,287,000,000 as at 31 December 2018 (2017: RMB3,306,500,000) were guaranteed by Mr. Hu or jointly by Mr. Hu and his spouse (Note 36), which were subsequently released.

Certain group companies in the PRC have entered into fund arrangements with trust companies and assets management companies, respectively, pursuant to which these financial institutions raised funds and injected them to the group companies. Certain equity interests of the group companies were held by the financial institutions as collateral of which the Group is obligated to redeem at predetermined prices. The funds bear fixed interest rates and have fixed repayment terms. Thus, the Group did not derecognise its equity interests in the subject group companies but treated the fund arrangements as other borrowings in the consolidated financial statements.

(a) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
6 months or less	**6,836,959**	9,433,674
6-12 months	**4,249,573**	702,000
1-2 years	**773,593**	–
2-5 years	**93,185**	–
Over 5 years	**177,730**	–
Total	**12,131,040**	10,135,674

(b) The repayment terms of the borrowings are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**7,707,182**	4,253,073
1 – 2 years	**3,522,943**	4,537,101
2 – 5 years	**723,185**	1,196,500
Over 5 years	**177,730**	149,000
Total	**12,131,040**	10,135,674

30. Borrowings (continued)

(c) The weighted average effective interest rates as at 31 December 2018 and 2017 are as follows:

	As at 31 December	
	2018	2017
Bank borrowings	**6.15%**	6.08%
Other borrowings	**9.09%**	9.18%
Weighted average effective interest rates	**8.36%**	8.33%

(d) The carrying amounts of the borrowings approximated their fair values as at 31 December 2018 and 2017 as the impact of discounting of borrowings was not significant.

31. Trade and other payables

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade payables *(Note a)*	**1,400,010**	883,039
Notes payables	**7,612**	–
Other payables:		
Amounts due to non-controlling interests *(Note b)*	**2,561,246**	2,332,758
Other taxes payable	**371,566**	111,180
Payroll payable	**84,994**	98,774
Interests payable	**139,313**	155,423
Deposits received for sales of properties	**34,128**	52,438
Deposits from contractors and suppliers	**164,162**	117,191
Construction fees received on behalf of constructors	**299,540**	457,569
Others	**110,954**	85,410
	5,173,525	4,293,782

31. Trade and other payables (continued)

(a) The ageing analysis of the trade payables based on invoice dates or contractual terms is as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 90 days	**1,207,401**	577,445
Over 90 days and within 365 days	**117,368**	108,079
Over 365 days	**75,241**	197,515
	1,400,010	883,039

(b) Amounts due to non-controlling interests mainly represented cash advances with the non-controlling interests of certain subsidiaries of the Group in the ordinary course of business, which were interest-free, unsecured and repayable on demand.

32. Cash (used in)/generated from operations

(a) Reconciliation of profit for the year to net cash (used in)/generated from operations.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax for the year	**2,866,649**	1,218,061
Adjustments for:		
– Depreciation of property, plant and equipment	**11,624**	11,159
– Interest expenses	**470,862**	427,931
– Interest income	**(95,590)**	(106,482)
– Gains on financial assets at fair value through profit or loss	**(10,699)**	(20,520)
– Gains on disposal of a subsidiary	**(30,018)**	–
– Gains from disposal of property, plant and equipment	**(400)**	(55)
– Amortisation of intangible assets	**969**	934
– Share of results of joint ventures and associates	**(579,065)**	(160,284)
– Fair value gains on investment properties	**(191,717)**	(226,107)
Cash generated from operations before changes in working capital	**2,442,615**	1,144,637
Changes in working capital:		
– Properties under development and completed properties held for sale	**(9,232,747)**	(6,474,321)
– Contract assets	**1,258**	(10,239)
– Contract liabilities	**5,695,881**	7,496,819
– Trade and other receivables and prepayments	**(384,121)**	(998,335)
– Trade and other payables	**209,654**	126,863
Cash (used in)/generated from operations	**(1,267,460)**	1,285,424

