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MODERN LAND (CHINA) CO., LIMITED

當代置業（中國）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：1107）

2023年到期的250,000,000美元利率9.8%的綠色優先票據
（「票據」，股份代號：40525）

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2021年1月5日有關發行票據的發售備忘錄（「發售備忘錄」）。誠如發售備忘錄所披露，票據擬僅供專業投資者（定義見上市規則第37章）購買，並已按此基礎於聯交所上市。

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承董事會命
當代置業(中國)有限公司
總裁兼執行董事
張鵬

香港，2021年1月12日

於本公告日期，董事會由十名董事組成，包括執行董事張雷先生、張鵬先生及陳音先生；非執行董事范慶國先生、陳志偉先生及曾強先生；及獨立非執行董事秦佑國先生、崔健先生、許俊浩先生及高志凱先生。

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, 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 OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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

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

Confirmation and your representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities, investors must be located outside the United States. By accepting the e-mail and accessing the offering memorandum, 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 e-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 such offering memorandum by electronic transmission.

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

Notification pursuant to Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore – The Notes (as defined in the attached document) are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore).

PRIIPs REGULATION / PROHIBITION OF SALES TO EEA 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 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 Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION / PROHIBITION OF SALES TO 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 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 (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 Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK 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 Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the 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 Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

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

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum 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 offering memorandum 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 offering memorandum 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 Deutsche Bank AG, Singapore Branch, Guotai Junan Securities (Hong Kong) Limited, Morgan Stanley & Co. International plc, Credit Suisse (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, Haitong International Securities Company Limited, Merrill Lynch (Asia Pacific) Limited, Nomura International (Hong Kong) Limited and HeungKong Securities Limited as the joint bookrunners, or any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the joint bookrunners.

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



Modern Land (China) Co., Limited

(incorporated in the Cayman Islands with limited liability)

US\$250,000,000 9.8% Senior Notes Due 2023

Issue Price: 98.848%

The 9.8% senior notes due 2023 in the aggregate principal amount of US\$250,000,000 (the “Notes”) will be issued by Modern Land (China) Co., Limited (the “Company”) and will bear interest from and including January 11, 2021 at a rate of 9.8% per annum. Interest will be paid semi-annually and in arrears on January 11 and July 11 of each year (except that the last interest payment will be made on April 11, 2023 with respect to the period from and including January 11, 2023 to but excluding April 11, 2023), commencing on July 11, 2021. Unless previously repurchased, cancelled or redeemed, the Notes will mature on April 11, 2023.

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

At any time and from time to time prior to April 11, 2023, we may redeem up to 35% of the Notes, at a redemption price of 109.8% of the principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock. In addition, we may redeem the Notes at any time prior to April 11, 2023, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus (i) accrued and unpaid interest (if any) to (but not including) the redemption date and (ii) a premium as set forth in this offering memorandum. 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. Furthermore, in the event of Delisting (as defined herein), each holder of the Notes shall have the right, at such holder’s option, to require the Company to redeem all or some of such holder’s Notes at 101% of their principal amount together with accrued interest to, but not including, the date of redemption.

The Notes will be (i) senior in right of payment to any of our existing and future obligations expressly subordinated in right of payment to the Notes, (ii) at least *pari passu* in right of payment with the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes and the July 2020 Notes as defined in the section entitled “Description of the Notes” and all our other unsecured, unsubordinated indebtedness (subject to any priority rights of such unsecured unsubordinated indebtedness pursuant to applicable law), (iii) effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor (other than the Collateral), and (iv) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in the section entitled “Description of the Notes”). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and the pledge of any collateral. See “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.”

For a more detailed description of the Notes, see the section entitled “Description of the Notes” beginning on page 173.

The Notes are being issued as “Green Bonds” under our Green Bond Framework. See the section entitled “Notes Being Issued as Green Bonds” beginning on page 59.

Investing in the Notes involves risks. Furthermore, investors should be aware that the Notes are guaranteed by Subsidiary Guarantors which do not currently have significant operations and certain Subsidiary Guarantors may in some cases be replaced by limited-recourse guarantees and that there are various other risks relating to the Notes, the Company and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Notes. See the section entitled “Risk Factors” beginning on page 19 and particularly pages 53- 57 for risks relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.

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”), or under any securities law of any state or other jurisdiction of the United States, and may not be offered or sold within the United States (as defined in Regulation S under the U.S. Securities Act (“Regulation S”)) except pursuant to an 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 (as defined in this offering memorandum) only outside the United States in offshore transactions in reliance on Regulation S. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this offering memorandum, see the section entitled “Plan of Distribution” and “Transfer Restrictions.” This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (“MAS”). Accordingly, this offering memorandum or 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 (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”)) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275, of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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) (“Professional Investors”) only. This document is for distribution to Professional Investors only. Notice to Hong Kong investors: The Company confirms that the 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 Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this offering memorandum, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this offering memorandum to Professional Investors only have been reproduced in this document. Listing of the 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 (the “Listing Rules”) for the purpose of giving information with regard to the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any). The Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) accept full responsibility for the accuracy of the information contained in this offering memorandum and confirms, having made all reasonable enquiries, that to the best of their knowledge there are no other material facts the omission of which would make any statement herein misleading. The expected date of listing of the Notes on the Hong Kong Stock Exchange is on or around January 12, 2021.

The Notes are expected to be rated B3 by Moody’s Investor’s Service (“Moody’s”) and B by Fitch Ratings (“Fitch”). 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 Fitch Ratings or Moody’s Investor’s Service. 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 dated December 2, 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 10 PRC working days after the issue date of the Notes.

It is expected that the delivery of the Notes will be made on or about January 11, 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 Lead Managers and Joint Bookrunners

Deutsche Bank

Guotai Junan International

Morgan
Stanley

Credit Suisse

HSBC

UBS

Haitong International

BofA Securities

Nomura

HeungKong
Financial

Joint Green Structuring Advisors

HSBC

Deutsche Bank

The date of this offering memorandum is January 5, 2021.

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

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

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

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

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

IN CONNECTION WITH THIS OFFERING, ANY OF THE INITIAL PURCHASERS APPOINTED AS ACTING IN THE CAPACITY OF STABILIZING MANAGER (THE “STABILIZING MANAGER”), OR ANY PERSON ACTING FOR IT, 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 THE STABILIZING MANAGER, 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 (if any) 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 (if any) 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.

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.

None of Deutsche Bank AG, Singapore Branch, Guotai Junan Securities (Hong Kong) Limited, Morgan Stanley & Co. International plc, Credit Suisse (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, Haitong International Securities Company Limited, Merrill Lynch (Asia Pacific) Limited, Nomura International (Hong Kong) Limited and HeungKong Securities Limited as the initial purchasers of the Notes (the “Initial Purchasers”), Citicorp International Limited, as trustee (the “Trustee”) and collateral agent (the “Collateral Agent”), Citibank, N.A., London Branch, as paying and transfer agent (the “Paying and Transfer Agent”) and registrar (the “Registrar”) or any of their respective affiliates or advisors makes any express or implied representation or warranty as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers, the Trustee, the Paying and Transfer Agent, the Registrar, the Collateral Agent or any of their respective affiliates or advisors whether as to the past or the future. The Initial Purchasers, the Trustee, the Paying and Transfer Agent, the Registrar and the Collateral Agent have not independently verified such information and assume no responsibility for its accuracy or completeness. 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 the Company or the issue and offering of the Notes.

You should rely only on the information contained in this offering memorandum. We have not authorized any person to provide you with any information or represent anything about us or this offering that is not contained in this offering memorandum. 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 Trustee, the Paying and Transfer Agent, the Registrar or the Collateral Agent.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee, the Paying and Transfer Agent, the Registrar, the Collateral Agent or any person affiliated with such persons 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 (if any) (other than as contained herein and information given by our duly authorized officers and employees in connection with investors’ examination of our company and the terms of the offering of the 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 Trustee, the Paying and Transfer Agent, the Registrar or the Collateral Agent. Notwithstanding anything herein to the contrary, the Paying and Transfer Agent, the Registrar and the Collateral Agent are solely agents for the Company or the Trustee, as the case may be, and at no time assume duties, obligations or a position of trust for the holders of the Notes.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) 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 and the JV Subsidiary Guarantees (if any), 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, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), 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. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. For a description of the restrictions on offers, sales and resales of the securities, including the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), and distribution of this offering memorandum, see the sections entitled “Transfer Restrictions” and “Plan of Distribution” herein.

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 advisors for legal, business, tax and other advice regarding an investment in the Notes.

We reserve the right to withdraw the offering of the Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for or purchase of the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of 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 Modern Land (China) Co., Limited itself or Modern Land (China) Co., Limited and its consolidated subsidiaries, as the context requires.

Market data, industry forecast and the PRC and property industry statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers or our or their directors and advisors, and neither we, the Initial Purchasers nor our or their directors and advisors 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 “RMB” or “Renminbi” are to the Renminbi, the official currency of the People’s Republic of China (“China” or the “PRC”).

We present our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars 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. dollars into U.S. dollars 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. All amounts converted into U.S. dollars contained in this offering memorandum are unaudited and for reference purposes only. For further information relating to the exchange rates, see the section entitled “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” 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 International Financial Reporting Standards (the “IFRSs”) which differ in certain respects from generally accepted accounting principles in certain other countries.

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. Reference to “the first half of 2019” and to “the first half of 2020” in this offering memorandum are to our interim financial period for the six months ended June 30, 2019 and June 30, 2020, respectively.

References to “2013 Notes” are to our 13.875% senior notes due 2018. We redeemed the 2013 Notes in full on December 2, 2016.

References to “January 2014 Notes” are to our 11.0% senior notes due 2017. We redeemed the January 2014 Notes in full on December 2, 2016.

References to “July 2014 Notes” are to our 12.75% senior notes due 2019. We redeemed the July 2014 Notes on June 15, 2017.

References to “2016 Notes” are to our 6.875% senior notes due 2019. We redeemed the 2016 Notes on October 20, 2019.

References to “March 2018 Notes” are to our 7.95% senior notes due 2021.

References to “January 2019 Notes” are to our 15.5% senior notes due 2020. We redeemed the January 2019 Notes on July 2, 2020.

References to “April 2019 Notes” are to our 12.85% senior notes due 2021.

References to “February 2020 Notes” are to our 11.8% senior notes due 2022.

References to “March 2020 Notes” are to our 11.95% senior notes due 2024.

References to “July 2020 Notes” are to our 11.5% senior notes due 2022.

References to “share” are to, unless the context indicates otherwise, an ordinary share, with a nominal value of US\$0.01, in our share capital.

References to “ASP” are to average selling prices.

References to “sq.m.” are to square meters.

References to “Common Housing” are to housing that satisfies the following conditions: (1) the volumetric fraction of the buildings in residential communities shall be more than 1.0, (2) the floor space of a single set of apartment shall be less than 120 square meters, and (3) the bargaining price is 1.2 times lower than the average price of those houses as built on the land at an identical level. All provinces, autonomous regions and municipalities directly under the PRC central government formulate the specific standards for Common Housing. The floor space and the price of a single set of apartment can be adjusted to within 20% of the above standard.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and gross floor area (“GFA”) information presented in this offering memorandum represents the site area and GFA of entire projects, including areas attributable to the minority shareholders of our non-wholly owned project companies.

In this offering memorandum, a land grant contract refers to a state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus.

In this offering memorandum, a land use rights certificate refers to a state-owned land use rights certificate (國有土地使用權證) issued by a local real estate and land resources bureau with respect to the land use rights; a construction land planning permit refers to a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction work planning permit refers to a construction work 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 work commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property 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; a certificate of completion refers to a construction project clearance certificate (建設工程竣工驗收備案登記證) 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; and a land use rights ownership certificate refers to a property ownership and land use rights certificate (國有土地使用權證) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land.

In this offering 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 such 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 includes “forward-looking statements.” All statements other than statements of historical fact contained in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include, the words “believe,” “expect,” “aim,” “intend,” “will,” “may,” “anticipate,” “seek,” “should,” “could,” “would,” “plan,” “potential,” “continue,” “estimate” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantees of future performance and some of which may not materialize or may change. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- the performance and future developments of the property market in the PRC or any region in the PRC or elsewhere in which we engage in property development;
- the global economic environment and industry outlook generally;
- any prospective financial information regarding our businesses;
- our dividend policy;
- projects under development or held for future development;
- the availability and costs of and changes to bank loans and other forms of financing;
- changes in political, economic, legal and social conditions in the PRC, including the PRC government policies concerning land supply, the availability and cost of financing, and pre-sales, pricing and volume of our property development projects;
- changes in competitive conditions and our ability to compete under these conditions;
- our ability to manage our growth and our geographically diversified business including our proposed expansion plan in the United States;
- our ability to acquire and develop land;
- cost and supply of construction materials and labor;
- the performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- the timely repayments by purchasers of our properties of mortgage loans guaranteed by us;
- the performance of the obligations and commitments of our joint venture partners under the existing and future joint venture agreements;
- changes in currency exchange rates;
- 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;

- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax (“LAT”) and its future changes in enactment, interpretation or enforcement;
- the regulatory environment of our industry in general;
- significant delay in obtaining various permits, proper legal titles or approvals for our properties under development or held for future development, and for our operations; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this offering memorandum. 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 these forward-looking statements, which speak only as of the date of this offering memorandum. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this offering memorandum might not occur in the way we expect, or at all.

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 and Hong Kong. The Cayman Islands, the British Virgin Islands, Hong Kong and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ.

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

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

There is uncertainty as to whether the courts of the Cayman Islands would (i) enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States; or (ii) entertain original actions brought in the courts of the Cayman Islands against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States.

We have been advised by our Cayman Islands legal counsel, 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 any U.S. federal or New York state court located in the borough of Manhattan, City of New York against the Company 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.

There is also uncertainty as to whether the courts of the British Virgin Islands would (i) enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States; or (ii) entertain original actions brought in the courts of the British Virgin Islands against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States.

We have been advised by our British Virgin Islands legal counsel, 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 any U.S. federal or New York state court located in the borough of Manhattan, City of New York against the Company 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.

Further, we have been advised by our PRC legal adviser, JunHe LLP, that there is uncertainty as to whether the courts of the PRC would (i) enforce judgments of the U.S. courts obtained against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state or territory within the United States or (ii) entertain original actions brought in the courts of the PRC against us or our directors and officers predicated upon the federal securities laws of the United States or the securities laws of any state or territory within the United States.

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

- (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.

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 property developer focused on the development of green, energy-saving and eco-friendly residences in the PRC. We commenced our property development business in Beijing in 2000, and have expanded our operations to Shanghai, Guangzhou, Suzhou, Nanjing, Changsha, Taiyuan, Wuhan, Nanchang, Jiujiang, Zhangjiakou, Foshan, Huizhou, Wuxi, Zhuzhou, Jingzhou, Huangshi, Hefei, Quanzhou, Xiantao, Dongdaihe, Tianjin, Xian, Jinzhong, Qingdao, Jiaxing, Huzhou, Fuyang, Chizhou, Fúzhou, Shangrao, Zhengzhou, Xuchang, Hengyang, Xiaogan, Tianmen, Fúzhou, Guiyang and Xingyi.

We highly regard corporate social responsibility, and are committed to delivering comfortable and eco-friendly residential properties to the market. We believe our residential properties under our “MOMA” brand enjoy broad recognition among our customers, and “MOMA” has become one of the few brand names that are representative of green building design and construction. We have, over the years, developed a technology system combining energy-saving and eco-friendly construction technologies and techniques designed to provide energy-saving and comfortable living experience to our customers.

We have developed and maintained strong relationships with many internationally reputable design organizations and architects. We have received numerous awards recognizing the energy-saving function and quality of our products, including the following:

- We were recognized as the 2020 China Specialized Real Estate Company with Excellence in Operation—Green Technology Real Estate by China Index Academy;
- Our Fuzhou Modern City MOMA, Modern Jiabao Park YUE MOMA, Modern Xishan Shang Pin Wan MOMA, Modern Shishou Xian Yang Fu MOMA and Modern Huzhou Shang Pin Wan MOMA were awarded the title of “Green Residences” in 2019;
- Our Tongzhou Modern Megahall MOMA was awarded the Platinum-level precertification under the WELL Building Standard™;
- Our Foshan Modern Megahall MOMA was awarded the Gold-level certificate under the WELL Building Standard™;
- We were accredited as China Model Green Property Developers in Operation (ranking No. 1) for the fourth time;
- Our Modern Wan Guo Fu MOMA (Nanjing), Swan Lake MOMA (Hefei), Modern Zhongrui Wan Guo Fu (Wuhan) and Modern Wan Guo Fu MOMA (Foshan) were awarded Three Star Green Building Label – Design, while three projects were awarded Two Star Green Building Label – Design. Eight major projects were awarded the title of “Green Residences” in 2018;
- Our Modern Wan Guo Cheng MOMA (Tongzhou) received the Green Technology Residential Project Award for the Year 2018;
- We received the AAA rated credit enterprise awarded by the China Market Credit. The Company was ranked third in 2018 China Listed Real Estate Enterprise Green Credit Index;
- Our Modern MOMA (Beijing) won the first China’s Three-star Health Certification – Operation of Residential Projects, which is also the first project awarded the Three-star Green Building Certification – Operation in the country in a consecutive way;
- Our Wan Guo Cheng MOMA project was awarded the “Asian Technology Application Award for Green Ecology Habitation” by the Asian Habitat Society, the Asian Real Estate Society and the World Association of Chinese Architects; and

- Our MOMA Forest Forever project was listed among the “IHA Special Contribution Awards for Green Building in China – Best Practices in Green Building Project” by the International Housing Association.

We have a diversified product portfolio comprised of four product lines, namely, Modern MOMA, Modern Eminence MOMA, Modern Horizon MOMA, Modern City MOMA. They provide different features catering to customer classes with different needs and purchasing power, from high-end to mid-end customers to the general public. Please refer to “Our Property Development Process—Product lines” for details about their features and target customers.

We have adopted and implemented prudent business expansion and land acquisition strategies, and have built our land reserves in strategically important regions where our technologies can be widely applied under local climate conditions. As of June 30, 2020, we had a total of 97 property development projects in the PRC, the majority of which are under our “MOMA” brand, at various stages of development, including completed projects with a total GFA of approximately 8,681,548 sq.m. and projects under development with a total planned GFA of approximately 12,491,703 sq.m. Our projects are located in Beijing, Shanghai, Guangzhou, Suzhou, Nanjing, Changsha, Taiyuan, Wuhan, Nanchang, Jiujiang, Zhangjiakou, Foshan, Huizhou, Wuxi, Zhuzhou, Jingzhou, Huangshi, Hefei, Quanzhou, Xiantao, Dongdaihe, Tianjin, Xian, Jinzhong, Qingdao, Jiaxing, Huzhou, Fuyang, Chizhou, Fúzhou, Shangrao, Zhengzhou, Xuchang, Hengyang, Xiaogan, Tianmen, Fúzhou, Guiyang, Xingyi, Chongqing and Shijiazhuang. We believe that our land reserves currently being developed, which have an aggregate planned total GFA of approximately 12,394,462 sq.m., will be sufficient to meet our development needs for the near future. In addition, as of June 30, 2020, we had a parcel of land with a site area of approximately 48.5 acres (or equivalent to approximately 196,156 sq.m.) located in Pearland, Texas, the U.S. As of the same date, we had two parcels of land with an aggregate GFA of approximately 1,001,082 square feet (or equivalent to approximately 93,004 sq.m.) located in Seattle, Washington, the U.S.

Our land reserves as of June 30, 2020 were located in the following provinces⁽¹⁾:

Location	Total GFA⁽²⁾
	(sq.m.)
Anhui	2,110,626
Beijing	753,650
Chongqing	202,143
Fujian	141,564
Guangdong	490,411
Guizhou	1,031,697
Hebei	954,998
Henan	422,480
Hubei	3,867,332
Hunan	792,646
Jiangsu	571,313
Jiangxi	1,450,046
Liaoning	129,946
Shaanxi	2,038,918
Shandong	1,235,885
Shanghai	17,704
Shanxi	2,144,051
Tianjin	301,265
Zhejiang	299,399
Total	18,956,074

Note:

(1) Include land reserves held by us, our joint ventures and associates.

(2) Include GFA unsold and GFA sold but undelivered with sales contracts.

We intend to continue to expand our operations in new markets. We take into account a number of factors in selecting new markets for our expansion, such as economic growth, governmental policies and application of our technologies. We will also customize our product features according to local market conditions.

We develop our property projects primarily through our wholly owned subsidiaries. When suitable opportunities arise, we also consider entering into joint ventures with third parties such as other property developers and real estate trusts or funds. We have entered into joint venture arrangements by forming new joint venture companies with third parties, selling equity interests in and introducing new shareholders to our existing subsidiaries, securing shareholders' loans from our joint venture partners and acquiring equity interests in third parties.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue amounted to approximately RMB8,506.3 million, RMB9,337.7 million, RMB14,551.7 million (US\$2,059.7 million), RMB7,026.9 million and RMB8,710.3 million (US\$1,232.9 million), respectively.

RECENT DEVELOPMENTS

Grant of Share Options

On July 7, 2020, we granted 47,800,000 share options (the "Share Options") to certain eligible participants under the share option scheme (the "Share Option Scheme") adopted by us on June 14, 2013. Upon acceptance of the grant of Share Options and subject to the terms of the Share Option Scheme, 25% of the Share Options granted will vest on each of 7 July 2021, 7 July 2022, 7 July 2023 and 7 July 2024.

Issuance of July 2020 Notes

On July 13, 2020, the Company issued 11.5% senior notes in an aggregate amount of US\$250,000,000. The July 2020 Notes will mature on November 13, 2022.

Redemption and Repurchase of the March 2018 Notes

On July 30, 2020, the Company repurchased the March 2018 Notes in an aggregate amount of US\$99,996,000. The March 2018 Notes repurchased had been cancelled. Upon cancellation, the principal amount of the March 2018 Notes that remains outstanding was US\$235,004,000.

Entering into Facility Agreement

On August 12, 2020, we, as borrower, entered into a facility letter with Heng Seng Bank Limited, as lender, pursuant to which we borrowed a term loan facility in the amount of HK\$100.0 million. The facility is available within three months from the date of facility letter.

On November 24, 2020, we, as borrower, entered into two facility letters with Nanyang Commercial Bank, as lender, pursuant to which we borrowed term loan facilities in the amount of US\$24.0 and US\$30.0, respectively. The facility is available within six months from the date of facility letter.

Issuance of Additional March 2020 Notes and Additional July 2020 Notes

On September 8, 2020, the Company issued an additional US\$50,000,000 11.95% senior notes due 2024 (the "Additional March 2020 Notes") and an additional US\$50,000,000 11.5% senior notes due 2022 (the "Additional July 2020 Notes").

Acquisition of Land Parcels in Chongqing

On September 15, 2020, we entered into an equity transfer agreement to acquire 49% equity interest of Chongqing Konkka Real Estate Development Co., Ltd. (重慶康佳置業發展有限公司) (“Chongqing Konkka Real Estate”), a company established in the PRC with limited liability. Chongqing Konkka Real Estate indirectly holds the land use right of a land parcel at Bishan District, Chongqing, with total site area of approximately 133,334.8 sq.m. On September 30, the equity transfer was completed.

On November 20, 2020, we entered into another equity transfer agreement to further acquire 18% equity interest of Chongqing Konkka Real Estate. Upon completion, we will own 67% equity interest in Chongqing Konkka Real Estate.

On November 24, 2020, we entered into an equity transfer agreement to acquire 49% equity interest of Chongqing Chengda Real Estate Co., Ltd. (重慶程達置業有限公司) (“Chongqing Chengda”), a company established in the PRC with limited liability. Chongqing Chengda indirectly holds the land use right of a land parcel at Bishan District, Chongqing with the total site area of 198,120.78 sq.m. As of the date of this offering memorandum, the equity transfer is not completed.

On December 22, 2020, we entered into another equity transfer agreement to further acquire 18% equity interest of Chongqing Chengda. Upon completion, we will own 67% equity interest in Chongqing Chengda.

Change of Independent Non-executive Directors and Changes in Composition of Board Committees

Effective from November 24, 2020, Mr. Zhong Bin resigned as an independent non-executive Director, and a member of the Audit Committee and the Nomination Committee. Effective from the same date, Mr. Gao Zhikai has been appointed as an independent non-executive Director, and a member of the Audit Committee and the Nomination Committee.

Effective from September 16, 2020, Mr. Tian Jiong resigned as a non-executive Director.

Effective from the same date, Mr. Zeng Qiang has been appointed as a non-executive Director.

Recent Coronavirus Epidemic Outbreak

Toward the end of 2019, public health officials of the PRC informed the World Health Organization, or WHO, that a highly infectious novel coronavirus was detected. WHO later named the novel coronavirus as COVID-19. In March 2020, the WHO characterized the outbreak of COVID-19 a pandemic. The COVID-19 pandemic has resulted in an adverse impact on the livelihood of the people in and the economy of the PRC, particularly in Hubei Province, which has the largest number of confirmed cases and fatalities in China. The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. Since April 2020, China has 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 outbreak at the moment, particularly in view of the new rounds of COVID-19 outbreak recently, it is difficult to predict how long these conditions will persist and the extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. See “Risk Factors—Risks Relating to Our Business—Acts of God, epidemics, pandemic, including the recent outbreaks of A/H1N1, H7N9 influenza and COVID-19, and other disasters could materially and adversely affect our business, financial condition and results of operations.”

OUR COMPETITIVE STRENGTHS

We consider that we have the following competitive strengths:

- Leading position and brand in China's niche market of energy-saving, comfortable residential properties
- Focused positioning in a market segment favored by government policies
- Strategically located, low-cost land bank and differentiated property offerings catering to various customer classes
- Effective cost control of property developments through standardized operations
- Stable and experienced management and research and development teams
- Focused financial management

OUR STRATEGIES

We intend to continue strengthening our participation in the development of comfortable communities. To accomplish our goal, we have formulated the following primary business strategies.

- Continue to strengthen our capabilities in adapting and integrating energy-saving technologies
- Expand our footprint to carefully selected locations and enhance our brand recognition
- Maximize sales and profit in our existing product lines
- Continue to boost operational efficiency and reduce cost

GENERAL INFORMATION

We were incorporated in the Cayman Islands on June 28, 2006, as an exempted company with limited liability. Our shares have been listed on The Stock Exchange of Hong Kong Limited since July 12, 2013. Our corporate headquarters is at No. 1, Xiangheyuan Road, Dongcheng District, Beijing, PRC. Our place of business in Hong Kong is Suites 805-6, Champion Tower, 3 Garden Road, Central, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is www.modernland.hk. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete and it is subject to important limitations and exceptions. You should read the full text and more specific details contained elsewhere in this offering memorandum. For a more detailed description of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral, see “Description of the Notes.” The information contained in “Description of the Notes” shall prevail to the extent of any inconsistency with the information set forth in this section. Terms used in this summary and not otherwise defined shall have the meanings given to them in “Description of the Notes.”

Issuer	Modern Land (China) Co., Limited (the “Company”).
Notes Offered	US\$250,000,000 aggregate principal amount of 9.8% Senior Notes due 2023 (the “Notes”).
Offering Price	98.848% of the principal amount of the Notes.
Maturity Date	April 11, 2023.
Interest	The Notes will bear interest from (and including) January 11, 2021 at the rate of 9.8% <i>per annum</i> .
Interest Payment Dates	January 11 and July 11 of each year (except that the last interest payment will be made on April 11, 2023 with respect to the period from and including January 11, 2023 to but excluding April 11, 2023), commencing July 11, 2021.
Ranking of the Notes	The Notes are: <ul style="list-style-type: none">• general obligations of the Company;• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;• at least <i>pari passu</i> in right of payment with the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes and the July 2020 Notes as defined in the section entitled “Description of the 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 on a senior basis, subject to certain limitations described under the caption “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral” and “Description of the Notes—The Subsidiary Guarantees and the JV Subsidiary Guarantees”;• effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefore (other than the Collateral); and• effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgor and subject to certain limitations described under “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will:

- be entitled to a first priority lien on the Collateral pledged by the Company and the Subsidiary Guarantor Pledgor (subject to any Permitted Liens and the Intercreditor Agreement) shared on a *pari passu* basis with (i) the holders of the March 2018 Notes; (ii) the holders of the April 2019 Notes; (iii) the holders of the February 2020 Notes; (iv) the holders of the March 2020 Notes; (v) the holders of the July 2020 Notes, and (vi) holders of other Permitted Pari Passu Secured Indebtedness as defined in the section entitled “Description of the Notes”; and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

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

The initial Subsidiary Guarantors will be Great Trade Technology Ltd., Jiu Yun Development Co., Limited, Modern Land (HKNo. 1) Co., Limited, Modern Land (HKNo. 2) Co., Limited, Modern Land (HKNo. 3) Co., Limited, Modern Land (HKNo. 4) Co., Limited, Modern Land (HKNo. 5) Co., Limited, Modern Land (HKNo. 6) Co., Limited, Modern Land (HKNo. 7) Co., Limited, Modern Land (HKNo. 8) Co., Limited, Modern Land (HKNo. 9) Co., Limited, Modern Land (HKNo. 10) Co., Limited, Modern Land (HKNo. 11) Co., Limited and Modern Land (HKNo. 12) Co., Limited.

All of the initial Subsidiary Guarantors are holding companies that do not have significant operations or real property assets. See “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral—Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees.”

The Company will cause each of its future Restricted Subsidiaries (other than Subsidiaries organized under the laws of the PRC) as soon as practicable (but in any event within 30 days) after it becomes a Restricted Subsidiary to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Company may elect to have any existing or future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee (each a “New Non-Guarantor Subsidiary,” together with the Initial Other Non-Guarantor Subsidiaries, the “Other Non-Guarantor Subsidiaries”), provided that, after giving effect to the consolidated assets of such Restricted Subsidiary and its Subsidiaries (other than any Unrestricted Subsidiaries), 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 25% of the Total Assets of the Company.

A Subsidiary Guarantee may be released or replaced in certain circumstances. See “Description of the Notes—The Subsidiary Guarantees and the JV Subsidiary Guarantees—Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.” In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries 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 the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes) and (b) instruct the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in each such New Non-Guarantor Subsidiary (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), provided that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the New Non-Guarantor Subsidiaries) do not account for more than 25% of Total Assets.

Ranking of Subsidiary

Guarantees

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

After the pledge of the Collateral (as described below) by the Company and the Subsidiary Guarantor Pledgor, the Subsidiary Guarantees of the Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral (subject to any Permitted Liens) pledged by the Subsidiary Guarantor Pledgor shared on a *pari passu* basis pursuant to the Intercreditor Agreement with (i) the holders of the March 2018 Notes; (ii) the holders of the April 2019 Notes; (iii) the holders of the February 2020 Notes; (iv) the holders of the March 2020 Notes; (v) the holders of the July 2020 Notes; and (vi) the holders of the Notes, and (vii) the holders of any other Permitted *Pari Passu* Secured Indebtedness; and
- will rank effectively senior in right of payment to the unsecured obligations of the Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

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

Ranking of JV Subsidiary

Guarantees

A JV Subsidiary Guarantee instead of a Subsidiary Guarantee may be provided by a Subsidiary Guarantor following (x) a sale by the Company or any of its Restricted Subsidiaries of Capital Stock in such Subsidiary Guarantor, where such sale is for no less than 20.0% and no more than 49.9% of the issued Capital Stock of such Subsidiary Guarantor or (y) the purchase by the Company or any Restricted Subsidiary of no less than 50.1% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary. No JV Subsidiary Guarantee exists as of the Original Issue Date.

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

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

Security to be Granted The Company has pledged or caused each of the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors held directly by the Company or such initial Subsidiary Guarantor Pledgor (the “Collateral”) on a first priority basis (subject to Permitted Liens and the Intercreditor Agreement) in order to secure the obligations of (a) the Company under the March 2018 Notes and of the relevant Subsidiary Guarantor Pledgor under its subsidiary guarantee thereunder, (b) the Company under the April 2019 Notes and of the relevant Subsidiary Guarantor Pledgor under its subsidiary guarantee thereunder, (c) the Company under the February 2020 Notes and of the relevant Subsidiary Guarantor Pledgor under its subsidiary guarantee thereunder, (d) the Company under the March 2020 Notes and of the relevant Subsidiary Guarantor Pledgor under its subsidiary guarantee thereunder, (e) the Company under the July 2020 Notes and of the relevant Subsidiary Guarantor Pledgor under its subsidiary guarantee thereunder, and (f) the Company and the relevant Subsidiary Guarantor Pledgor under any other Permitted Pari Passu Secured Indebtedness.

The Company has agreed to extend, or cause the initial Subsidiary Guarantor Pledgors to extend, as the case may be, the benefit of the security interests created over the Collateral to the Holders on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee. Upon the Trustee acceding to the Intercreditor Agreement in the manner described under “—Intercreditor Agreement,” such security interests will be so extended.

The initial Subsidiary Guarantor Pledgors will be Great Trade Technology Ltd. and Modern Land (HKNo. 5) Co., Limited.

The Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. See “Description of the Notes—Security.”

Intercreditor Agreement	The Company, the Subsidiary Guarantor Pledgors, Citicorp International Limited as the collateral agent (the “Collateral Agent”), the January 2014 Notes Trustee and the 2013 Notes Trustee entered into an intercreditor agreement on January 22, 2014, as supplemented by, among others, (a) a first supplement to intercreditor agreement among the the July 2014 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated July 31, 2014, (b) an addendum to intercreditor agreement dated November 6, 2015, (c) a second supplement to intercreditor agreement among the 2016 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated October 20, 2016, (d) an addendum to intercreditor agreement dated March 24, 2017, (e) a third supplement to intercreditor agreement among, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated June 1, 2017, (f) a fourth supplement to intercreditor agreement among, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated July 5, 2017, (g) a fifth supplement to intercreditor agreement the March 2018 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated March 5, 2018, (h) a sixth supplement to intercreditor agreement among the January 2019 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated January 2, 2019, (i) a seventh supplement to intercreditor agreement among the April 2019 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated April 25, 2019, (j) an eighth supplement to intercreditor agreement among the February 2020 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated on February 26, 2020, (k) a ninth supplement to intercreditor agreement among the March 2020 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated on March 4, 2020, (i) a tenth supplement to intercreditor agreement among the July 2020 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated July 13, 2020 and (j) an eleventh supplement to intercreditor agreement among the Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors to be dated January 11, 2021 (together with the intercreditor agreement dated January 22, 2014, as may be amended, restated or supplemented from time to time, the “Intercreditor Agreement”), which provides that the security interests held in the Collateral will be shared on a pari passu basis among (i) the holders of the March 2018 Notes, (ii) the holders of the April 2019 Notes, (iii) the holders of the February 2020 Notes, (iv) the holders of the March 2020 Notes, (v) the holders of the July 2020 Notes, (vi) the holders of the Notes, and (vii) any other creditors with respect to Permitted Pari Passu Secured Indebtedness.
Use of Proceeds	To refinance certain existing indebtedness. See “Use of Proceeds.”
Green Bonds	The Notes are being issued as “Green Bonds” under our Green Bond Framework. See the section entitled “Notes Being Issued as Green Bonds.”
Optional Redemption	At any time prior to April 11, 2023, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined herein) as of, and accrued and unpaid interest, if any, to the redemption date.

At any time and from time to time prior to April 11, 2023, the Company may redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 109.8% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

**Repurchase of Notes Upon
a Change of Control**

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

Delisting Put Right In the event of Delisting, each holder of the Notes shall have the right, at such holder’s option, to require the Company to redeem all or some of such holder’s Notes at 101% of their principal amount together with accrued interest to (but not including) the date of redemption. See “Description of the Notes—Delisting Put Right.”

Redemption for

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

Covenants The Notes, the Indenture governing the Notes and the Subsidiary Guarantees will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;

- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

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

Form, Denomination and

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

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

Delivery of the Notes The Company expects that delivery of the Notes will be made to investors on or about January 11, 2021, which will be the fourth business day following the date of this offering memorandum (such settlement being referred to as “T+4”). See “Plan of Distribution.”

Trustee and Collateral Agent Citicorp International Limited

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

Listings..... Application will be made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only. The Notes will be traded on the Hong Kong Stock Exchange subject to a minimum board lot size requirement of the equivalent of HK\$500,000 for so long as the Notes are listed on the Hong Kong Stock Exchange.

Governing Law..... The Notes, the Indenture and the Intercreditor Agreement will be governed by and will be construed in accordance with the laws of the State of New York. The relevant pledge documents will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.

Risk Factors For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors.”

Ratings The Notes are expected to be rated B3 by Moody’s and B by Fitch. We cannot assure investors that these ratings will not be adversely revised or withdrawn either before or after delivery of the Notes.

Security Codes	ISIN	Common Code
	XS2277613423	227761342

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. Our consolidated financial statements as of and for the years ended December 31, 2018 and 2019 were audited by KPMG, certified public accountants. The summary consolidated statement of profit or loss and other comprehensive income data for the six months ended June 30, 2020 and the summary consolidated statement of financial position data as of June 30, 2020 set forth below (except for EBITDA and EBITDA margin data) have been derived from our unaudited condensed consolidated interim financial statements. Our consolidated financial statements have been prepared and presented in accordance with IFRSs and our condensed consolidated interim financial statements have been prepared and presented in accordance with International Accounting Standard 34, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with our consolidated financial statements and condensed consolidated interim financial statements and the notes to those statements included elsewhere in this offering memorandum.