32. Cash (used in)/generated from operations (continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings RMB'000	Amounts due to joint ventures and associates RMB'000	Net balance due to non-controlling interests RMB'000	Amounts due to other related parties RMB'000
Balance as at 1 January 2017	8,122,641	1,200,203	(513,560)	44,276
Cash Flows				
– Increase	9,393,651	1,786,739	2,487,717	61,559
– Decrease	(7,380,618)	(155,200)	(1,219,775)	(29,106)
Balance as at 31 December 2017/ 1 January 2018	10,135,674	2,831,742	754,382	76,729
Cash Flows				
– Increase	**13,240,202**	**1,101,232**	**4,119,973**	**105,487**
– Decrease	**(11,244,836)**	**(678,946)**	**(5,448,910)**	**(168,172)**
Balance as at 31 December 2018	**12,131,040**	**3,254,028**	**(574,555)**	**14,044**

33. Financial guarantee

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Guarantee in respect of mortgage facilities for certain purchasers *(note a)*	**9,830,260**	5,453,485
Guarantee provided for the borrowings of joint ventures and associates *(note b and note 36)*	**1,587,410**	1,392,900
Guarantee provided for the borrowings of entities controlled by Mr. Hu *(note b and note 36)*	**–**	574,738
Guarantee provided for the borrowings of third parties *(note b)*	**459,210**	74,500
	11,876,880	7,495,623

33. Financial guarantee (continued)

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value as at 31 December 2018 and 2017 is immaterial.

(b) Amounts represented the maximum exposure of the guarantees provided for the borrowings of the related parties and independent third parties at the respective balance sheet dates. The guarantees provided for the borrowings of entities controlled by Mr. Hu have been released during the year ended 31 December 2018. The directors consider that the likelihood of default in payments by the related parties and independent third parties is minimal and therefore the financial guarantee measured at fair value as at 31 December 2018 and 2017 is immaterial.

34. Commitments

(a) Commitments contracted for but not provided for are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
– Property development activities	**5,664,496**	1,999,451
– Property, plant and equipment	**8,622**	–
– Investments in joint ventures and associates	**60,284**	132,602
– Investment properties	**163,225**	162,155
	5,896,627	2,294,208

34. Commitments (continued)

(b) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
– Not later than one year	**10,647**	7,374
– Later than one year and not later than five years	**21,692**	25,119
	32,339	32,493

35. Transaction with non-controlling interests

(a) Acquisition of additional interest in subsidiaries

During the year ended 31 December 2018, the Group acquired additional equity interest of certain subsidiaries, the Group recognised a decrease in non-controlling interests and a decrease in equity attributable to owners of the Company. The differences between the carrying amounts of non-controlling interest acquired and consideration paid are set out below:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Total carrying amount of non-controlling interests acquired	**19,913**	8,862
Less: total consideration paid and payable to non-controlling interests	**(108,947)**	(39,758)
Total difference recognised within equity	**(89,034)**	(30,896)

(b) Disposal of ownership interest in subsidiaries without change of control

During the year ended 31 December 2018, the Group disposed of certain equity interest in subsidiaries without change of control. The Group recognised an increase in non-controlling interests and a decrease in equity attributable to owners of the Company as set out below.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Consideration received from non-controlling interests	**49,410**	–
Less: carrying amounts of the equity interest disposed of	**(51,528)**	–
Total difference recognised within equity	**(2,118)**	–

35. Transaction with non-controlling interests (continued)

(c) The aggregate effect of the above transactions with non-controlling interests on the equity attributable to owners of the Company are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Changes in equity attributable to owners of the Company arising from:		
– Acquisition of additional interest in subsidiaries	**(89,034)**	(30,896)
– Disposal of ownership interest in subsidiaries without loss of control	**(2,118)**	–
	(91,152)	(30,896)

36. Related party transactions

(a) The ultimate holding company of the Company is Tak Shin International Limited (BVI), and the ultimate controlling shareholder of the Company is Mr. Hu.

Kylin Investment was an investment management company controlled by Mr. Hu during 1 January 2017 to 29 June 2018. On 29 June 2018, Mr. Hu transferred his equity interests in Kylin Investment to independent third parties and Kylin Investment ceased to be a related party of the Group.