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income and Other Financial Data

	Year ended December 31,				Six months ended June 30,		
	2017 ⁽³⁾	2018 ⁽³⁾	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Revenue.....	8,506,328	9,337,650	14,551,683	2,059,657	7,026,870	8,710,301	1,232,863
Cost of sales	(6,716,111)	(7,167,052)	(10,844,359)	(1,534,919)	(5,166,137)	(6,589,204)	(932,641)
Gross profit	1,790,217	2,170,598	3,707,324	524,738	1,860,733	2,121,097	300,222
Other income, gains and losses	652,518	206,814	269,521	38,148	97,281	(149,321)	(21,135)
Recognition of changes in fair value of properties held for sale and properties under development for sale upon transfer to investment properties	27,883	65,150	294,419	41,672	241,022	67,925	9,614
Changes in fair value of investment properties, net ..	74,307	67,072	63,054	8,925	32,520	47,685	6,749
Selling and distribution expenses	(300,682)	(432,719)	(530,141)	(75,037)	(259,263)	(206,600)	(29,242)
Administrative expenses	(479,220)	(574,141)	(681,494)	(96,459)	(306,334)	(268,826)	(38,050)
Finance costs	(393,189)	(257,845)	(420,065)	(59,456)	(212,048)	(166,573)	(23,577)
Share of profits less losses of joint ventures	(7,021)	161,809	(31,075)	(4,398)	(29,088)	(18,028)	(2,552)
Share of profits less losses of associates	(6,898)	(1,833)	(1,278)	(181)	(591)	(223)	(32)
Profit before taxation.....	1,357,915	1,404,905	2,670,265	377,951	1,424,232	1,427,136	201,998
Income tax expense.....	(531,376)	(742,644)	(1,615,818)	(228,704)	(893,209)	(870,712)	(123,241)
Profit for the year/period	826,539	662,261	1,054,447	149,247	531,023	556,424	78,757
Other comprehensive income for the year/period:							
Item that will not be reclassified to profit or loss:							
Gain on revaluation of owner-occupied properties upon transfer to investment properties	5,676	-	-	-	-	-	-
Equity investments at fair value through other comprehensive income ("FVOCI") – net movement in fair value reserves (non-recycling), net of RMB3,861,000 tax...	-	-	(11,583)	(1,640)	-	-	-

	Year ended December 31,				Six months ended June 30,		
	2017 ⁽³⁾	2018 ⁽³⁾	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Item that may be reclassified subsequently to profit or loss:							
Exchange differences on translating foreign operations, net of nil tax....	(8,268)	19,480	(2,978)	(421.5)	6,444	(10,648)	(1,507)
Total comprehensive income for the year/period	823,947	681,741	1,039,886	147,186	537,467	545,776	77,250
Profit for the year/period attributable to:							
Owners of the Company	705,999	524,791	730,672	103,420	459,311	398,136	56,352
Non-controlling interests	120,540	137,470	323,775	45,827	71,712	158,288	22,404
	826,539	662,261	1,054,447	149,247	531,023	556,424	78,757
Total comprehensive income attributable to:							
Owners of the Company	703,407	544,271	716,111	101,359	465,755	387,488	54,845
Non-controlling interests	120,540	137,470	323,775	45,827	71,712	158,288	22,404
	823,947	681,741	1,039,886	147,186	537,467	545,776	77,250
Earnings per share, in RMB/USD cents:							
Basic	25.6	18.9	26.2	3.7	16.5	14.2	2.0
Diluted	25.6	18.8	26.1	3.7	16.4	14.2	2.0
Other financial data:							
EBITDA ⁽¹⁾	1,662,622	1,376,197	2,736,050	387,263	1,406,628	1,506,822	213,277
EBITDA margin ⁽²⁾	19.5%	14.7%	18.8%	18.8%	20.0%	17.3%	17.3%

Notes:

- (1) EBITDA consists of profit before taxation less increase in fair value of investment properties, reversal of impairment loss previously recognized in respect of other receivables, reversal of impairment loss previously recognized in respect of trade receivables, dividend income, gain on disposal of interests in subsidiaries, plus impairment loss on trade receivables, impairment loss on other receivables, impairment of properties held for sale, share of results of joint ventures and associates, finance costs and depreciation of property, plant and equipment. EBITDA is not a standard measure under IFRSs. 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 revenue and selling and distribution expenses and administrative 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. Finance costs exclude amounts capitalized.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.
- (3) The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018, and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated.

Non-GAAP Financial Measures

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our profit before taxation before the following items:

- increase in fair value of investment properties;
- reversal of impairment loss previously recognized in respect of other receivables/trade receivables;
- dividend income;
- gain on disposal of interests in subsidiaries;
- impairment loss on trade receivables/other receivables;
- impairment of properties held for sale;

- share of results of joint ventures and associates;
- finance costs; and
- depreciation of property, plant and equipment.

EBITDA is not a standard measure under IFRSs. 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 IFRSs measure to EBITDA is profit for the year. We operate in a capital intensive industry. We use EBITDA in addition to profit for the year because profit for the year includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and finance costs. 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 reported tax positions, intangible assets amortization and interest income and expense, 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 before taxation for the period under IFRSs 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
Profit before taxation	1,357,915	1,404,905	2,670,265	377,951	1,424,232	1,427,136	201,998
Recognition of changes in fair value of properties held for sale and properties under development for sale upon transfer to investment properties	(27,883)	(65,150)	(294,419)	(41,672)	(241,022)	(67,925)	(9,614)
Changes in fair value of investment properties, net	(74,307)	(67,072)	(63,054)	(8,925)	(32,520)	(47,685)	(6,749)
Dividend income	(7,073)	-	-	-	-	-	-
Gain on disposal of subsidiaries	(22,765)	(20,386)	-	-	-	-	-
Impairment loss on trade receivables/other receivables.....	668	38	(61)	(9)	-	-	-
Share of profits less losses of joint ventures and Share of profits less losses of associates	13,919	(159,976)	(32,353)	(4,579)	29,679	18,251	2,583
Finance costs	393,189	257,845	420,065	59,456	212,048	166,573	23,577
Depreciation of property, plant and equipment	28,959	25,993	35,607	5,040	14,211	10,472	1,482
EBITDA	<u>1,662,622</u>	<u>1,376,197</u>	<u>2,736,050</u>	<u>387,263</u>	<u>1,406,628</u>	<u>1,506,822</u>	<u>213,277</u>
Revenue	8,506,328	9,337,650	14,551,683	2,059,657	7,026,870	8,710,301	1,232,863
EBITDA margin⁽¹⁾	19.5%	14.7%	18.8%	18.8%	20.0%	17.3%	17.3%

Note:

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

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or as an indicator of operating performance or any other standard measure under IFRSs. Our definition of EBITDA does not account for income taxes and other non-operating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture.

Summary Consolidated Statements of Financial Position Data

	As of December 31,				Six months ended June 30,		
	2017 ⁽¹⁾	2018 ⁽¹⁾	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Non-current assets							
Investment properties ...	1,965,000	2,128,610	2,656,360	375,983	2,656,360	2,851,045	403,539
Property, plant and equipment	483,613	472,477	453,554	64,196	453,554	446,526	63,202
Intangible assets.....	2,302	2,436	8,149	1,153	8,149	10,991	1,556
Freehold land held for future development ...	29,732	31,980	32,507	4,601	32,507	32,988	4,669
Interests in associates...	106,664	112,984	33,003	4,671	33,003	42,607	6,031
Interests in joint ventures	2,698,333	2,430,885	2,449,415	346,692	2,449,415	2,341,159	331,370
Loans to joint ventures.	3,190,116	5,455,094	5,161,445	730,555	5,161,445	5,413,098	766,174
Equity investments at FVOCI	50,085	60,085	44,641	6,319	44,641	44,641	6,319
Deferred tax assets.....	421,242	751,306	980,251	138,746	980,251	1,251,363	177,119
	<u>8,947,087</u>	<u>11,445,857</u>	<u>11,819,325</u>	<u>1,672,917</u>	<u>11,819,325</u>	<u>12,434,418</u>	<u>1,759,978</u>
Current assets							
Other inventories and contract costs	7,263	64,924	158,579	22,445	158,579	230,746	32,660
Properties under development for sale	20,173,043	23,764,203	33,242,482	4,705,168	33,242,482	31,178,718	4,413,061
Completed properties held for sale	2,396,366	2,314,191	3,293,758	466,201	3,293,758	5,673,580	803,043
Trade and other receivables, deposits and prepayments.....	3,009,880	5,969,034	7,875,236	1,114,667	7,875,236	10,109,873	1,430,960
Amounts due from related parties.....	227,391	353,541	764,883	108,262	764,883	688,770	97,489
Restricted cash.....	2,876,247	2,983,945	3,523,971	498,786	3,523,971	3,856,746	545,887
Bank balances and cash	7,533,713	6,733,265	7,858,655	1,112,320	7,858,655	7,840,824	1,109,797
	<u>36,223,903</u>	<u>42,183,103</u>	<u>56,717,564</u>	<u>8,027,850</u>	<u>56,717,564</u>	<u>59,579,257</u>	<u>8,432,896</u>
Current liabilities							
Trade and other payables, deposits received and accrued charges	16,846,552	9,094,513	13,398,451	1,896,428	13,398,451	15,902,080	2,250,793
Contract liabilities	-	16,918,562	20,724,982	2,933,431	20,724,982	16,703,306	2,364,200
Amounts due to related parties.....	2,550,226	1,564,072	3,516,909	497,786	3,516,909	3,912,169	553,732
Taxation payable.....	1,939,709	2,285,403	3,232,194	457,487	3,232,194	3,971,343	562,107
Bank and other borrowings – due within one year.....	5,234,810	5,550,716	7,087,864	1,003,222	7,087,864	5,349,149	757,123
Corporate bonds – due within one year.....	-	-	-	-	-	130,473	18,467
Senior notes – due within one year.....	1,478,140	3,286,031	2,379,120	336,743	2,379,120	2,319,893	328,360
	<u>28,049,437</u>	<u>38,699,297</u>	<u>50,339,520</u>	<u>7,125,097</u>	<u>50,339,520</u>	<u>48,288,413</u>	<u>6,834,781</u>
Net current assets.....	<u>8,174,466</u>	<u>3,483,806</u>	<u>6,378,044</u>	<u>902,754</u>	<u>6,378,044</u>	<u>11,290,844</u>	<u>1,598,115</u>
Total assets less current liabilities.....	<u>17,121,553</u>	<u>14,929,663</u>	<u>18,197,369</u>	<u>2,575,670</u>	<u>18,197,369</u>	<u>23,725,262</u>	<u>3,358,093</u>

	As of December 31,				Six months ended June 30,		
	2017 ⁽¹⁾	2018 ⁽¹⁾	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Capital and reserves							
Share capital.....	173,932	175,341	175,693	24,868	175,693	175,693	24,868
Reserves.....	5,003,879	5,498,341	5,983,938	846,971	5,983,938	6,283,141	889,321
Equity attributable to owners of the Company	5,177,811	5,673,682	6,159,631	871,839	6,159,631	6,458,834	914,189
Non-controlling interests	1,838,963	1,908,277	2,444,682	346,022	2,444,682	2,731,126	386,566
Total equity	<u>7,016,774</u>	<u>7,581,959</u>	<u>8,604,313</u>	<u>1,217,861</u>	<u>8,604,313</u>	<u>9,189,960</u>	<u>1,300,754</u>
Non-current liabilities							
Bank and other borrowings – due after one year	5,284,320	3,731,390	3,700,812	523,816	3,700,812	8,363,148	1,183,727
Corporate bond	1,027,672	1,032,175	1,022,303	144,698	1,022,303	934,852	132,320
Long-term payable	334,711	–	–	–	–	–	–
Senior notes – due after one year	3,215,818	2,327,846	4,305,879	609,458	4,305,879	4,456,474	630,773
Deferred tax liabilities..	242,258	256,293	564,062	79,838	564,062	780,828	110,519
	<u>10,104,779</u>	<u>7,347,704</u>	<u>9,593,056</u>	<u>1,357,809</u>	<u>9,593,056</u>	<u>14,535,302</u>	<u>2,057,338</u>
	<u>17,121,553</u>	<u>14,929,663</u>	<u>18,197,369</u>	<u>2,575,670</u>	<u>18,197,369</u>	<u>23,725,262</u>	<u>3,358,093</u>

Note:

(1) The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018, and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated.

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

We depend heavily upon the performance of the PRC residential property market, which in turn is subject to fluctuations in market conditions, economic performance and governmental policies introduced from time to time.

Our business and prospects depend heavily upon the performance of the PRC property market. Substantially all of our completed projects or projects under development are located in Beijing, Shanghai, Shanxi Province, Shaanxi Province, Jiangxi Province, Hunan Province, Guangdong Province, Anhui Province and Hubei Province. We concentrate on the development of residential properties, especially comfortable and eco-friendly properties in the PRC. Therefore, if the property market, particularly the residential property market, in the PRC performed badly, our business and prospects could be adversely affected.

The PRC property market is affected by many factors, including changes in the PRC's social, political, economic and legal environment, changes in the PRC government's fiscal and monetary policy, the lack of a mature and active secondary market for residential and commercial properties and the limited availability of mortgage loans to individuals in the PRC. Demand for residential properties in the PRC has been growing rapidly in the past few years. However, such growth is often coupled with volatility in market conditions and fluctuations in housing prices. Therefore, we cannot assure you that the property development business and housing prices will continue to grow at past levels or will not decline. The factors that may affect the PRC's economic development and hence the growth of its property market include:

- concerns that the PRC property market has been overheating and may become a property "bubble." While the PRC government has taken measures to prevent the overheating of the PRC's property market and control the high level of inflation in the PRC, these measures may lead to changes in market conditions, including price instability and an imbalance between supply of, and demand for, properties in the PRC;
- the global financial crisis in 2008, which resulted in extreme volatility in the global capital markets. As a result, banks and other credit providers restrict the availability of new credit facilities and require more collateral and higher pricing upon the renewal of existing credit facilities. As the PRC's economy increasingly relies upon the global economy, the availability and cost of financing in the PRC is also affected by the global downturn and recessions in major economies around the world; and
- appreciation of the Renminbi.

Any fall in property sales or property prices in the PRC, particularly in regions where we have property developments, could have a material negative impact upon us. Factors such as inflation, rise in unemployment and decrease in consumer confidence may affect demand for our products and will have a negative impact upon our financial condition. We cannot assure you that there will be no further measures implemented by the PRC government to control the growth of the property market, or that there will be no major negative changes in the PRC's economy and property sector as a result of such a "bubble" or as a result of the PRC government's policies. Any such changes can have a material adverse effect upon our revenue and profitability.

We face risks relating to the use or application of eco-friendly technologies, which may delay our design and on-site work progress and increase our costs.

We have deployed a number of new eco-friendly, energy-saving technologies and have integrated them into our projects. Some of these technologies are based on international experience adapted to local market conditions. As the deployment of these new eco-friendly technologies has a short history, and as these new eco-friendly technologies are in the relatively early stage of their adaptation to the current building environment, construction skills and materials and their application involves other new technical know-how, there are risks associated with the process of implementing these new eco-friendly technologies.

The scope of the laws and regulations on construction techniques changes with the development of the PRC economy and technical level of the construction industry. New laws and regulations governing the construction industry, particularly the green building segment, are normally examined and interpreted in the course of their implementation and such examinations and interpretations become effective stage by stage. The progress of our design and construction work may be delayed due to our failure to comply with such new laws and regulations, owing to their ambiguity and lack of clear interpretations during the initial stage of enforcement. On the other hand, to meet the requirement of these new laws and regulations, the original plans for our work progress and purchase may need to be adjusted. These adjustments may increase our development costs and cause further delays to our construction work.

Further, we specialize in developing comfortable and eco-friendly properties in the PRC, while the concept of eco-friendly and sustainable development is relatively new in the PRC property market. As it takes time for the market to grow and mature, we cannot guarantee that there will be sustained demand for our properties in the market.

Our actual development costs of a property project may deviate from our initial estimations.

We have developed a set of detailed and standardized operating procedures in our property development. At the beginning of a property project, we estimate the total development costs, which comprise, among others, land premium, construction and other development costs and capitalized borrowing costs. Our operating procedures are designed to enable real-time monitoring and supervision of each stage of our development process to help us to identify and resolve potential problems as early as possible during the project cycle, and to minimize material deviations from pre-approved budgets at each stage of our development process. Our total development costs are subject to fluctuations as a result of factors which may or may not be within our control. For example, construction material costs have experienced periods of fluctuation in recent years, with prices of many commodity materials, in particular steel and cement, rising significantly in recent years. Our construction costs have also been affected by gradually rising labor costs in China in recent years, and we expect labor costs in China to continue to increase in the future. Furthermore, the PRC property market is highly affected by the policies and regulatory measures introduced by the PRC government from time to time, which may affect various aspects of our property development, including without limitation our cost of financing as well as the schedules of our property project developments, which in turn may result in deviation from our initially estimated development costs. If the actual development costs of our projects deviate materially from our initial estimations, our business, financial conditions and results of operations may be affected.

Acts of God, epidemics, pandemic, including the recent outbreaks of A/H1N1, H7N9 influenza and COVID-19, and other disasters could materially and adversely affect our business, financial condition and results of operations.

Our business is subject to general and social conditions in China. Natural disasters, epidemics, pandemic, acts of God and other events and disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics such as the Severe Acute Respiratory Syndrome (“SARS”), Ebola virus disease (“Ebola”), Middle East Respiratory Syndrome corona virus (“MERS”), H5N1 influenza, H1N1 influenza, H7N9 influenza and, most recently, the novel coronavirus named COVID-19 by the World Health Organization.

Toward the end of 2019, a highly infectious novel coronavirus, was identified in and quickly spread in China. The World Health Organization, or the WHO, later named it COVID-19. WHO is closely monitoring and evaluating the COVID-19 epidemic outbreak. In March 2020, the WHO characterized the outbreak of COVID-19 a pandemic. As of the date of this offering memorandum, COVID-19 pandemic has spread to over 210 countries and territories globally with death toll and number of infected cases continued to rise. Many countries have imposed unprecedented measures to halt the spread of the COVID-19 pandemic, including strict city lockdowns and travel bans. As a result of the timely and effective implementation of these measures, on March 17, 2020, mainland China reported no local infections for the first time since the outbreak of the COVID-19 pandemic. Since then, mainland China reported a few local cases, but in general mainland China has controlled the COVID-19 pandemic.

The ongoing COVID-19 pandemic temporarily suspended our construction and sales activities in January to February in 2020. Affected by the COVID-19 pandemic, we experienced decrease in our contracted sales and GFA sold for properties for the six months ended June 30, 2020 as compared to the same period in 2019. Our total contracted sales and GFA sold decreased for 14.8% and 13.3%, respectively, for the six months ended June 30, 2020 as compared to the same period in 2019. As China has lifted stay-at-home orders and began to resume business operations and school at varying levels and scopes since April 2020, the PRC economy and housing demand start to revive. Given the high uncertainties associated with the COVID-19 pandemic at the moment, it is difficult to predict how long these conditions will last and the extent to which we may be affected. Should the disruption to our operations continue, we may experience delays in completion and delivery of our projects, which may materially and adversely affect our results of operations and financial condition and may also cause reputation damage. In addition, any further disruption to our sales activities may negatively affect our liquidity and access to capital. The COVID-19 pandemic may further create negative economic impact and increase volatility in the PRC and global market and continue to cause increasing concerns over the prospects of the PRC residential property market, which may materially and adversely affect the demand for properties and property prices in China.

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

We may not be able to obtain sufficient funding on commercially reasonable terms for land acquisitions or property developments to finance future development projects, which will affect our revenue and restrict our growth.

Property development is a capital intensive business, while returns cannot be achieved until cash is received from pre-sales, sales or leases of properties. For example, for the year ended December 31, 2017 and 2019 and the six months ended June 30, 2020, we recorded a negative cash flow from operating activities of RMB4,395.6 million, RMB1,610.7 million (US\$228.0 million) and RMB310.6 million (US\$44.0 million), respectively, largely due to our increase in deposits we paid for our acquisitions of land use rights and the substantial capital expenditure for our property development projects. There is no guarantee that we would record a positive cash flow in the future. We derive our capital from bank loans, internally generated cash flows (including proceeds from pre-sales, sales and leases of properties) and other financing. There is no guarantee that we could obtain sufficient funding in the future. Our ability to obtain adequate funding depends on various factors, some of which are beyond our control, including the overall economic climate and the performance of the property sector in the PRC, our financial strength and performance, the availability of credit from financial institutions and the PRC government regulatory measures.

The PRC government has, in recent years, enforced a number of policies to further tighten the requirements on lending to property developers. For example, commercial banks are banned from providing loans in any form for a property development project that has not yet obtained the State-owned Land Use Rights Certificate, Construction Land Planning Permit, Construction Works Planning Permit and Construction Commencement Permit and the portion of the real estate developer's own capital among the total project investment shall be no less than 35%. On January 1, 2021, the PBOC, together with CBRC, set forth the capped ratios of the amount of outstanding real estate loans to the total outstanding amount of RMB denominated loans of a PRC financial institution. This ratio currently ranges from 12.5% to 40.0%. Such restriction may further limit the financing channels of real estate enterprises. Please refer to "Regulation—Regulations on the Real Estate Project Development—Loan for Real Estate Developer" for further details. Banks and other financial institutions may tighten or even suspend their financing to property developers in the PRC in view of the austerity measures promulgated by the PRC government and the associated risks of property development business. As a result, we cannot guarantee that we can secure sufficient funding from banks or other financial institutions, including from trust companies, at commercially reasonable costs, or at all. This, in turn, increases our borrowing costs and restricts our ability to develop new projects and continue with our existing projects. We also cannot assure you that the PRC government will not introduce further measures that may affect our ability to raise funds.

We may fail to obtain, or experience delays in obtaining, necessary government approvals for any property development.

The PRC property market is strictly regulated by the PRC government. Property developers in the PRC must abide by various laws and regulations, including rules stipulated by local governments to implement the laws and regulations from the central government. To develop and complete the development of a property project, we must apply to relevant governmental departments for various licenses, permits, certificates and approvals, including land use rights certificates, construction land planning permits, construction work planning permits, permits for commencement of construction work and pre-sale permits. Before obtaining these, we must first meet certain specific conditions.

We cannot guarantee that we will not encounter any serious delays or difficulties in the process of applying for certificates, licenses, approvals and permits in the future, or fulfilling the conditions precedent to them, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the PRC property industry in general or the particular processes with respect to the granting of all necessary certificates, licenses, permits and approvals by the PRC government. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain or renew the necessary PRC governmental approvals for any of our major property projects, or if a serious delay occurs in the PRC government examination and approval process, we will not be able to keep up with our development schedule and our business, financial condition and results of operations may be materially and adversely affected. Further, we cannot assure you that the implementation, interpretation or enforcement of the laws and regulations by the relevant authorities will not require us to incur additional costs, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to legal and business risks if we fail to obtain or maintain qualification certificates

Property developers in the PRC must obtain a formal qualification certificate (資質證書) in order to develop property in the PRC. According to the Provisions on Administration of Qualification of Real Estate Developers (房地產開發企業資質管理規定), newly established developers must first apply for a temporary qualification certificate (暫定資質證書), which can be renewed for a maximum of two additional one-year periods, by which time a formal qualification certificate must have been issued. Before commencing their business operations, entities engaged in construction, or fitting and decoration are required to obtain qualification certifications in the Provisions on Administration of Qualification of Construction Enterprises (建築業企業資質管理規定). Property developers in the PRC are required to produce a valid qualification certificate when they apply for a pre-sale permit. If the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates every two to three years in most cities, subject to an annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates.

If any one of our project companies is unable to meet the relevant qualification requirements, the local authorities will normally grant that project company, subject to a penalty of between RMB50,000 and RMB100,000, a grace period to rectify any insufficiency or non-compliance. Failure to satisfy the requirements within the specified time frame could result in rejection of the renewal application and revocation of the business license of the project company. As of the date of this offering memorandum, most of our project companies which are developing properties has obtained a valid qualification certificate except for certain project companies, which are in the process of applying for extension or alteration or issuance of the qualification certificates.

We cannot assure you that the qualification certificates of all of our existing project companies will continue to be renewed or extended or that formal qualification certificates for new project companies will be obtained in a timely manner, or at all. If our project companies are unable to obtain or renew their qualification certificates, as applicable, they will not be permitted to engage in or continue their businesses, which could have a material adverse effect on our business and financial condition.

The total GFA of our projects under development or future property developments may exceed the original GFA authorized in the land grant contract and we may need to obtain additional government approvals and be subject to additional payments.

When the PRC government grants the land use rights for a parcel of land, it will specify in the land use rights grant contract the designated use of the land and the total GFA that the developer may develop on the land. The actual GFA constructed, however, might have exceeded the total GFA authorized in the land use rights grant contract due to various factors such as subsequent planning and design adjustments.

The amount of GFA in excess of the authorized amount is subject to approval when the relevant authorities inspect the properties after their completion and the developer may be required to pay additional land premium in respect of such excess GFA. In addition, if we fail to obtain the completion certificate due to such excess GFA, we will not be allowed to deliver the relevant properties to the purchasers or recognize the revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. If this occurs, our business prospects, results of operations and financial condition may be materially and adversely affected.

We may be asked to pay liquidated damages and the land may be taken back by PRC government authorities if we fail to comply with the terms of land grant contracts. We may also be prohibited from participating in land bidding if we fail to rectify illegal behavior in which we engage.

Under PRC law, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premiums, the designated use of the land and the schedule for commencing and completing the development, the relevant government authorities may issue a warning, impose a penalty and/or liquidated damages, or take back the land without compensation. Any violation of the land grant contract may also restrict or prevent us from participating in future land bidding.

Under Measures on Disposing Idle Land, enacted and enforced by the Ministry of Land and Resources on April 28, 1999 and amended on June 1, 2012 (《閒置土地處置辦法》), if we fail to commence the development of a parcel of land for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice to us and impose an idle land fee of up to 20% of the land assignment or allocation fee. If we fail to commence development for more than two years from the relevant commencement date stipulated in the land grant contract, the land will be subject to forfeiture to the PRC government. Moreover, even if the commencement of the property development satisfies the stated requirements of the land grant contract, if the developed GFA is less than one-third of the total planned GFA of the project or the total capital invested is less than one-fourth of the total planned investment the project, and development of the land is suspended continuously for more than one year without government approval, the land will still be treated as idle land. In the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) promulgated by the State Council in January 2008, the aforesaid policy was reinforced. This notice states, among other things, that the Ministry of Land and Resources (which has been incorporated into the newly established Ministry of Natural Resources of the PRC) and other authorities are required to conduct research on and commence drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (國土資源部關於嚴格建設用

地管理促進批而未用土地利用的通知) in August 2009, which reiterates the current rules regarding idle land. In September 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (國土資源部、住房和城鄉建設部關於進一步加強房地產用地和建設管理調控的通知), which provides that a property developer and its controlling shareholders will be prohibited from participating in land bidding before any illegal behaviors in which it engages, such as (1) having land idle for more than one year on its own reasons; (2) illegal transfer of land use rights; (3) noncompliance with the land development requirements specified in a land grant contract; and (4) crimes such as taking land by forging official documents and illegal land speculation, have been completely rectified. We cannot assure you that circumstances leading to imposition of penalty, liquidated damages or forfeiture of our land will not arise in the future. If we are deemed as holding land idle for more than one year without cause or the land is taken back, we may lose the opportunity to develop the relevant land, our investments in the land, including land premiums paid and development costs incurred, and our ability to bid for other land in the future, any of which could materially and adversely affect our business prospects, results of operations and financial condition.

We may not be able to complete or deliver our property development projects on time.

Property development projects require substantial capital expenditures prior to and during the construction period, and construction of a property project may take longer than a year before the development generates positive cash flow through pre-sale or sale. The progress and costs of a development project may be materially and adversely affected by many factors, including:

- delays in obtaining necessary certificates, licenses, permits or approvals from government agencies and authorities;
- changes in market conditions;
- delays in or increased costs of relocation of existing residents and/or demolition of existing structures;
- shortages or increased costs of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- natural catastrophes; and
- adverse weather conditions.

At any point in the planning or development of a project, we may face, among other things, regulatory changes, financing difficulties, an inability or difficulties in obtaining the required government approvals or government-mandated changes in our project development practice, any of which could delay, increase the cost of, or prevent the completion of any such project. We may also delay or revise our plans for property developments due to a variety of factors, including changes in market conditions, a shortage or increase in the prices of construction materials, equipment or labor, labor disputes or disputes with our contractors and subcontractors. We may commit significant time and resources to a project before determining that we are unable to complete it successfully, which could result in a loss of some or all of our investment in such project. We may also be required to pay damages to customers who bought our properties at the pre-sale stage if we fail to complete our projects within the stipulated deadlines. Our inability to complete projects as planned may impair the actual realization of our contracted sales and have a material adverse effect on our business, financial condition, results of operations, reputation and prospects.

We face risks relating to pre-sale of properties, including the risk of failure to complete a project.

Property developments typically require substantial capital outlays during the construction period, and it may take months or years before positive cash flow, if any, can be generated from the pre-sale of properties under development or the sale of completed properties. The time and costs required to complete a property development may increase substantially due to many factors beyond our control. In the event that there is any delay in, or failure of, the completion of a property development, there may be costs substantially exceeding those originally budgeted for, which may materially and adversely affect our financial condition and results of operations. We face contractual risks relating to the pre-sale of properties. For example, if we fail to complete a fully or partially pre-sold property development and fail to deliver the property, we could find ourselves liable to purchasers of pre-sold units for losses suffered by them. In addition, if we fail to meet the delivery time of properties as stated in the pre-sale contracts, purchasers of the pre-sold units have the right to claim damages under the pre-sale contracts. If the delay extends beyond the grace period stipulated in the contracts, the purchasers may even be entitled to terminate the pre-sale contracts and also claim damages. Our purchasers may also elect to default on such pre-sale contracts. We cannot assure you that the foregoing may not occur, which may have a material adverse effect on our business, financial conditions and results of operations. In addition, you should not unduly rely upon our contracted sales numbers (which have neither been audited nor reviewed by our auditors) contained in this offering memorandum as a measure or indication of our current or future operating performance.

Proceeds from the pre-sale of our properties are an important source of funds for our property developments and have an impact on our liquidity position. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of properties and may only use the proceeds of pre-sale of properties in a development to finance the relevant development. We cannot assure you that the PRC government will not ban or impose material limitations on the pre-sale of uncompleted properties in the PRC in the future. The future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditures we must incur prior to obtaining a pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance the various stages of our property developments, including increasing borrowings which would in turn increase our interest payments. This could have a material adverse effect on our business, cash flow, financial condition and results of operations.

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

The purchasers of our properties may need to obtain mortgage loans to fund the purchase of our properties, and we typically arrange for various banks to provide these mortgage loans. In accordance with market practice, the mortgagee banks require us to guarantee our customers' mortgage loans. Typically, our guarantee obligations for such customers' mortgage loans are released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgaged property. If a purchaser defaults on a mortgage loan guaranteed by us, we may have to repay the mortgage loan. If we fail to do so, the mortgagee bank may foreclose the underlying property and recover any balance from us as the guarantor of the defaulted mortgage loan. In line with industry practice, we rely on the credit analysis performed by the mortgagee banks in respect of individual customers and we do not conduct any independent credit checks on them.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our outstanding guarantees for the mortgage loans of our customers amounted to approximately RMB9,625.8 million, RMB11,587.3 million, RMB13,474.3 million (US\$1,907.2 million) and 15,364.3 million (US\$2,174.7 million), respectively. If any material default by our customers occurs on such loans, we may be required to honor our guarantees and our results of operations and financial position may be materially and adversely affected.

We may not be able to obtain suitable land for development, which will restrict our growth.

We derive our revenue principally from sales of properties we have developed. In order to maintain and grow our business in the future, we have to replenish and increase our land bank with suitable sites for development at commercially acceptable prices. Our ability to identify and acquire suitable land is subject to a number of factors, some of which are beyond our control. We must identify sites that have potential for future

development ahead of our competitors. We cannot assure you that we will be able to identify and acquire suitable land for our development and the land identified and acquired by us will be suitable for development or offer the return we desire.

The PRC government controls all of the new land supply in the PRC and grants land use rights for residential and commercial property developments only through public tender, auction or listing-for-sale. Many factors are considered in a government department's decision to grant such land, including price and the relevant experience of the proposed buyer. As most of the land in the PRC still comes from such public tenders, auctions and listings-for-sale, we must be successful in obtaining land in such processes in order to be competitive as a property developer. The PRC government also regulates land sales in the secondary market. As a result, the policies of the PRC government towards land supply affect our ability to acquire land use rights and the costs of any such acquisitions. Further, the PRC government also regulates the manner in which land can be developed. For details, please refer to "Regulation—Regulations on the Real Estate Project Development—Measures on Stabilizing Property Prices" for further details.

All these measures intensify competition for land in the PRC among property developers, which has contributed to the significant increase in land prices in the PRC in recent years. We expect our cost of acquiring land use rights may increase in the future, which may materially and adversely affect our gross margin. Furthermore, in August 2011, the Beijing Land Resources Bureau adopted a so-called "setting ceilings for property sale prices, bidding for land premiums" ("限房價、競地價") arrangement in the grant of land use rights of a piece of land in Beijing under which the said bureau set a fixed price for the relevant land as well as the maximum sales price of the properties to be built on the land, and the property developer bidder with the lowest bid of sales price would be granted the land use rights of the relevant land. In addition, the land authorities in Shanxi and Hunan provinces had also started trial implementation of this arrangement. Nevertheless, it is possible that similar arrangement might be adopted by the land administrative departments in their grants of land use rights in the future, which may affect the profitability of property developers in the PRC. If we fail to obtain suitable land for development at commercially acceptable prices that allow us to achieve reasonable returns upon sales of properties, our results of operations, financial condition and business prospects will be materially and adversely affected.

Our historical profit margins may not be sustained in the future.

Our gross profit margin (the difference between revenue and cost of sales divided by revenue) was approximately 21.0%, 23.3%, 25.5% and 24.4% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. During these periods, most of our revenue generated from the sales of our property projects located in first- and strong second-tier cities. Our product portfolio comprises of four product lines, Modern MOMA, Modern Eminence MOMA, Modern Horizon MOMA, Modern City MOMA targeting different groups of customers. The prices and gross profit margins of our products vary by the type of product we develop and sell, and may vary from period to period. Furthermore, our gross profit margins may be affected by a number of factors, some of which are beyond our control, such as the general market conditions, the market prices of the land and properties, as well as the costs of the construction and development. Therefore, adverse changes in regulatory environment, market conditions, consumer confidence and other factors may cause our revenue and profit to decline and we may not sustain our historical profit margins in the future.

Our profit margin is sensitive to fluctuations in the costs of construction.

A principal component of our cost of sales is construction costs, including all of the costs for the design and construction of a project, payments to third-party contractors and designers and cost of construction materials. Our construction costs have a direct effect on our gross margin and are affected by a number of factors, such as changes in construction labor costs, location and types of properties, choice of materials, landscaping and investments in ancillary facilities. In particular, construction costs fluctuate as a result of changes in the prices of key construction materials, such as steel and cement. As part of our cost control measures, we capped the prices of such materials in our construction contracts with our contractors in each of period ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. However, we cannot assure you that we can always enter into contracts with a cap fee of construction materials in the future. Any increase in the prices of the construction materials that we source on our own or that are sourced by our construction contractors if we cannot cap fee on construction materials with them could result in additional costs to us and may lead to future increases in construction contract costs, and reduce our gross margins to the extent that we are unable to pass these

increased costs on to our customers. In such circumstances, increases in the prices of construction materials could have a material adverse effect on our results of operations, financial condition and business prospects.

We may be affected by the performance of contractors.

We engage independent contractors to provide various services, including design, construction and supervision of our property development projects. Since completion of our projects is subject to the performance of these external contractors, we may not be able to control timeliness of the completion schedule of our properties and cannot guarantee that any such contractor will provide satisfactory services or meet our quality standards. If the performance of any external contractor is unsatisfactory, or if it is in breach of any of its contractual obligations, we may need to replace it or take other actions to remedy the situation. This will, in turn, increase the cost and delay of the construction progress. We may even be fined by the PRC's regulatory authorities for sub-standard product quality and may face litigation claims from purchasers. Furthermore, our contractors may undertake projects from other developers, engage in risky undertakings or otherwise encounter financial or other difficulties, which may delay the completion of our property projects or create additional costs. The occurrence of any of the above events may have a material adverse effect on our business, reputation, brand name, financial condition, results of operations and business prospects.

We are not involved in the after-sale property maintenance or repair. In the event that management companies, purchasers or tenants fail to maintain the properties in good condition, our brand image and reputation as the property developer might be affected. This in turn might affect our sales and finance.

We may not be able to realize the anticipated economic benefits from our joint ventures, and disputes with joint venture partners may adversely affect our business.

Currently, we develop our property projects primarily through our wholly owned subsidiaries. When suitable opportunities arise, we also consider entering into joint ventures with third parties such as other property developers and real estate trusts or funds, and have interests in joint venture entities in connection with our property development plans. The success of a joint venture depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from our joint ventures. In addition, in accordance with PRC law, certain matters relating to joint ventures require the consent of all parties to the joint ventures. Joint ventures may involve risks associated with the possibility that our joint venture partners may:

- have economic or business interests or goals inconsistent with ours;
- take actions contrary to our instructions, requests or our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture agreements;
- have financial difficulties; or
- have disputes with us as to the scope of their responsibilities and obligations.

We cannot assure you that we will not encounter problems with respect to our joint venture partners which may have an adverse effect on our business operations, profitability and prospects.

Our LAT provisions and prepayments may not be sufficient to meet our LAT obligations.

In accordance with the provisions of the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and the related implementation rules, all entities and individuals that receive income from the sale or transfer of land use rights, buildings and ancillary facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of such properties. The PRC government issues rules and regulations in respect of LAT, including rules and regulations relating to assessable rates, the deductibility of certain expenses and the collection and settlement of LAT. In addition, the PRC government has determined that provincial and local tax bureaus may formulate their own implementing rules and determine how LAT will be settled in their respective jurisdictions. For more details,

please see “Regulation—Regulations on Taxation—Land Appreciation Tax.” There is an exemption for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the total deductible expense items allowed under the relevant LAT regulations. This exemption is not available for sales of luxury residential properties, villas or commercial properties. It is not clear whether the residential portion of our mixed residential and commercial developments will be eligible for the exemption available to ordinary residential properties.

We make LAT prepayments and provisions in respect of our property development activities. We cannot assure you that the relevant tax authorities will agree with our calculation of LAT liabilities, nor can we assure you that the LAT provisions will be sufficient to cover our LAT obligations in respect of our past LAT liabilities. If the relevant tax authorities, in particular, the local tax bureau of Beijing and other cities and regions where we operate our business, determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount immediately, our cash flow, results of operations and financial condition may be materially and adversely affected.

Our results of operations may vary significantly from period to period.

Our results of operations may vary significantly from period to period, due to a number of factors, including the timetables of our property development projects, the timing of the sale of properties that we have developed, our revenue recognition policies and any volatility in expenses, such as raw material costs. The overall schedules of our property development and the number of properties that we can develop or complete during any particular period are limited as a result of the substantial capital required for the acquisition of land, demolition and resettlement and construction. The sale of properties we develop is subject to general market or economic conditions in the areas where we conduct our business and the level of acceptance of our properties by prospective customers. According to our accounting policy, we recognize revenue upon the completion and delivery of the properties to purchasers, which may generally take one to two years after the commencement of pre-sales. Therefore, in periods in which we pre-sell a large aggregate GFA, we may not generate a correspondingly high level of revenue if the properties pre-sold are not delivered within the same period. We will continue to experience significant fluctuations in revenue and profit from period to period in connection with our property development business. We therefore believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with more stable recurring revenue.

We depend on Mr. Zhang Lei, our founder, executive director and chairman, and other key management personnel, and our business may be adversely affected if we lose their services.

Our future success depends heavily upon the continuing services of our senior management team. In particular, we rely on the experience and strategic vision of Mr. Zhang Lei, our founder, executive director and chairman. Because competition for senior executives and key management personnel is intense and the pool of qualified candidates is limited, we may not be able to retain the services of our senior executives or key management personnel or attract and retain high quality senior executives or key management personnel in the future. If Mr. Zhang Lei or any of our senior executives or key management personnel are unable or unwilling to continue in their present positions, we may not be able to replace them in a timely manner or at all, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to successfully manage our growth.

We have been expanding our comfortable and eco-friendly property development business in recent years to integrate our development of energy-saving technologies, and we intend to continue to do so. We intend to expand our business into other markets in the PRC. This and any future expansion may place substantial strain on our managerial, operational and financial resources. We will need to manage our growth effectively, which may require additional efforts in recruiting, training and managing our workforce, managing our costs and implementing adequate controls and management systems in a timely and effective manner. We cannot assure you that we will be successful in managing our growth or in integrating and assimilating any acquired business with our existing operations.

In order to fund our ongoing operations and our future growth, we also require sufficient internal sources of liquidity or access to additional funding from external sources. Additionally, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, sales agents, property managers, lenders and other third parties. We cannot assure you that we will not experience issues such as capital

constraints, construction delays, compliance errors, operational difficulties at new locations or difficulties in training an increasing number of personnel to manage and operate the expanded business. We also cannot assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our results of operations, financial condition and business prospects.