(b) Key management compensation

Key management compensation for the year ended 31 December 2018 and 2017 are set out below:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Key management compensation		
– Salaries and other employee benefits	**6,709**	7,225
– Pension costs	**491**	446
	7,200	7,671

36. Related party transactions (continued)

(c) Balances with related parties

As at 31 December 2018 and 2017, the Group had the following material balances with related parties:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
(i) Joint ventures		
Trade receivables from related parties	**756**	9,674
Amounts due from related parties	**487,017**	510,999
– Trade	**–**	–
– Non-trade	**487,017**	510,999
Amounts due to related parties	**826,915**	148,882
– Trade	**–**	–
– Non-trade	**826,915**	148,882
Borrowings from joint ventures	**125,555**	–
(ii) Associates		
Trade receivables from related parties	**19,070**	71,905
Amounts due from related parties	**1,910,582**	2,272,542
– Trade	**15,000**	15,000
– Non-trade	**1,895,582**	2,257,542
Amounts due to related parties	**2,427,113**	2,682,860
– Trade	**–**	–
– Non-trade	**2,427,113**	2,682,860
Borrowings from associates	**633,950**	378,000
(iii) Entities controlled by Mr. Hu		
Trade receivables from related parties	**930**	1,115
Trade payables to related parties	**26,459**	24,324
Amounts due from related parties	**381,223**	3,208,567
– Trade	**220**	155
– Non-trade	**381,003**	3,208,412
Amounts due to related parties	**14,044**	76,729
– Trade	**12,297**	11,449
– Non-trade	**1,747**	65,280
Borrowings from entities controlled by Mr. Hu	**–**	110,349

36. Related party transactions (continued)

(c) Balances with related parties (continued)

Amounts due from/to related parties mainly represented the cash advances which were unsecured and repayable on demand.

The non-trade amounts due from entities controlled by Mr. Hu as at 31 December 2018 were subsequently settled.

(d) Transactions with related parties

During the year ended 31 December 2018 and 2017, the Group had the following significant transactions with related parties.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
(i) Entities controlled by Mr. Hu		
Receiving of property management services	**19,156**	24,212
Receiving of construction and decoration services	**113,462**	31,116
Purchase of financial assets at fair value through profit or loss	**301,290**	161,006
Receiving of financing and management services	**48,642**	39,417
Interest income	**11,593**	–
Interest expenses	**23,006**	5,206
(ii) Joint ventures		
Rendering of management and consulting services	**4,137**	12,524
Interest income	**5,572**	25,276
Interest expenses	**8,801**	–
(iii) Associates		
Rendering of management and consulting services	**19,086**	47,733
Interest income	**25,151**	15,453
Interest expenses	**2,035**	5,386
(iv) Close family members of Mr. Hu		
Sales of properties	**3,145**	8,533

The prices for the above transactions were determined in accordance with the terms agreed by the relevant contracting parties.

36. Related party transactions (continued)

(e) Guarantee with related parties

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Provision of guarantee for borrowings of related parties		
– Entities controlled by Mr. Hu	**–**	574,738
– Joint ventures	**157,500**	630,000
– Associates	**1,429,910**	762,900
	1,587,410	1,967,638
Received guarantee from Mr. Hu or Mr. Hu and his spouse in connection with the Group's borrowings	**1,287,000**	3,306,500

(f) Borrowings from related parties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning of the year	**488,349**	149,500
Addition	**966,855**	762,025
Repayments	**(695,699)**	(423,176)
End of the year	**759,505**	488,349

Borrowings from related parties carried variable interest rates ranging from 4.35% to 13% per annum as at 31 December 2018 (2017: 4.35% to 13% per annum). The terms of the loans were between 1 months to 12 months (2017: same).

37. Particulars of subsidiaries

Particulars of the principal subsidiaries of the Group as at 31 December 2018 and 2017 are set out as below.