We may not be successful in our future property development plans, including our proposed expansion plan overseas.

We take into account a number of factors in selecting new markets for our expansion, including local market conditions, geography and climate and the ability to apply and integrate our technologies. As of June 30, 2020, we had expanded our operations to Beijing, Shanghai, Guangzhou, Suzhou, Nanjing, Changsha, Taiyuan, Wuhan, Nanchang, Jiujiang, Zhangjiakou, Foshan, Huizhou, Wuxi, Zhuzhou, Jingzhou, Huangshi, Hefei, Quanzhou, Xiantao, Dongdaihe, Tianjin, Xian, Jinzhong, Qingdao, Jiaxing, Huzhou, Fuyang, Chizhou, Fúzhou, Shangrao, Zhengzhou, Xuchang, Hengyang, Xiaogan, Tianmen, Fúzhou, Guiyang, Xingyi, Chongqing and Shijiazhuang. We intend to continue to customize our energy-efficient, eco-friendly properties in new markets according to local market conditions. We are also considering expanding our business geographically to the U.S. as part of our long-term strategic plan to diversify our property development projects portfolio and revenue source geographically and expand land reserves for future development. The proposed expansion plan may involve the acquisition of land for mixed-use residential and retail/commercial property development with application of our energy-saving technologies in the U.S. In December 2012, we purchased a parcel of land with a site area of approximately 48.5 acres (approximately 196,155.4 sq.m.) with an aggregate GFA of 1,565,360 sq.m. located in Pearland, Texas for a consideration of US\$4,550,000 which was settled by cash and funded by our internal resources. In 2016, we purchased two parcels of land with an aggregate GFA of approximately 1,001,082 square feet (or equivalent to approximately 93,004 sq.m.) located in Seattle, Washington. We were still in the stages of project planning and assessment and, as of June 30, 2020, save for the purchase of the said parcels of land, we had not entered into any binding agreement in relation to our proposed expansion plan in the U.S.

There is no guarantee that we will proceed with our proposed expansion plan overseas. Furthermore, as North America is a new geographical market for us and we have no historical operating experience in that jurisdiction, there is no assurance that our proposed expansion plan abroad can be successfully implemented, including without limitation obtaining suitable land for project development and integrating our energy-saving technologies in our proposed project. If we are unable to successfully implement our proposed expansion plan, our business and financial position may be adversely affected.

We cannot prevent our competitors from engaging in similar development projects. We also face intense competition from other real estate developers. These factors may materially and adversely affect our business, results of operations and our financial position.

We believe that our specialization in the development of high-quality, comfortable and eco-friendly properties that deploy energy-saving technologies is one of the main reasons for our success. If our competitors construct similar development projects, or use similar concepts to advertise their products, it may affect our customers' understanding of our products and the image of our brand. Further, demand for our development may fall if our competitors offer competing products similar to ours. This will affect our business and results of operations.

In recent years, a large number of property developers, including a number of leading Hong Kong property developers and other overseas developers, have begun undertaking property development and investment projects in the PRC. Some of these developers may have better track records, greater financial, land and other resources, broader name recognition and greater economies of scale than us.

Competition among property developers may result in an increase in acquisition costs of land for development, an increase in costs for raw materials, an over-supply of properties, a decrease in property prices in certain parts of the PRC or an inability to sell such properties, a slowdown in the rate at which new property developments are approved or reviewed by the relevant PRC government authorities and an increase in administrative costs for hiring or retaining qualified personnel, any of which may adversely affect our business, financial position and results of operations. In addition, recent market downturns in the PRC may further decrease property prices. If we cannot respond to changes in market conditions in the markets in which we operate more swiftly and effectively than our competitors, our business, financial position and results of operations may be materially and adversely affected.

Any deterioration in our brand image and failure to protect our intellectual property rights, including trademarks, patents and copyrights, could have a negative impact on our business.

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

In addition, we believe our intellectual property rights are critical to our success and in our provision of comfortable and eco-friendly properties. Historically, the PRC has not protected intellectual property rights to the same extent as certain other countries, and infringement of intellectual property rights continues to pose a serious risk of doing business in the PRC. Monitoring and preventing unauthorized use is difficult. The measures we take to protect our intellectual property rights may not be adequate. Furthermore, the application of laws governing intellectual property rights in the PRC and abroad is uncertain and evolving. If we are unable to adequately protect our intellectual property rights, we may lose these rights and our business may suffer materially.

We may not have adequate insurance to cover all kinds of losses and claims in our operations.

We are of the view that the insurance coverage we have taken out is typical and in line with the industry practice for similar operations and is adequate for our operations. Property developers are not required under PRC laws and regulations to maintain insurance coverage in respect of their property development operations. In addition, we generally do not take out insurance against personal injuries that may occur during the construction of our properties. According to relevant PRC laws and regulations, general contractors and construction companies are responsible for safety control during the course of construction and are required to maintain accident insurance for their construction workers. The general contractors and construction companies will bear the risks and liabilities arising from tortuous acts committed on work sites under the terms of our construction contracts. As of June 30, 2020, we had not experienced any material damage to our property developments nor had any material personal injury-related claims been brought against us. However, there is a risk that we do not have sufficient insurance coverage for losses, damages and liabilities that may arise from our business operations. We may incur losses, damages or liabilities during any stage of our property development which are uninsured, and we may have insufficient fund to cover, rectify or replace any of our losses. Any payments we make in relation to this may materially affect us in terms of finance and operations.

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

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. Since 2012, the PRC government reduced base interest rates many times to stimulate the economy. The one-year benchmark lending rate was decreased to 6.31% on June 8, 2012, to 6.00% on July 6, 2012, to 5.60% on November 22, 2014, 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 to 4.35% on October 24, 2015. As of June 30, 2020, the benchmark one-year lending rate was 4.35%. As commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments.

We may have to compensate our customers if we fail to meet all requirements for the delivery of completed properties and the issuance of property ownership certificates.

According to the relevant PRC law, property developers must meet various requirements as stated below within 90 days after the delivery of property or such other time period that may be provided in the relevant sales and purchase agreement to assist a purchaser in obtaining the individual property ownership certificate. We generally elect to specify the deadline to apply for an individual property ownership certificate in the sale and purchase agreement to allow sufficient time for the application and approval process. Within three months of the date of the completion certificate for a development, we must apply for a general property ownership certificate for the entire development. This involves, among other things, the submission of a number of documents, including land use rights documents, planning approvals and construction permits. Following the effective date of a sale and purchase agreement for one or more units in a development, we then assist the purchaser to apply for an individual property ownership certificate for each unit. This involves submission of other documents, including the sale and purchase agreement, identification documentation for the purchaser, evidence of payment of deed tax and a copy of the general property ownership certificate issued to us. Delay by a purchaser in providing the documents relating to the purchaser, or delay by the various administrative authorities in reviewing the relevant application document, as well as other factors beyond our control, may affect timely delivery of the relevant individual property ownership certificate. Under current PRC laws and regulations and under our sale and purchase agreements, we are required to compensate our customers for delays in delivery caused by us of individual property ownership certificates. We did not have any compensation payable due to delay in delivery of properties to customers for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. We cannot assure you that delays in delivery of properties will not occur in the future. Significant delays with respect to one or more of our developments may materially and adversely affect our reputation, business, results of operations and financial condition.

We have pledged certain properties and may pledge shares in our PRC subsidiaries to secure our borrowings.

We have pledged certain of our properties to secure some of our banking and other facilities and loans granted to us. Historically, we also pledged shares in one of our PRC subsidiaries to secure some of our borrowings and such share pledge has been released as of the date of this offering memorandum. We may create new pledges of the shares in our subsidiaries to secure bank and other borrowings in the future. In the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had not experienced any default on our borrowings. If we default on such banking and other facilities, the lenders may foreclose on such properties that we pledge.

RISKS RELATING TO THE PRC PROPERTY INDUSTRY

The real estate industry in the PRC is still in an early stage of development, and the property market and related infrastructure and mechanisms have not been fully developed.

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 has been growing rapidly in recent years, it is extremely difficult to predict how much and when demand will develop, as many social, political, economic, legal and other factors, most of which are beyond our control, may affect the development of the property market. The level of uncertainty is increased by the limited availability of accurate financial and market information, as well as the overall low level of transparency in the PRC. The lack of a liquid secondary market for residential real estate may discourage investors from acquiring new properties. The limited amount of property mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of property rights, may further inhibit demand for residential developments.

In addition, the property market in the PRC is rapidly changing due to factors such as fluctuations in regional economy, availability of competitive property developments, product quality and changes in customer preferences, which may have a direct impact upon our sales. As property development projects take a long time and property market changes quickly, if we failed to respond in time to changes in the property market, our developments may not meet the market demand and may lead to poor sales. Further, if we position our developments incorrectly or our competitors supply a large number of properties in a very short period of time, this will also affect our sales. If we cannot respond to changes in market conditions in Beijing or elsewhere or to changes in customer preferences as swiftly or as effectively as our competitors, our business, results of operations and financial condition could be materially and adversely affected. For details in relation to our existing and potential competitors, please refer to “Business—Competition.”

Our operations are highly subject to government policies and regulations in the real estate market.

Since 2010, the PRC government has been tightening its control of the real estate market with the aim of curbing increases in property prices while also, since early 2015, trying to stimulate the market to reduce inventory. A number of rules and regulations have been set forth by various PRC authorities concerning the housing market. See “Regulation—Regulation of Real Estate Project Development—Measures on Stabilizing Property Prices” and “Regulations—Regulations on Taxation” for more details on some of the PRC regulations.

However, the full effect and extent of these policies on the real estate industry and our business will depend in large part on the implementation and interpretation of the circulars by governmental agencies, local governments and banks involved in the real estate industry. The PRC government’s policies and regulatory measures on the PRC real estate sector could limit our access to required financing and other capital resources, adversely affect the property purchasers’ ability to obtain mortgage financing or significantly increase the cost of mortgage financing, reduce market demand for our properties and increase our operating costs. We cannot be certain that the PRC government will not issue additional and more stringent regulations or measures or that agencies and banks will not adopt restrictive measures or practices in response to PRC governmental policies and regulations, which could substantially reduce pre-sales of our properties and cash flow from operations and substantially increase our financing needs, which would in turn materially and adversely affect our business, financial condition, results of operations and prospects.

The PRC government has adopted various measures to regulate the property development industry and may adopt further restrictive measures in the future.

In addition to its policies and measures implemented to address housing prices, the PRC government has implemented a number of regulations and measures governing the property development industry. In July 2006, the MOHURD, the National Development and Reform Committee (“NDRC”), the PBOC, the State Administration for Industry and Commerce, or the SAIC, and the State Administration of Foreign Exchange, or the SAFE, issued *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》), which impose significant requirements on foreign investment in the PRC real estate sector. For instance, these opinions set forth requirements of registered capital of a foreign invested real estate enterprise as well as thresholds for a foreign invested real estate enterprise to borrow domestic or overseas loans. In addition, since June 2007, a foreign invested real estate enterprise approved by local authorities is required to file such approvals with the MOFCOM or its provincial branches. We cannot assure you that any foreign invested real estate enterprise that we establish, or whose registered capital we increase, will be able to complete the filing with the MOFCOM or its provincial branches.

In May 2013, the SAFE issued the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China (《外國投資者境內直接投資外匯管理規定》), pursuant to which institutions and individuals involved in direct investment in China shall all go through registration with the SAFE and its branches.

On December 24, 2011, the MOFCOM and the NDRC jointly issued the *Catalogue of Industries for Guiding Foreign Investment (2011 Revision)*, or the Catalogue 2011, which took effect on January 30, 2012. Consistent with the provisions of a prior catalogue, the Catalogue 2011 restricts the construction and operation of high-end residential and commercial properties by foreign investment entities. Furthermore, the *Catalogue of Industries for Guiding Foreign Investment (2015 Revision)* (“Catalogue 2015”) and the *Catalogue of Industries for Guiding Foreign Investment (2017 Revision)* (“Catalogue 2017”) were issued respectively on March 10, 2015 and June 28, 2017. Compared with its 2011 revision, the development of tracts of land, the construction and operation of high-end hotels, office buildings, international conference centers, real estate intermediary/agency business and the construction and operation of large-scale scheme parks have been removed from the category under which foreign investment is restricted. On June 28, 2018, the NDRC and the MOFCOM jointly promulgated the Special Administrative Measures for Foreign Investment Access (Negative List) (2018 Edition)

“Negative List 2018”), which came into effect on July 28, 2018. The Negative List 2018 replaced the negative list provided under the Catalogue 2017. Real estate development business is not included in the 2018 Negative List under which special administrative measures apply. On June 30, 2019, the NDRC and the MOFCOM jointly promulgated the Special Administrative Measures for Foreign Investment Access (Negative List) (2019 Edition) (“Negative List 2019”), which came into effect on July 30, 2019. The Negative List 2019 replaced the Negative List 2018, and still does not include real estate development business as a business requiring the application of special administrative measures. On June 23, 2020, the NDRC and the MOFCOM jointly promulgated the Special Administrative Measures for Foreign Investment Access (Negative List) (2020 Edition) (“Negative List 2020”), which came into effect on July 23, 2020. The Negative List 2020 replaced the Negative List 2019. Real estate development business is still not included in the Negative List 2020 under which special administrative measures apply. More recently, there were reports that the PRC government may start to restrict financing available to property developers by reference to leverage ratios such as liabilities to assets ratio, net gearing ratio and cash to short-term borrowings ratio. In August 2020, the PBOC and the MOHURD jointly held a meeting in which the government authorities emphasized the importance of market-oriented, regular and transparent financing rules applicable to real estate developers in cultivating sustainable, stable and healthy development of real estate market.

Despite the changes, the requirement of obtaining approval at the relevant level of the MOFCOM remains. The PRC government’s restrictive regulations and measures could increase our operating costs in adapting to these regulations and measures, limit our access to capital resources or even restrict our business operations. We cannot be certain that the PRC government will not issue additional and more stringent regulations or measures or require the real estate developers to deleverage, which could further adversely affect our business and prospects.

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

We may be involved in disputes with various parties involved in the construction, development and sale of our properties, including contractors, suppliers, construction workers, original owners and residents, partners and purchasers. These disputes may lead to protests and legal or other proceedings and may result in damage to our reputation, the incurrence of substantial costs and the diversion of resources and management’s attention. As most of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the relevant project is perceived to be inconsistent with our representations and warranties made to such earlier purchasers. These disputes and legal and other proceedings may materially and adversely affect our reputation, business, results of operations and financial condition. See “Business—Legal Proceedings.” In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our property developments. If we fail to comply with any applicable PRC laws or regulations, our reputation and our business, results of operations and financial condition may be materially and adversely affected.

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

Under Regulations on the Administration of Development and Operation of Urban Real Estate (2020 Revision) (《城市房地產開發經營管理條例(2020修正)》), all property development companies in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third-party contractors with respect to our development projects. If a significant number of claims is brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

Mortgage loans may not be available on favorable terms, if at all, to purchasers of our residential properties and this in turn may affect our sales.

Many of the purchasers of our residential properties rely on mortgage loans to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness in some cases, and eliminating the availability of mortgages as a source of financing for property purchases, and materially and adversely affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unattractive or unavailable to potential property purchasers.

In April 2010, the State Council also issued a notice to further increase the minimum down payment with respect to mortgage loans on purchases of second residential properties by individuals to 50% of the purchase price and provide that the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate published by the PBOC. The minimum down payment with respect to mortgage loans on purchases of a third or any subsequent residential property by individuals may be substantially increased at the commercial bank's discretion and based on its risk control policies. The notice also specifies that the minimum amount of down payment for the purchase of properties with a GFA of more than 90 sq.m. by first time purchasers must be at least 30% of the purchase price. In September 2010, the PBOC and the China Banking Regulatory Commission ("CBRC", which has been incorporated into the newly-established China Bank and Insurance Regulatory Commission of the PRC (中國銀行保險監督管理委員會)) issued a notice requiring commercial banks to suspend granting mortgage loans to buyers purchasing their third or any subsequent residential properties or to those non-local residents who cannot provide documentation evidencing their payment for over one year of tax or social security in the locality. In January 2011, the General Office of the State Council issued the Notice on Further Improving the Regulation of the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), under which a household that borrows a mortgage loan for the purchase of a second residential property must make a down payment of not less than 60% of the purchase price and pay a mortgage rate which is not lower than 110% of the benchmark interest rate. In February 2013, the General Office of the State Council announced a new circular to further increase down payment ratios and interest rates for loans to purchase second properties for those cities with excessive growth in housing prices. Since 2011, as a result of foregoing factors, various cities have promulgated measures to further control the property markets. In January 2021, the PBOC, together with CBRC, sets forth the capped ratio of a PRC to financial institution's outstanding individual housing loans and its total RMB loans. This ratio currently ranges from 7.5% to 32.5%. See "Regulation" in this offering memorandum for details. PRC banks also tightened mortgage lending in general, which had affected the demand in the property markets. If mortgage financing for property purchases becomes more difficult to obtain or if the costs of such financing increase, our prospective customers who rely on such mortgage financing may not be able to purchase our properties, which in turn may materially and adversely affect our business, liquidity and results of operations.

Certain facts and statistics are derived from publications not independently verified by us, the Initial Purchasers or our or their respective advisors.

Facts and statistics in this offering memorandum relating to China's economy and the property industry are derived from various official or other publications available in China. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchasers or our or their respective advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

RISKS RELATING TO THE PRC

Our results of operations and financial condition are highly susceptible to changes in PRC's economic, political and social conditions as well as government policies.

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

While the PRC economy has grown significantly in the past 20 years, the growth has been uneven, both in terms of geography and also across the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our business, financial condition, results of operations and prospects may be adversely affected by the PRC government control over property development, capital investments or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past two decades, the PRC government has implemented economic reform measures emphasising utilization of market forces in the development of the PRC economy. Although we believe these reforms will have a positive effect on our overall and long-term development, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial condition, results of operations and prospects.

Restrictions imposed by the PRC government on currency conversion and exchange rate fluctuations may limit our ability to remit dividends and may affect our business.

Currently, the Renminbi is not a freely convertible currency. We receive our revenue in Renminbi and will need to convert Renminbi to foreign currency for the payment of dividends, if any, to holders of our Shares. Existing restrictions on the conversion of Renminbi into foreign currencies may affect our ability to convert Renminbi into foreign currencies (and thus restrict the subsequent repatriation of those funds). Under existing PRC foreign exchange regulations, payment of current account items, including profit distributions, can be made in foreign currency without prior approval from the State Administration of Foreign Exchange ("SAFE") upon compliance with certain procedural requirements. However, individual payments of capital items require prior approval from the appropriate government authority. In addition, any tightening of such restrictions, including but not limited to the future imposition of restrictions on foreign exchange transactions for current account items, such as the payment of dividends, may limit our ability to use resources generated in Renminbi to fund our business activities outside the PRC.

As our revenue and operating costs are mostly denominated in Renminbi, our business and operating results may be materially and adversely affected in the event of severe fluctuations in the value of Renminbi against other currencies. The value of the Renminbi is subject to changes in PRC governmental policies and to international economic and political developments.

PRC regulation on direct investments and loans by offshore holding companies to PRC entities may delay or limit our ability to use the proceeds from this offering to make additional capital contributions or loans to our PRC operating businesses.

Any capital contributions or loans that we, as an offshore company, make to our PRC operating businesses are subject to PRC regulations. For example, any of our loans to our PRC operating businesses cannot exceed the upper limit of cross-border financing risk-weighted balance, which is calculated in accordance with the formula provided in the relevant regulations issued by PBOC. The capital contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require filings with the local commerce department, which may take considerable time and result in delays of receiving the contribution. There is no guarantee that we will be able to accomplish these filings in time, or at all. If we fail to accomplish such filings our ability to make capital contributions, provide loans to our PRC operating businesses or to fund their operations may be entirely prohibited or affected, which, as a result, could affect their liquidity, their ability to fund their working capital and expansion projects, and meet their obligations and commitments.

The PRC government may introduce new policies that could further restrict our ability to use funds raised outside China. Our borrowings from sources outside of China as a percentage of our total borrowings has been increasing and may continue to increase in the future. Due to restrictions imposed by the PRC laws and regulations, we may not be able to use all or any of the funds that we raise outside of China, including the net proceeds from the current offering, as we contemplated, which may have a material and adverse effect on our business, results of operations, financial condition and prospects.

We may be subject to restrictions introduced by the PRC government on foreign investment in the PRC property market.

Since our Company is an offshore company, we may be subject to the restrictions introduced by the PRC government on foreign investment in the PRC property market when we engage in new project development.

On July 11, 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the State Administration for Industry and Commerce and SAFE issued the Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資準入和管理的意見》)

(the “171 Opinion”), which states that, among other things, a foreign entity or individual investing in the PRC property other than for self-use, must apply for the establishment of a Foreign Invested Real Estate Enterprise (the “FIREE”) in accordance with the applicable PRC laws and can only conduct operations within the authorized business scope. The opinion attempts to impose additional restrictions on the establishment and operation of a FIREE by measures including regulating the amount of registered capital as a percentage of total investment in certain circumstances, limiting the validity of a FIREE or the transfer of its projects and prohibiting the borrowing of money from domestic and foreign lenders where, among other things, the registered capital is not paid up, land use rights are not obtained, or the capital fund is less than 35% of the total investment amount in the intended development project. In addition, the opinion also limits the ability of certain foreign individuals to purchase residential properties in China.

The 171 Opinion has been revised by the Notice of the Ministry of Housing and Urban-Rural Development, the Ministry of Commerce, the National Development and Reform Commission and Other Departments on Adjusting the Policies on the Market Access and Administration of Foreign Investment in the Real Estate Market (《住房城鄉建設部、商務部、國家發展改革委等部門關於調整房地產市場外資準入和管理有關政策的通知》), issued by Ministry of Housing & Urban-Rural Development, Ministry of Commerce and State Development & Reform Commission on August 19, 2015. The requirement that foreign-funded real estate enterprises must fully pay up their registered capital to apply for domestic loans, overseas loans, and settlement of foreign exchange loans is cancelled. In addition, branch offices or representative offices (except for enterprises approved to engage in the real estate business), which are formed within China by overseas institutions and overseas individuals who work or study in China, may purchase commercial housing units for their own use according to their actual needs.

On May 23, 2007, MOFCOM and SAFE issued the Circular on Further Reinforcing and Standardizing the Examination and Supervision on Foreign Direct Investment in Real Estate Industry (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) (the “May Circular”) amended by the “Decision of the Ministry of Commerce on Amending Some Rules and Regulating Documents” issued by MOFCOM on October 28, 2015, which states that, among other things, a foreign investor must apply to establish a FIREE in accordance with PRC laws if it plans to develop or operate property business in the PRC. The May Circular states that foreign investors cannot bypass the examination and approval requirements applicable to foreign invested property businesses by changing the actual controllers of the domestic property enterprises in the PRC and the merger of or investment in domestic real estate enterprises by way of returning investment (返程投資) (including the same actual controller) shall be placed under strict control. If foreign-invested enterprises wish to engage in property development or operation business, or FIREEs wish to engage in new project development operations, they must apply to the relevant examination and approval authorities for their expansion of scope of business or scale of business operation. In addition, local examination and approval authority shall file the approval of the establishment of foreign-funded real estate enterprises with the MOFCOM for record in a timely manner according to law.

The PRC Labor Contract Law may cause our labor costs to increase and we may be liable for fines and penalties for any material breach of this law.

On June 29, 2007, the Standing Committee of the NPC adopted the PRC Labor Contract Law (《中華人民共和國勞動合同法》) (the “Labor Contract Law”), which became effective on January 1, 2008. The Labor Contract Law imposes requirements relating to, among others things, minimum wages, severance payments and non-fixed term employment contracts, and establishes time limits for probation periods and the circumstances in which an employee can be placed on a fixed-term employment contract. It also provides that social insurance is required to be paid on behalf of employees, and employees are entitled to unilaterally terminate the labor contract if this requirement is not being satisfied.

Pursuant to this law, our PRC subsidiaries are required to enter into non-fixed term employment contracts with employees who have consecutively worked for them for more than 10 years or, unless otherwise provided under the Labor Contract Law, for whom a fixed-term employment contract has been concluded for two consecutive terms since January 1, 2008. Consequently, we may not be able to efficiently terminate the employment contracts with our employees under this law without demonstrating the cause. In addition, we are required to make severance payments to employees upon early termination of their employment contracts, unless the contract is terminated due to (i) the employee’s misconduct, (ii) the employee voluntarily terminates the contract or (iii) the employee voluntarily rejects an offer to renew the contract in circumstances where the

conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is calculated based on monthly wage of the employee multiplied by the number of full years that the employee was employed by the employer, capped at 12 years. If the employee has been employed for more than six months but less than a year, it is deemed one year. If the employee has been employed for less than six months, the employer shall pay a half-month salary as severance payment. If the employee's monthly wage is three times greater than the average monthly wage of the preceding year in the relevant district or locality, the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage.

On December 28, 2012, the Labor Contract Law was amended and passed by the 30th session of the Standing Committee of the 11th National People's Congress, which was implemented from July 1, 2013. This amendment is relating to the labor dispatch section in the Labor Contract Law, which clearly expresses the criteria for the dispatch service providers, the administrative license for dispatch service, the "equal pay for equal work" principle for the dispatched employees and the positions for which the dispatch service applies.

The amended Labor Contract Law mainly has the following requirements regarding the qualifications of the dispatch service providers: (1) increasing the registered capital requirement of the dispatch service providers from RMB500,000 to RMB2,000,000; (2) requiring the dispatch service providers to legally apply for and obtain the prerequisite administrative license from the competent labor administrative bureau. The enterprises that were operating the dispatch service before the effectiveness of the amended Labor Law Contract shall obtain the administrative license and apply for the change of registration before July 1, 2014.

Compliance with the relevant laws and regulations may substantially increase our operating costs and may have a material impact on our results of operations. In particular, an increase in labor costs in the PRC will increase our service costs, and we may not be able to pass these extra costs onto our customers due to competitive pricing pressures. There is no guarantee that any employment disputes or strikes will not happen in the future. Increase in our labor costs and any future disputes with our employees can materially and adversely affect our business, financial condition or results of operations.

Interpretation of PRC laws and regulations involves uncertainty.

The PRC legal system is based on written statutes. Prior court decisions can only be used as a reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations 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. For example, the National Development and Reform Commission (the "NDRC") of the PRC issued a 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") on September 14, 2015. The NDRC Notice, which became immediately effective, requires registration of offshore debt offerings by PRC enterprises with the NDRC. We have not registered the issuance of the Notes with the NDRC, because the NDRC Notice by its own requirements applies only to debt with a tenor of one year or above, whereas the Notes have a tenor shorter than one year. As the NDRC Notice is a new regulation, however, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. We cannot assure you that the NDRC will not interpret the NDRC Notice differently, or indeed promulgate a new regulation, such that debt instruments similar to the Notes will be subject to registration or other regulatory requirements. We cannot predict the negative implication any such development would introduce to the Notes, and we cannot assure you that we will be able to comply with any such regulation. 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. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are subject to policy changes. There is no guarantee that the introduction of new laws, changes to existing laws and the interpretation or application thereof, or delays in obtaining rulings, interpretations or approvals from the relevant authorities will not have an adverse impact on our business or prospects. In addition, any litigation in the PRC may be protracted and result in substantial costs as well as diversion of resources and management attention. The outcome of litigation and dispute resolutions may not be consistent or predictable as in other more developed jurisdictions and it may be difficult to obtain swift or equitable enforcement of the law in the PRC, or to obtain enforcement of a judgment by a court of another jurisdiction. All these uncertainties may cause difficulties in the enforcement of our entitlements under our licenses, and other statutory and contractual rights and interests.

We may be deemed to be a PRC tax resident enterprise under the EIT Law, which could result in unfavorable tax consequences to us and our non-PRC holders of the Notes.

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”) and the implementation regulations to the EIT Law issued by the Standing Committee of the NPC became effective on January 1, 2008. On February 24, 2017 and December 29, 2018, the EIT Law was amended by the Standing Committee of the NPC. Under the EIT Law, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to a uniform 25% enterprise income tax (“EIT”) on their worldwide income. Under the implementation rules of the EIT Law (the “EIT Rules”), “de facto management bodies” are defined as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Substantially all of our management is currently based in China and may remain in China. Therefore, we may be treated as a PRC resident enterprise for EIT purposes and thus be subject to EIT on our worldwide income. However, a PRC resident enterprise is exempt from tax on dividend income received from qualified resident enterprises. The tax consequences to us in the case that we are treated as a PRC resident enterprise are not entirely clear, as they will depend on the implementation regulations and how local tax authorities apply or enforce the EIT Law and the EIT Rules. Furthermore, if we are treated as a PRC “resident enterprise,” we may be obligated to withhold PRC income tax, generally at a rate of 10%, on payments of interest on the Notes to investors that are “non-resident enterprises,” because the interest may be regarded as being derived from sources within the PRC. If we are required under the PRC tax laws to withhold PRC tax on our interest payable to noteholders who are “non-resident enterprises,” we will be required, subject to certain exceptions, to pay such 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 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. If we fail to do so, we may be subject to fines and other penalties. Further, if we are treated as a PRC “resident enterprise,” any gain realized by a “non-resident enterprise” investor from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly may be subject to a 10% PRC tax.

The M&A Rules may limit our ability to acquire PRC companies and may materially and adversely affect the implementation of our acquisition strategies as well as our business and prospects.

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the China Securities Regulatory Commission, promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), which became effective on September 8, 2006 and revised on June 22, 2009 (the “M&A Rules”). Foreign investors should comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A Rules contain requirements with which foreign investors must comply should they seek to (i) purchase the equities of the shareholders of a domestic non-foreign-funded enterprise, or subscribe to the increased capital of a domestic non-foreign-funded enterprise, and thus change the domestic non-foreign-funded enterprise into a foreign-funded enterprise, or (ii) set up a foreign-funded enterprise to acquire assets from a domestic enterprise, or acquire assets from a domestic enterprise and set up a foreign-funded enterprise by contribution of the acquired assets. The M&A Rules stipulate that the business scope upon acquisition of a domestic enterprise must conform to the Catalogue for the Guidance of Foreign Investment Industries 《外商投資產業指導目錄》 promulgated by the NDRC and MOFCOM which is now amended and replaced by the Negative List 2019. The M&A Rules also provide for the takeover procedures for equity interests in domestic enterprises.

There are uncertainties as to how the M&A Rules will be interpreted and implemented. If we decide to acquire a PRC enterprise, we cannot assure you that we or the owners of such PRC enterprise can successfully complete all necessary approval requirements under the M&A Rules. This may restrict our ability to implement our acquisition strategies and may materially and adversely affect our business, financial condition and results of operations.

A failure by the beneficial owners of our shares who are PRC residents to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws and regulations.

In July 2014, SAFE issued the “Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and Financing and in Return Investment via Special Purpose Companies” (《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 “Circular 37”), requiring PRC residents, including both legal persons and natural persons, to register with an appropriate local SAFE branch before it contributes its domestic or overseas assets or equity interests to any company outside of China, referred to as an “offshore special purpose company” for the purpose of acquiring any assets of or equity interest in PRC companies and raising funds from overseas. When a PRC resident contributes the assets or equity interests it holds in a PRC company or an offshore enterprise into the offshore special purpose company, or engages in overseas financing after contributing such assets or equity interests into the offshore special purpose company, such PRC resident shall modify its SAFE registration in light of its interest in the offshore special purpose company and any change thereof. In addition, any PRC resident that is the shareholder of an offshore special purpose company is required to amend its SAFE registration with the local SAFE branch, with respect to that offshore special purpose company in connection with any change in the basic information or other material changes such as capital increase or decrease, equity transfer or merger and acquisition of the domestic resident shareholders. If the PRC resident shareholder fails to comply with Circular 37, the PRC subsidiary may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the above SAFE registration requirements could result in liabilities under PRC laws and regulations for evasion of foreign exchange restrictions.

All of our PRC resident shareholders or beneficiary owners have completed their initial registrations and are in the process of updating their registrations with SAFE. We are committed to complying, and to ensuring that our shareholders and beneficial owners, who are PRC residents, comply with the SAFE Circular 37 requirements. However, we may not at all times be fully aware or informed of the identities of all our beneficial owners who are PRC residents, and we may not always be able to compel our beneficial owners to comply with the SAFE Circular 37 requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, SAFE Circular 37 or other related regulations. Failure by any such shareholders or beneficial owners to comply with SAFE Circular 37 could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC Subsidiary’s ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

We may be subject to PRC taxation if transfers of equity interests in PRC enterprises between related parties are not conducted at fair value.

Pursuant to the EIT Law and its implementation rules, the transfer of equity interests in PRC enterprises between related parties are related party transactions which may need to be filed with local tax authorities and may be subject to audit and challenge by PRC tax authorities. If the tax authorities determine the transfer price does not represent fair value of the equity interests subject to the transfer, the tax authority shall have the right to make tax adjustments within ten years from the tax paying year in which the transaction occurs, as a result of which we may be required to make up the taxable amount between fair value of the equity interest transferred and the cost of investment. During 2017, 2018 and 2019 and the six months ended June 30, 2020, there were certain transfers of PRC enterprises between our Group and related parties.

There is uncertainty as to whether the PRC tax authorities will make adjustment to the taxable capital gains if the transfer prices are deemed not being the fair value of the equity interests. It is currently unclear whether the relevant PRC tax authorities will deem the transfer prices of a particular equity interest transfer as not being at fair value and hence the EIT on capital gains may be subject to further change. In case we are required to make adjustments and to pay the enterprise income tax on capital gains by the relevant PRC tax authorities, and our tax provision is not sufficient, our business, financial condition and operating results may be materially and adversely affected.

RISKS RELATING TO OUR PROPOSED PROPERTY DEVELOPMENT IN THE U.S.

Land use regulations and zoning laws may increase our expenses, delay the completion of planned projects or limit our ability to develop our property as planned.

We are subject to numerous local, state, federal and other laws, statutes, ordinances, rules and regulations of the United States concerning various matters which may affect our business, including, but not limited to, zoning, development, building design, architectural design, construction, fire and safety, and other similar matters which impose restrictive zoning, density or other development controls and requirements that may limit our ability to develop our property for our intended use. We must obtain licenses, permits and approvals from various governmental agencies for any development activities, the granting of which are beyond our control. The process to change such regulations or the process to obtain approvals or waivers for such regulations may be costly, lengthy, can be opposed by consumer, environmental or other groups, and can cause significant delays and may ultimately be unsuccessful, forcing us to permanently halt any planned development. Delays or a permanent halt in the development process can cause substantial increases to development costs, or may cause us to abandon any planned project and sell our property at a potential loss, any of which could harm our operating results.

We are responsible for all ad valorem taxes and other fees on our property and our failure to pay such taxes and fees may result in liens or other adverse consequences.

Our property in the U.S., currently comprising a parcel of land located in the City of Pearland, Texas (“U.S. Property”), will be subject to ad valorem taxes that may increase as tax rates change and as our U.S. Property is assessed and reassessed by taxing authorities. Our property may also be subject to fees and taxes associated with certain municipal utility districts in the State of Texas. As the owner of this property, we will be ultimately responsible for the payment of all taxes and fees to the applicable government authorities. Taxes on our U.S. Property are administered by each of the Brazoria County Tax Assessor-Collector and the Harris County Tax Assessor-Collector, and are based on the annual assessed value of our U.S. Property. These assessments are made by each of the Brazoria County Appraisal District and the Harris County Appraisal District, and may not correctly reflect the value of the U.S. Property. If we fail to pay any such taxes, the applicable taxing authority may place a lien on the property and the property may be subject to a forced sale at public auction.

We may be adversely affected by fluctuations in the global economy and financial markets.

The economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC real estate industry. As financial institutions, companies, investors and consumers attempted to retrench in an effort to reduce exposure, save capital and weather the economic contraction, the demand for and hence value of real estate and the supply of credit decreased. Although the real estate market has recovered in the past year, any economic slowdown in the future could affect our property investment and property development projects. In addition, banks in the PRC have been tightening credit since 2010 after extensive lending in the first half of 2009. This may cause an increase in the interest expense on our bank borrowings, or banks may reduce the amount of, or discontinue, banking facilities currently available to us.

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

uncertain. Additionally, the U.S. government is now undergoing an administration change and it remains uncertain what the new administration's trade policy with China will be going forward. 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. Additionally, in the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. At the end of the transition period, December 31, 2020, the United Kingdom was no longer a part of the European Union. While the United Kingdom has for the most part chosen to retain existing European Union law and have recently reached a trade deal to allow the United Kingdom to continue to trade with the European Union without tariffs or quotas, there are still many unanswered questions. The effects of Brexit remain uncertain and may cause a negative economic impact and increase volatility in the global market.

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

We are subject to various environmental laws and regulations, which may increase costs, limit our ability to develop our property and delay completion of planned projects.

We are also subject to a variety of local, state and federal statutes, ordinances, rules and regulations of the United States concerning the protection of health and the environment. These include, but are not limited to, the Clean Water Act, the Clean Air Act and the Endangered Species Act and comparable state and local laws and regulations. We must comply with laws regulating the release of hazardous substances and other emissions into the air, soil and water, including, among other things, air emissions, wastewater discharge and the handling and disposal of waste. We must also comply with laws governing the protection of endangered or threatened species and other environmental laws that may limit or prevent development in certain environmentally sensitive areas. We must comply with any flood plain restrictions, native plant regulations, cultural resource protections and view restrictions. We may be subject to environmentally sensitive land ordinances that mandate open space areas with public elements in any development and prevent development on hillsides, wetlands or other protected areas.

The U.S. Property may be contaminated by hazardous materials and we may be responsible for the remediation and cleanup of such hazardous materials, even if we are not responsible for the contamination.

Pursuant to federal, state and local environmental laws and regulations of the United States, we may be required to investigate, remove and/or remediate a release of hazardous substances or other regulated materials at, or emanating from, our U.S. Property. Under certain circumstances, we may be held liable for property damage, personal injury and/or natural resource damage resulting from or arising in connection with such releases. Certain of these laws have been interpreted to lead to joint and several liability unless the harm is divisible and there is a reasonable basis for allocation of responsibility. We may also be liable under certain laws for contamination and damage that occurred prior to our ownership of our property. Such laws often impose liability regardless of whether we knew, or were responsible for, the presence of the hazardous materials or toxic substances that caused the contamination. Our failure to remediate a contaminated property may adversely affect our ability to develop, lease, sell or rent the property or borrow funds using the property as collateral.

We may be subject to additional regulations addressing concerns over climate change, and these regulations may increase our cost to develop the U.S. Property.

There are a variety of new legal requirements being enacted, or considered for enactment, at the federal, state and local levels relating to energy and climate change. These include, but are not limited to, new efficiency standards for heating and cooling equipment, new building codes and possible carbon emissions taxes or other initiatives. New building code requirements that impose stricter energy efficiency standards could significantly increase our cost to develop our property. As climate change concerns continue to grow, legislation and regulations of this nature are expected to continue and may result in increased costs. Similarly, energy-related initiatives affect a wide variety of companies in the United States and the world. These initiatives could have an adverse impact on our operations and profitability to the extent that they affect our costs.

Our business and property may be subject to damage and interruptions from adverse weather, and any insurance requirements related to this weather may adversely affect us.