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital RMB	Paid up capital RMB	Proportion of ownership interest 31 December 2018	2017
德信地產集團有限公司 Dexin Real Estate Group Co., Ltd.	01/09/1995	Limited liability company	The PRC	Property development	1,007,000,000	1,007,000,000	**100%**	100%
浙江德潤置業有限公司 Zhejiang Derun Real Estate Co., Ltd.	06/08/2009	Limited liability company	The PRC	Property development	5,000,000	5,000,000	**51%**	51%
德清德藍置業有限公司 Deqing Delan Real Estate Co., Ltd.	11/12/2006	Limited liability company	The PRC	Property development	30,000,000	30,000,000	**100%**	100%
溫州德信置業有限公司 Wenzhou Dexin Real Estate Co., Ltd.	29/03/2013	Limited liability company	The PRC	Property development	10,000,000	10,000,000	**51%**	51%
溫州德信生態園置業有限公司 Wenzhou Dexin Ecological Park Real Estate Co.,Ltd.	02/07/2013	Limited liability company	The PRC	Property development	100,000,000	100,000,000	**100%**	100%
溫州德信廣景置業有限公司 Wenzhou Dexin Guangjing Real Estate Co., Ltd.	28/10/2013	Limited liability company	The PRC	Property development	138,000,000	138,000,000	**75%**	75%
溫州德信梧田置業有限公司 Wenzhou Dexin Wutian Real Estate Co., Ltd.	16/07/2013	Limited liability company	The PRC	Property development	10,000,000	10,000,000	**65%**	65%
溫州德信明成置業有限公司 Wenzhou Dexin Mingcheng Real Estate Co., Ltd.	10/12/2013	Limited liability company	The PRC	Property development	150,000,000	150,000,000	**55%**	55%
徐州德信置業有限公司 Xuzhou Dexin Real Estate Co., Ltd.	09/03/2010	Limited liability company	The PRC	Property development	20,000,000	20,000,000	**100%**	100%

37. Particulars of subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital RMB	Paid up capital RMB	Proportion of ownership interest 31 December 2018	2017
浙江德信東杭置業有限公司 Zhejiang Dexin Donghang Real Estate Co., Ltd.	29/10/2010	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**55%**	55%
杭州德冠投資有限公司 Hangzhou Deguan Investment Co., Ltd.	06/12/2013	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**100%**	100%
溫州德信金田置業有限公司 Wenzhou Dexin Jintian Real Estate Co., Ltd.	28/09/2015	Limited liability company	The PRC	Property development	70,000,000	70,000,000	**65%**	65%
浙江德信匯運置業有限公司 Zhejiang Dexin Huiyun Real Estate Co., Ltd.	16/10/2009	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**75%**	75%
浙江德信中順置業有限公司 Zhejiang Dexin Zhongshun Real Estate Co., Ltd.	28/09/2014	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**60%**	60%
瑞安市德信置業有限公司 Ruian Dexin Real Estate Co., Ltd.	18/02/2016	Limited liability company	The PRC	Property development	20,000,000	20,000,000	**75%**	75%
德信地產(麗水)有限公司 Dexin Real Estate (Lishui) Co., Ltd. *(Note a)*	13/10/2016	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**51%**	45%
德清德宇置業有限公司 Deqing Deyu Real Estate Co., Ltd.	24/10/2016	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**70%**	63%
浙江德廣置業有限公司 Zhejiang Deguang Real Estate Co., Ltd. *(Note a)*	23/08/2016	Limited liability company	The PRC	Property development	100,000,000	100,000,000	**51%**	51%
德信地產(舟山)有限公司 Dexin Real Estate (Zhoushan) Co., Ltd.	29/12/2016	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**86%**	86%