Our property in the United States is located near the Gulf of Mexico, which makes us particularly vulnerable to risks associated with hurricanes and tropical storms. In addition to the risk of damage to our property, once developed, and the potential for business interruptions, we must obtain insurance coverage commensurate with such risks. We cannot predict whether we will continue to be able to obtain insurance for hurricane-related damages or, if obtainable and carried, whether this insurance will be adequate to cover our liabilities. We may also be subject to future federal, state and local laws, regulations and other requirements related to the potential risk associated with operating in this region, including potential requirements regarding insurance coverage, and we are unable to accurately predict whether such measures would adversely affect our business.

We may be required to make expenditures related to compliance with the Americans with Disabilities Act.

We are also required to comply with the provisions of the Americans with Disabilities Act. This act requires places of public accommodation to meet certain federal requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If we are required to make unanticipated expenditures to comply with the Americans with Disabilities Act, including removing access barriers, our business or profitability may be negatively affected. Additionally, the requirements may change or new requirements may be imposed that could require significant unanticipated expenditures by us that may affect our cash flows and results of operations.

We are subject to the Fair Housing Amendment Act of 1988 and the failure to comply with this law could result in litigation, fines or other penalties.

We are also subject to the Fair Housing Amendment Act of 1988. This law, its state law counterparts and regulations promulgated by the U.S. Department of Housing and Urban Development and various state agencies prohibit the discrimination in housing on the basis of race or color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women and people securing custody of children under the age of 18) or disability and, in some states, financial capability. A failure to comply with these laws in our operations could result in litigation, fines, penalties or other adverse claims, or could result in limitations or restrictions on our ability to operate, any of which could materially and adversely affect us.

We may be subject to certain federal and state housing programs, which may place additional compliance requirements on our business.

We may also be subject to additional federal and state laws and regulations administered by numerous federal and state government agencies. These include eligibility and other requirements for participation in programs offered by the Federal Housing Administration, the Department of Veteran Affairs, Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac) and the United States Department of Agriculture (USDA). These laws and regulations require compliance with consumer lending laws and other regulations governing disclosure requirements, prohibitions against discrimination and real estate settlement provisions. These laws would subject our PRC operations to examination by the applicable agencies.

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 primarily through our PRC subsidiaries and we have expanded into the U.S. property market. The Notes will not be guaranteed by any current or future PRC subsidiaries or by certain other Non-Guarantor Subsidiaries (including all of our existing U.S. subsidiaries) as defined in the section entitled "Description of the Notes." In addition, shares of our PRC subsidiaries and other Non-Guarantor Subsidiaries will not be pledged for the benefit of the holders of the Notes. Our primary assets are ownership interests in our PRC subsidiaries and other Non-Guarantor Subsidiaries. The

Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or the 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. See “—Risks Relating to the PRC—A failure by the beneficial owners of our shares who are PRC residents to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws and regulations.”

Creditors, including trade creditors of our Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on such subsidiaries’ assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes are effectively subordinated to all existing and future obligations of such subsidiaries, 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 bank and other borrowings in the amount of RMB12,200.5 million (US\$1,726.9 million) and capital and other commitments and outstanding guarantees of approximately RMB14,366.4 million (US\$2,033.4 million) and RMB15,364.3 million (US\$2,174.7 million), respectively. See “Description of Other Material Indebtedness and Obligations.” The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantor (if any) and our Non-guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. The Notes and the Indenture do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary 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 required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to a third party of a 20% to 49.9% equity interest in such subsidiary by its direct or indirect majority shareholders or the purchase by the Company or any Restricted Subsidiary of no less than 50.1% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary (subject to the satisfaction of certain conditions). Recovery under the JV Subsidiary Guarantees provided by a JV Subsidiary Guarantor and its shareholders and subsidiaries is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

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

We now have, and will continue to have after the offering of the Notes, a significant amount of indebtedness. A substantial amount of such indebtedness will become due in 2021. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our total outstanding borrowings (including bank and other borrowings, senior notes and corporate bond) amounted to RMB16,240.8 million, RMB15,928.2 million, RMB18,496.0 million (US\$2,617.9 million) and RMB21,554.0 million (US\$3,050.8 million), respectively.

Our substantial indebtedness could have important consequences for 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. Although the Indenture restricts us and our Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. Under the Indenture, our ability to incur additional indebtedness is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the Notes includes our unrealized gains on valuation adjustments on our investment properties as well as fair value gains arising from the revaluation of properties under development and completed properties held for sale in connection with purchase, redemption or acquisition of shares of a Restricted Subsidiaries, 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 or revaluation 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 paid by us), our Consolidated Interest Expense and our ability to incur additional indebtedness 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. Furthermore, the limitations on indebtedness and preferred stock covenant in the terms of the Notes is even more relaxed than that in the terms of the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, and the July 2020 Notes. Once the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, and the July 2020 Notes are fully redeemed or their terms are similarly amended, we will be able to incur even more debt. If we or our subsidiaries incur additional indebtedness, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. If our onshore subsidiaries incur additional indebtedness, the ratings assigned to the Notes by any rating agency may be adversely affected which could adversely affect the market price of the Notes. See “—Risks Relating to the Notes—The ratings assigned to the Notes may be lowered or withdrawn in the future.” In addition, the terms of the Notes allow our subsidiaries to borrow from shareholders (including our joint venture partner(s) and do not count them as Indebtedness if they are interest-free and do not provide for a fixed maturity date. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

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

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the specific exceptions to the financial ratios 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 other financing arrangements also impose operating and financial restrictions on our business. See “Description of Other Material Indebtedness and Obligations.” Such restrictions in the Notes 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. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

Our ability to generate cash to service our indebtedness depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, including the Notes, and to fund planned capital expenditures and project development will depend on our ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Our business might not generate sufficient cash flow from operations to enable us to pay our indebtedness, including the Notes, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including the Notes, on or before maturity. We might not be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we are unable to service our indebtedness or obtain refinancing on terms acceptable to us, we may be forced to adopt an alternative strategy that may include reducing or delaying capital expenditures, selling assets or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

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

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our debt 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 of such subsidiaries. See “Description of Other Material Indebtedness and Obligations.” In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments on the Notes. Further, certain loan agreements and secured trust financing agreements obtained by our PRC subsidiaries from lender banks and trust companies in the PRC contain provisions that restrict or prohibit the payment or declaration of dividends or distributions. 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 ability of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) to satisfy their obligations 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 IFRSs 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 by the board of directors. 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 a double tax treaty between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. In addition, the State Administration of Taxation promulgated the Notice of the State Administration of Taxation on the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) which becomes effective on April 1, 2018 and provides that a case-by-case analysis approach should be adopted and sets forth the relevant factors to be taken into account when determining a beneficial owner. As a result of such limitations, there could be timing limitations on payments from our PRC subsidiaries to meet our payment obligations required by the Notes or to satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or the 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, in practice, the market interest rate 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 shareholders’ 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, subject to approval by local tax authorities) withholding tax on our behalf on the interest paid under any shareholders’ loans. PRC regulations require approval by the SAFE prior to any of our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries (except the loans to a foreign-invested enterprise within the difference between its total investment and registered capital), and require such loans (including the loans to a foreign-invested enterprise within the difference between its total investment and registered capital) to be registered with the SAFE. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with the SAFE, as well as any other documents that the 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 the JV Subsidiary Guarantees (as the case may be). Any limitation on the ability of our PRC subsidiaries to pay dividends to us may also materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses or otherwise fund and conduct our business.

The terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures; the terms of the Notes also give us flexibility to pay dividends and repurchase our shares.

In light of land prices, sizes of projects, the competitive landscape and other factors, we may from time to time consider developing properties jointly with other property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the Indenture governing the Notes and the indentures governing our other outstanding notes. Although the Indenture governing the Notes and the indentures governing our other outstanding notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or joint ventures, these restrictions are subject to important exceptions and qualifications. In particular, the Indenture governing the Notes does not impose a minimum shareholding requirement or restrict the types of business these entities are engaged in, and we are also not required to satisfy the Fixed Charge Coverage Ratio if the aggregate amount of these investments does not exceed 20% of the Total Assets. See the section entitled “Limitation on Restricted Payments” and the definition of “Permitted Investment” in “Description of the Notes.”

In addition, notwithstanding any other provision of the “Description of the Notes—Certain Covenants—Limitation on Restricted Payments” covenant under the terms of the Notes, we are not required to satisfy the Fixed Charge Coverage Ratio or the restricted payment “basket” for any restricted payment consisting solely of the declaration or payment of dividends in cash on our Common Stock or the repurchase of our Common Stock and otherwise have flexibility to make substantial amounts of dividend distributions on our Common Stock and repurchases of our Common Stock. See “Description of the Notes—Certain Covenants—Limitation on Restricted Payments.”

The Notes are subject to optional redemption by us.

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

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

The terms of the Notes permit us to effect a merger without satisfying the Fixed Charge Coverage Ratio requirement.

Under the terms of the Notes, the Company or a Subsidiary Guarantor may only effect a merger with another person upon the satisfaction of certain conditions, including the satisfaction of the Fixed Charge Coverage Ratio requirement or, alternatively, the condition that the Fixed Charge Coverage Ratio after the merger would be no less than that immediately prior to the transaction. This alternative is not in the terms of senior notes of many similarly situated PRC issuers. We could potentially effect a merger within the terms of the Notes without satisfying the Fixed Charge Coverage Ratio requirement so long as we meet the alternative condition.

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

The Indenture governing the Notes permit us to redeem, repurchase or otherwise acquire minority interests in our Restricted Subsidiaries in an arm's length transaction, and such purchases will not constitute Restricted Payments. See "Description of the Notes—Certain Covenants—Limitation on Restricted Payments." Even though such transactions would potentially increase our ownership interests in the relevant Restricted Subsidiary, we may pay substantial amounts of consideration in these transactions, whether in cash or other assets, which may adversely impact our business, results of operations and financial condition.

The terms of the Notes permit us to designate any Non-Core Entity as an Unrestricted Subsidiary in connection with any Qualified Spin-off IPO, and investments we retain in such Unrestricted Subsidiaries will not constitute Restricted Payments upon such designation.

We may consider spinning off certain business for listing, such as our acquisition, development, management and operation of commercial properties, or business conducted outside the PRC, in the future as we desire. Subject to certain restrictions, in connection with a spin-off listing of Non-Core Entities that are engaged in businesses other than our core residential development business in the PRC, the terms of the Notes permit us to designate any such Non-Core Entity as an Unrestricted Subsidiary, and any interests we retain in such Non-Core Entities will not constitute Restricted Payments upon such designation. See "Description of the Notes—Certain Covenants—Limitation on Restricted Payments" and the definition of "Permitted Investment." We currently do not have any plan for such spin off listing and do not expect to make such designations. The effects of any such designation, if applicable, include, but are not limited to, that:

- any entity so designated as an Unrestricted Subsidiary will no longer be subject to the covenants under the Indenture governing the Notes;
- the Subsidiary Guarantees of any entity so designated as an Unrestricted Subsidiary 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 of any entity so designated as an Unrestricted Subsidiary will not be included in the calculation of our Consolidated Interest Expense, other than such interest expenses on Indebtedness that is Guaranteed by the Company or a Restricted Subsidiary.

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and further widened to 2.0% on March 17, 2014. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 9.2% from July 21, 2005 to December 31, 2016. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the RMB against the U.S. dollar depreciated by nearly 2.0% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. 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 the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar denominated indebtedness and other obligations. The fluctuations in exchange rates 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 and other indebtedness denominated in foreign currencies.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the 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 agreements in respect of our foreign currency-denominated liabilities and our liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their affiliates may enter into such hedging agreements permitted under the Indenture, and these agreements 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 agreements.

Any hedging obligation entered into or to be entered into by us or our subsidiaries, may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to us and/or any of our subsidiaries, and the terms and conditions of such hedging obligation(s) may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, us and/or any of our subsidiaries (as relevant) in respect of any such early termination. Any such early termination, in whole or in part, of any such hedging obligation(s), and the payment and any other consequences and effects of such early termination(s), may be material to our financial condition and/or any of our subsidiaries and may be material in relation to the performance of our or their respective obligations under or in relation to the Notes (if applicable), any indebtedness or any other present or future obligations and commitments.

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

We have developed our Green Bond Framework and intend to adopt certain obligations with respect to the issue of Green Bonds as described in the section headed “Notes Being Issued as Green Bonds.” We intend to issue Green Bonds to fund new and existing projects and businesses with environmental benefits in alignment with the Green Bond Principles, 2017. We cannot guarantee that we will be able to comply with the obligations as set out in the Green Bond Framework. However, it will not be an event of default under the terms of the Notes if we fail to comply with such obligations. Such failure may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets. Therefore, the Notes may not be a suitable investment for all investors seeking exposure to green assets.

We may not be able to repurchase the Notes upon the exercise of the Delisting Put Right.

Upon the exercise of the Delisting Put Right at the option of the noteholders, we must repurchase the tendered Notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See “Description of the Notes—Delisting Put Right.” The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the exercise of the Delisting Put Right to make purchases of outstanding Notes. Our failure 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.

We may not be able to repurchase the Notes, the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes and the July 2020 Notes upon a change of control triggering event, and we may have the right to purchase all Notes in connection with a change of control offer.

We must offer to purchase the Notes, the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes and the July 2020 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,” “Description of Other Material Indebtedness and Obligations—March 2018 Notes,” “Description of Other Material Indebtedness and Obligations—April 2019 Notes,” “Description of Other Material Indebtedness and Obligation—February 2020 Notes,” “Description of Other Material Indebtedness and Obligations—March 2020 Notes,” and “Description of Other Material Indebtedness and Obligations—July 2020 Notes.”

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any change of control triggering event to make purchases of the outstanding Notes, the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes and the July 2020 Notes. Our failure to make the offer to purchase or to purchase the outstanding Notes, the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes and the July 2020 Notes would constitute an event of default under the Notes, the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes and the July 2020 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, the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes and the July 2020 Notes and repay the debt.

In addition, the definition of change of control triggering event 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, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of change of control triggering event for purposes of the Indenture also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the 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.

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 treated as a PRC “resident enterprise” under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under “Description of the 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 or interpretation that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC “resident enterprise,” we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

The insolvency laws of the Cayman Islands and the PRC and other local insolvency laws applicable to us may differ from those of any other jurisdiction with which holders of the Notes are familiar.

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

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

We may be unable to obtain and remit foreign exchange.

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

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

If we are unable to comply with the restrictions and covenants in the Indenture or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed 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 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 react to market conditions or meet our capital needs, which could increase your credit risk.

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

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

- enter into transactions with shareholders or affiliates; and
- effect a consolidation, merger, restructuring or changes in shareholding in subsidiaries.

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

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

The Notes are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See “Plan of Distribution.” We cannot predict whether an active trading market for the Notes will develop or be sustained.

The Notes may initially be sold to a small number of investors; accordingly, a liquid trading market for the Notes may not develop. In addition, one or more of the initial investors may own a significant percentage or a majority of the Notes and may therefore be able to exercise certain rights and powers on behalf of all Noteholders.

The Notes may initially be sold to a small number of investors. Some of such investors may be affiliates of certain Initial Purchasers. One or a limited number of investors may purchase a significant portion of the Notes offered. Accordingly, a liquid trading market may not develop or be sustained, in which case you may not be able to resell your Notes at their fair market value or at all. In addition, one or more of the initial investors may purchase a significant percentage or a majority of the aggregate principal amount of the Notes in this offering. Any holder of a majority in aggregate principal amount of the Notes will have certain rights and powers under the Indenture and related documents. For example, subject to certain exceptions, the holders of a majority in aggregate principal amount of the Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. In addition, as described in “Description of the Notes—Amendments and Waiver,” the Indenture or any Security Document may be amended with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Notes, and any Default or Event of Default or compliance with any provision of the Notes, the Indenture and any Security Document may be waived with the consent of the holders of a majority in aggregate principal amount of the Notes, subject in each case to certain exceptions. Accordingly, any investor that holds a majority in aggregate principal amount of the Notes will be able to exercise such rights and powers on behalf of all Noteholders and control the outcome of votes on such matters. In addition, any investor that holds a significant percentage of the Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by Noteholders. For example, holders of at least 25% in aggregate principal amount of the Notes may declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable if certain types of Events of Default have occurred and are continuing.

The ratings assigned to the Notes may be lowered or withdrawn in the future.

The Notes are expected to be assigned a rating of B3 by Moody’s and B by Fitch. 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 foreign currency issuer default rating of B with a stable outlook by Fitch 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 the ratings will be confirmed or they 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 the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), which provide, among other things, that any transaction between a listed company or any of its subsidiaries, on the one hand, and a “connected person” of such listed company, on the other hand, is a “connected transaction” that, if the value of such transaction exceeds the applicable de minimis thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of “connected person” to a listed company includes, among others, any 10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of “connected person” also captures “associates,” which include, among others, (a) any subsidiary of such “connected person,” (b) any holding company of such “connected person” and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

The “Limitation on Transactions with Shareholders and Affiliates” covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and

- (a) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company; or
- (b) any Affiliate of the Company, on the other hand.

As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they may be connected transactions under the Listing Rules and subject to any requirements under the Listing Rules to obtain approval from independent shareholders. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers’ certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions. In addition, we will also not be required to deliver officers’ certificates or any fairness opinions for certain Affiliate Transactions which are connected transactions that are conducted in compliance with the relevant Listing Rules.

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 and proposals for new investments, strategic alliances and/or acquisitions, interest rates, fluctuations in price for comparable companies and 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 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 depository 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 and Transfer 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 depository for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book-entry interest, you must

rely on the procedures of Euroclear and Clearstream 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, THE JV SUBSIDIARY GUARANTEES AND THE COLLATERAL

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 and we have expanded into the US property market but none of our current PRC subsidiaries or US subsidiaries will provide a 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. In addition, certain of our offshore subsidiaries (including but not limited to our existing and any future US subsidiaries) will not be required to guarantee the Notes if the consolidated assets of these subsidiaries do not exceed 25% of our total assets. As a result, the Notes are effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of our PRC subsidiaries and other Non-Guarantor Subsidiaries. Moreover, the Collateral does not include the capital stock our existing or future PRC subsidiaries and other Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors that 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 financial obligations under the Notes if we are unable to do so.

The holders of the March 2018 Notes, the holders of the April 2019 Notes, the holders of the February 2020 Notes, the holders of the March 2020 Notes, the holders of the July 2020 Notes and the holders of any future permitted pari passu secured indebtedness have a right to share any security interests, guarantees, indemnities and other arrangements that the Company creates or permit to subsist in respect of any debt securities issued thereafter. Therefore, unless such right is waived, any future Subsidiary Guarantees that guarantee the Notes may have to be shared with holders of the March 2018 Notes, the holders of the April 2019 Notes, the holders of the February 2020 Notes, the holders of the March 2020 Notes, the holders of the July 2020 Notes and any future permitted pari passu secured indebtedness, which may further decrease the funds available to satisfy our financial obligations under the Notes.

Moreover, under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of a 20% to 49.9% equity interest in such subsidiary or its direct or indirect majority shareholders or the purchase by the Company or any Restricted Subsidiary of no less than 50.1% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary (subject to the satisfaction of certain conditions). Recovery under the JV Subsidiary Guarantees provided by a JV Subsidiary Guarantor and its shareholders and subsidiaries are limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last

fiscal year-end of the Company. As a result, the amount that may be recovered by the 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.