37. Particulars of subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital RMB	Paid up capital RMB	Proportion of ownership interest 31 December 2018	2017
浙江德鴻置業有限公司 Zhejiang Dehong Real Estate Co., Ltd.	29/08/2017	Limited liability company	The PRC	Property development	200,000,000	200,000,000	**54%**	60%
溫州德信凱城置業有限公司 Wenzhou Dexin Kaicheng Real Estate Co., Ltd. *(Note a)*	30/05/2016	Limited liability company	The PRC	Property development	20,000,000	20,000,000	**50%**	47%
溫州德信時代置業有限公司 Wenzhou Dexin Shidai Real Estate Co., Ltd. *(Note b)*	23/01/2017	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**31%**	27%
慈溪市梁建置業有限責任公司 Cixi Liangjian Real Estate Co., Ltd. *(Note a)*	04/07/2017	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**34%**	34%
溫州德信甌潤置業有限公司 Wenzhou Dexin Ourun Real Estate Co., Ltd. *(Note a)*	21/02/2017	Limited liability company	The PRC	Property development	100,000,000	100,000,000	**32%**	31%
德清錦鴻置業有限公司 Deqing Jinhong Real Estate Co., Ltd. *(Note b)*	09/10/2017	Limited liability company	The PRC	Property development	200,000,000	200,000,000	**32%**	34%
衢州德信置業有限公司 Quzhou Dexin Real Estate Co., Ltd. *(Note a)*	26/06/2017	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**24%**	26%
杭州潤豐鴻業房地產開發有限公司 Hangzhou Runfeng Hongye Real Estate Development Co., Ltd. *(Note a)*	13/03/2012	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**27%**	27%
德清凱銀置業有限公司 Deqing Kaiyin Real Estate Co., Ltd. *(Note a)*	17/01/2011	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**50%**	46%
浙江德晨置業有限公司 Zhejiang Dechen Real Estate Co., Ltd.	16/10/2017	Limited liability company	The PRC	Property development	200,000,000	200,000,000	**63%**	65%

37. Particulars of subsidiaries (continued)

The English names of PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

(a) The Group has controlled these companies through agreements entered into with certain minority shareholders pursuant to which the minority shareholders confirmed to act in accordance with the Group in decision on relevant activities including but not limited to budget, pricing and promotion strategies of these companies. As the Group has exposure or rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority voting position and the existing rights to direct the relevant activities, these companies are thus accounted for as subsidiaries of the Group.

(b) The Group indirectly held these companies through intermediate holding companies, of which the Group held the majority position and existing right to decide the business operation and financing policies of these companies. The proportion of equity interests represents the effective equity interests attributable to the Group.

38. Disposal of a subsidiary

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Disposal consideration		
Cash received	**90,000**	–
Total net assets disposed of	**59,982**	–
Gains on disposal	**30,018**	–
Cash proceeds from disposal, net of cash disposed of		
– From third parties	**90,000**	–
– Cash and cash equivalents of the subsidiary disposal of	**(53,349)**	–
Net cash inflow on disposal	**36,651**	–

39. Subsequent events

Save as disclosed elsewhere in this report, there is no significant event took place subsequent to 31 December 2018.

40. Balance sheet and reserve movements of the Company

	Note	31 December 2018 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries		**1,738,541**
Current assets		
Cash and cash equivalents		**272**
Amounts due from shareholder		**322**
Prepayments		**10,239**
		10,833
Total assets		**1,749,374**
EQUITY		
Equity attributable to owners of the Company		
Share capital		**6,848**
Reserves	*a*	**1,700,746**
		1,707,594
LIABILITIES		
Current liabilities		
Other payables		**15,732**
Amount due to a subsidiary		**26,048**
		41,780
Total liabilities		**41,780**
Total equity and liabilities		**1,749,374**

The balance sheet of the Company was approved by the Board of Directors on 28 March 2019 and was signed on its behalf.

Hu Yiping	**Feng Xia**
Director	*Director*

40. Balance sheet and reserve movements of the Company (continued)

(a) Reserve movements of the Company

	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 16 January 2018 (date of incorporation)	–	–	–
Deemed contribution *(note)*	1,727,906	–	1,727,906
Loss for the period	–	(27,160)	(27,160)
At 31 December 2018	1,727,906	(27,160)	1,700,746

Note: Deemed contribution represented mainly the excess of the aggregate net asset values of the listing business over the par value of the Company's shares issued in exchange pursuant to the Reorganisation.

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