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

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

The Collateral will be shared *pari passu* with the holders of the March 2018 Notes, the holders of the April 2019 Notes, the holders of the February 2020 Notes, the holders of the March 2020 Notes and the holders of the July 2020 Notes. In addition, the Indenture also permits us to enter into certain future financings, and creditors under those future financings may share the Collateral *pari passu* with the holders of the Notes. See “Description of the Notes—Security—Permitted *Pari Passu* Secured Indebtedness” for a further discussion of the sharing of the Collateral with future financings. If creditors under future financings opt to share the Collateral under the Intercreditor Agreement, a smaller portion of the proceeds from the Collateral will be available to satisfy the claims of the holders of the Notes, which could have a material adverse effect on their ability to recover sufficient proceeds to satisfy their claims under the Notes.

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

The Collateral Agent is required to take action to enforce the Collateral in accordance with the instructions of the holders of the Notes and the holders (or representatives or agents) of other Permitted *Pari Passu* Secured Indebtedness, given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Collateral Agent will adversely affect the Company’s entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on the Company’s ability to fulfill its payment obligations under the Notes. Further, the Subsidiary Guarantors’ or the JV Subsidiary Guarantors’ ability to pay under the Subsidiary Guarantees or the JV Subsidiary Guarantees will be adversely affected. The ability of holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Collateral Agent is permitted to take enforcement actions. If an event of default occurs under the Notes, the holders of the Notes holding 25% of the outstanding amount of the Notes and the holders of other Permitted *Pari Passu* Secured Indebtedness may decide whether to take any enforcement action and may thereafter, through their respective trustee, representative or agent, in accordance with the Intercreditor Agreement (if any), instruct the Collateral Agent to take enforcement action against the Collateral. By virtue of the instructions given to the Collateral Agent described above, actions may be taken in respect of the Collateral that may be adverse to holders of the Notes. In such event, the only remedy available to holders of the Notes would be to sue for payment under the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any).

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

Further, under the Intercreditor Agreement, although the Trustee is entitled to give instructions to the Collateral Agent to enforce the Collateral, in the event that there is any conflicting instruction from another creditor representative which is entitled to so instruct the Collateral Agent, the Collateral Agent will only enforce the Collateral upon receiving written instructions from creditors subject to the Intercreditor Agreement that represent more than 50% of the principal amount of the related secured liabilities outstanding at such time. Such written instructions from such majority creditors may be in conflict with the written instructions from the Trustee and may conflict with the interests of the holders of the Notes.

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

For Subsidiary Guarantors or JV Subsidiary Guarantors (if any) incorporated in the British Virgin Islands:

- incurred the debt with the intent to defraud creditors (whenever the transaction took place and irrespective of insolvency);
- either (i) put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given or (ii) received no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the guarantor (although in either case a guarantee will only be voidable if it (i) was entered into at a time when the guarantor was insolvent or if it became insolvent as a consequence of doing so, insolvent in this context meaning that the guarantor is unable to pay its debts as they fall due, and (ii) it was given within the six month, or, if the guarantee and beneficiary are connected entities, two year, period before the onset of insolvency).

For Subsidiary Guarantors or JV Subsidiary Guarantors (if any) incorporated in other jurisdictions:

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

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the jurisdiction which are being applied. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debt as it became absolute and matured. We cannot assure you that such limitation will be effective in preserving the enforceability of any of the Subsidiary Guarantees or JV Subsidiary Guarantees (if any). In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantors. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration, and, as a result, such guarantee would be rendered void.

In an attempt to limit the applicability of insolvency and fraudulent transfer 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 (if any) without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantor (if any), voidable under such applicable insolvency or fraudulent transfer laws.

If a court voided a Subsidiary Guarantee or JV Subsidiary Guarantee (if any), subordinated such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor (if any) or held the Subsidiary Guarantee or JV Subsidiary Guarantee (if any) 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, and would solely be creditors of us and any Subsidiary Guarantor or JV Subsidiary Guarantor whose guarantee was not voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

The pledge of certain Collateral may in some circumstances be voidable.

The pledge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong and the British Virgin Islands if the creation of the pledge takes place at any time within six months prior to the onset of insolvency or, under some circumstances, within a longer period. Pledges of shares of future Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain Collateral may be voided based on the analysis set forth under “—The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees.”

If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us and the Subsidiary Guarantor Pledgor.

The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes, the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, the July 2020 Notes and other pari passu secured indebtedness.

The Collateral will consist only of the shares of the initial Subsidiary Guarantors. The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional Collateral.

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

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

Subject to the Intercreditor Agreement, the Collateral will be shared on a *pari passu* basis by the holders of the Notes, the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, the July 2020 Notes and any other creditors with respect to Permitted *Pari Passu* Secured Indebtedness. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgor is unlikely to be sufficient to satisfy the Company's and the Subsidiary Guarantor Pledgor's obligations under the Notes, and the related subsidiary guarantees, the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, the July 2020 Notes and the Permitted *Pari Passu* Secured Indebtedness, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes or additional Permitted *Pari Passu* Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture and the Intercreditor Agreement (if any).

The pledge of certain Collateral may be released under certain circumstances.

If we dispose of not less than 20% of the shares of a Subsidiary Guarantor, the Subsidiary Guarantees provided by such Subsidiary Guarantor and its subsidiaries, and the Collateral comprising the shares of these companies, may be released if the consolidated assets of our non-PRC subsidiaries that do not guarantee the Notes do not account for more than 25% of our total assets immediately following such release. In addition, in the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge of the shares granted by such Subsidiary Guarantor, as well as the pledge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms of the Indenture, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

USE OF PROCEEDS

We estimate that the net proceeds from this offering of the Notes, after deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US\$243.7 million. We intend to use the net proceeds from this offering to refinance certain existing 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”).

NOTES BEING ISSUED AS GREEN BONDS

PURPOSE

This Green Bond Framework has been developed to demonstrate how we will issue Green Bonds to fund new and existing projects and businesses with environmental benefits in alignment with the *Green Bond Principles (GBP), 2017*.

ASSERTIONS FROM MANAGEMENT

For each Green Bond issued, we assert that it will adopt: (1) use of proceeds; (2) project evaluation and selection; (3) management of proceeds, and (4) reporting, as set out in this framework.

1. Use of Proceeds

With reference to the *Green Bond Principles (GBP), 2017*, the proceeds of each Green Bond will be used exclusively for the financing or the re-financing of “Eligible Projects”, including without limitation, the refinancing of existing debt in relation to such projects.

“**Eligible Projects**” refer to projects funded, in whole or in part, by us that promotes the transition to low-carbon and climate resilient growth as determined by us. Eligible Projects target climate mitigation and include investment in the development of sustainable properties.

Eligible Projects are any project that fulfills criteria 1 and 2 below.

1. Commercial and residential buildings environmentally certified in accordance with any one of the following selected certification systems: (‘Environmental certification’)
 - New construction or renovation of existing buildings
 - Chinese Green Building Label (minimum certification “2 Star” for Green Building Design Label or Green Building Operation Label); or
 - LEED (minimum certification “Gold”)
2. Additional energy saving/performance data for projects mentioned above. Such data shall be anticipated by the management team before project completion and may be evidenced through third party energy reports as soon as practicable following the completion of the relevant project. Such energy saving/performance data shall provide at least: (‘Energy performance data’)
 - New construction of buildings
 - 15% energy performance improvement or greater
 - Renovation of existing of buildings
 - 30% energy performance improvement, depending on location and other justifiable building benefits

2. Project Evaluation and Selection

Eligible Projects are selected by our treasury department together with the green building research and development department.

We will review green building certification and energy performance data for its projects. If such project is compliant with the criteria listed above, it may be earmarked as the use of proceed of Green Bonds issued under this framework, including by way of using the proceeds of the Green Bonds to refinance debt in relation to such projects.

We may commission a qualified third party to investigate and report on building energy performance and therefore determine eligibility for our Green Bond.

3. Management of Proceeds

We will establish a Green Bond eligible investment register for the Green Bond(s) issued. The register will contain, for each Green Bond issued, information including:

1. **Green Bond details:** including details such as ISIN, issue date, maturity date, principal amount and coupon.
2. **Eligible green investment project list:** information including:
 - confirmation that earmarked projects conform to this Green Bond Framework;
 - member within our Group that owns the project;
 - environmental certification (including source and date);
 - energy performance data (including source and date);
 - project location;
 - amount of investment (state currency);
 - date of investment;
 - progress/construction status; and
 - any other necessary information so that the aggregate of issuance proceeds earmarked to Eligible Projects is recorded.

Any balance of issuance proceeds not earmarked to fund eligible green investments will be held in accordance with our normal treasury or liquidity management policy.

4. Reporting

We will provide an annual update report including (if applicable):

1. Details of the Green Bonds issued including details such as ISIN, issue date, maturity date, principal amount and coupon;
2. Confirmation of aggregate amount of proceeds earmarked to Eligible Projects;
3. The remaining balance of Green Bond proceeds yet to be earmarked;
4. A list of Eligible Projects earmarked to be funded by the proceeds of the Green Bonds, including information such as building certifications and energy performance data; and
5. A selection of more detailed project examples (where competition and confidentiality considerations allow).

The Green Bond update report will be available on our webpage or included in our annual report.

EXCHANGE RATE INFORMATION

CHINA

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

On May 18, 2007, PBOC widened 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. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% on March 17, 2014. Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against the U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. The PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day.

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(RMB per US\$1.00)		
2015.....	6.4778	6.2869	6.4896	6.1870
2016.....	6.9430	6.6549	6.9580	6.9430
2017.....	6.5063	6.7530	6.9575	6.4773
2018.....	6.8755	6.6292	6.9737	6.2649
2019.....	6.9618	6.9014	7.1786	6.6822
2020				
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.....	6.8647	6.9310	6.9799	6.8647
September.....	6.7896	6.8106	6.8474	6.7529
October.....	6.6919	6.7254	6.7898	6.6503
November.....	6.5750	6.6044	6.6899	6.5556
December (through December 23, 2020).....	6.5400	6.5420	6.5705	6.5295

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.

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(HK\$ per US\$1.00)		
2015.....	7.7507	7.7519	7.7686	7.7495
2016.....	7.7534	7.7618	7.8270	7.7505
2017.....	7.8128	7.7950	7.8267	7.7540
2018.....	7.8305	7.8376	7.8499	7.8043
2019.....	7.7894	7.8335	7.8499	7.7850
2020				
June.....	7.7501	7.7501	7.7514	7.7498
July.....	7.7500	7.7509	7.7538	7.7499
August.....	7.7502	7.7502	7.7506	7.7498
September.....	7.7500	7.7500	7.7504	7.7499
October.....	7.7548	7.7503	7.7548	7.7498
November.....	7.7508	7.7526	7.7552	7.7505
December (through December 23, 2020).....	7.7529	7.7516	7.7529	7.7505

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 consolidated cash and cash equivalents, short-term debt 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 Notes in this offering, after deducting the underwriting discounts, commissions and other estimated expenses payable by us. The following table should be read in conjunction with the selected consolidated financial information and the consolidated financial statements and related notes thereto included elsewhere in this offering memorandum.

	As of June 30, 2020			
	Actual		As adjusted	
	RMB'000	US\$'000	RMB'000	US\$'000
Bank balances and cash ⁽¹⁾	7,840,824	1,109,797	9,562,426	1,353,474
Short-term borrowings ⁽²⁾⁽³⁾				
Bank and other borrowings	5,349,149	757,123	5,349,149	757,123
Corporate bond	130,473	18,467	130,473	18,467
Senior notes	2,319,893	328,360	2,319,893	328,360
	7,799,515	1,103,950	7,799,515	1,103,950
Long-term borrowings ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾				
Bank and other borrowing	8,363,148	1,183,727	8,363,148	1,183,727
Corporate bond.....	934,852	132,320	934,852	132,320
Senior Notes.....	4,456,474	630,773	4,456,474	630,773
Notes to be issued	—	—	1,721,602	243,677
	13,754,474	1,946,819	15,476,076	2,190,497
Total equity	9,189,960	1,300,754	9,189,960	1,300,754
Total capitalization ⁽⁷⁾	22,944,434	3,247,574	24,666,036	3,491,251

Notes:

- (1) Bank balance and cash do not include restricted cash.
- (2) Short-term borrowings include the current portion of long-term borrowings.
- (3) All of our borrowings as of June 30, 2020 were secured except for corporate bond and RMB89.5 million (US\$12.7 million) of financial institutions.
- (4) Long-term borrowings exclude the current portion of long-term borrowings.
- (5) As of June 30, 2020, our consolidated capital and other commitments were RMB14,366.4 million (US\$2,033.4 million) and we had RMB15,364.3 million (US\$2,174.7 million) of guarantees for mortgage bank loans granted to purchasers of our properties.
- (6) We issued the July 2020 Notes, the Additional March 2020 Notes and the Additional July 2020 Notes in July 2020, September 2020 and September 2020, respectively. See “Business—Recent development” and “Description of other material indebtedness” for details. The capitalization table above has not been adjusted to reflect the issuance of the July 2020 Notes, the Additional March 2020 Notes and the Additional July 2020 Notes.
- (7) Total capitalization includes total long-term borrowings plus total equity.

Since June 30, 2020, as of the date of this offering memorandum, we have entered into loan agreements with certain banks and financial institutions that are not reflected in the table above.

Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since June 30, 2020.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. Our consolidated financial statements as of and for the years ended December 31, 2018 and 2019 were audited by KPMG, certified public accountants. The summary consolidated statement of profit or loss and other comprehensive income data for the six months ended June 30, 2020 and the summary consolidated statement of financial position data as of June 30, 2020 set forth below (except for EBITDA and EBITDA margin data) have been derived from our unaudited condensed consolidated interim financial statements. Our consolidated financial statements have been prepared and presented in accordance with IFRSs and our condensed consolidated interim financial statements have been prepared and presented in accordance with International Accounting Standard 34, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with our consolidated financial statements and condensed consolidated interim financial statements and the notes to those statements included elsewhere in this offering memorandum.

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income and Other Financial Data

	Year ended December 31,				Six months ended June 30,		
	2017 ⁽³⁾	2018 ⁽³⁾	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Revenue.....	8,506,328	9,337,650	14,551,683	2,059,657	7,026,870	8,710,301	1,232,863
Cost of sales	(6,716,111)	(7,167,052)	(10,844,359)	(1,534,919)	(5,166,137)	(6,589,204)	(932,641)
Gross profit	1,790,217	2,170,598	3,707,324	524,738	1,860,733	2,121,097	300,222
Other income, gains and losses	652,518	206,814	269,521	38,148	97,281	(149,321)	(21,135)
Recognition of changes in fair value of properties held for sale and properties under development for sale upon transfer to investment properties	27,883	65,150	294,419	41,672	241,022	67,925	9,614
Changes in fair value of investment properties, net ..	74,307	67,072	63,054	8,925	32,520	47,685	6,749
Selling and distribution expenses	(300,682)	(432,719)	(530,141)	(75,037)	(259,263)	(206,600)	(29,242)
Administrative expenses	(479,220)	(574,141)	(681,494)	(96,459)	(306,334)	(268,826)	(38,050)
Finance costs	(393,189)	(257,845)	(420,065)	(59,456)	(212,048)	(166,573)	(23,577)
Share of profits less losses of joint ventures	(7,021)	161,809	(31,075)	(4,398)	(29,088)	(18,028)	(2,552)
Share of profits less losses of associates	(6,898)	(1,833)	(1,278)	(181)	(591)	(223)	(32)
Profit before taxation.....	1,357,915	1,404,905	2,670,265	377,951	1,424,232	1,427,136	201,998
Income tax expense.....	(531,376)	(742,644)	(1,615,818)	(228,704)	(893,209)	(870,712)	(123,241)
Profit for the year/period.....	<u>826,539</u>	<u>662,261</u>	<u>1,054,447</u>	<u>149,247</u>	<u>531,023</u>	<u>556,424</u>	<u>78,757</u>
Other comprehensive income for the year/period:							
Item that will not be reclassified to profit or loss:							
Gain on revaluation of owner-occupied properties upon transfer to investment properties	5,676	-	-	-	-	-	-
Equity investments at fair value through other comprehensive income ("FVOCI") – net movement in fair value reserves (non-recycling), net of RMB3,861,000 tax...	-	-	(11,583)	(1,640)	-	-	-

	Year ended December 31,				Six months ended June 30,		
	2017 ⁽³⁾	2018 ⁽³⁾	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Item that may be reclassified subsequently to profit or loss:							
Exchange differences on translating foreign operations, net of nil tax	(8,268)	19,480	(2,978)	(421.5)	6,444	(10,648)	(1,507)
Total comprehensive income for the year/period	<u>823,947</u>	<u>681,741</u>	<u>1,039,886</u>	<u>147,186</u>	<u>537,467</u>	<u>545,776</u>	<u>77,250</u>
Profit for the year/period attributable to:							
Owners of the Company	705,999	524,791	730,672	103,420	459,311	398,136	56,352
Non-controlling interests	120,540	137,470	323,775	45,827	71,712	158,288	22,404
	<u>826,539</u>	<u>662,261</u>	<u>1,054,447</u>	<u>149,247</u>	<u>531,023</u>	<u>556,424</u>	<u>78,757</u>
Total comprehensive income attributable to:							
Owners of the Company	703,407	544,271	716,111	101,359	465,755	387,488	54,845
Non-controlling interests	120,540	137,470	323,775	45,827	71,712	158,288	22,404
	<u>823,947</u>	<u>681,741</u>	<u>1,039,886</u>	<u>147,186</u>	<u>537,467</u>	<u>545,776</u>	<u>77,250</u>
Earnings per share, in RMB/USD cents:							
Basic	25.6	18.9	26.2	3.7	16.5	14.2	2.0
Diluted	25.6	18.8	26.1	3.7	16.4	14.2	2.0
Other financial data:							
EBITDA ⁽¹⁾	1,662,622	1,376,197	2,736,050	387,263	1,406,628	1,506,822	213,277
EBITDA margin ⁽²⁾	19.5%	14.7%	18.8%	18.8%	20.0%	17.3%	17.3%

Notes:

- (1) EBITDA consists of profit before taxation less increase in fair value of investment properties, reversal of impairment loss previously recognized in respect of other receivables, reversal of impairment loss previously recognized in respect of trade receivables, dividend income, gain on disposal of interests in subsidiaries, plus impairment loss on trade receivables, impairment loss on other receivables, impairment of properties held for sale, share of results of joint ventures and associates, finance costs and depreciation of property, plant and equipment. EBITDA is not a standard measure under IFRSs. 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 revenue and selling and distribution expenses and administrative 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. Finance costs exclude amounts capitalized.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.
- (3) The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018, and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated.

Non-GAAP Financial Measures

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our profit before taxation before the following items:

- increase in fair value of investment properties;
- reversal of impairment loss previously recognized in respect of other receivables/trade receivables;
- dividend income;
- gain on disposal of interests in subsidiaries;
- impairment loss on trade receivables/other receivables;
- impairment of properties held for sale;

- share of results of joint ventures and associates;
- finance costs; and
- depreciation of property, plant and equipment.

EBITDA is not a standard measure under IFRSs. 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 IFRSs measure to EBITDA is profit for the year. We operate in a capital intensive industry. We use EBITDA in addition to profit for the year because profit for the year includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and finance costs. 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 reported tax positions, intangible assets amortization and interest income and expense, 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 before taxation for the period under IFRSs 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
Profit before taxation	1,357,915	1,404,905	2,670,265	377,951	1,424,232	1,427,136	201,998
Recognition of changes in fair value of properties held for sale and properties under development for sale upon transfer to investment properties.....	(27,883)	(65,150)	(294,419)	(41,672)	(241,022)	(67,925)	(9,614)
Changes in fair value of investment properties, net.....	(74,307)	(67,072)	(63,054)	(8,925)	(32,520)	(47,685)	(6,749)
Dividend income	(7,073)	-	-	-	-	-	-
Gain on disposal of subsidiaries	(22,765)	(20,386)	-	-	-	-	-
Impairment loss on trade receivables/other receivables .	668	38	(61)	(9)	-	-	-
Share of profits less losses of joint ventures and Share of profits less losses of associates	13,919	(159,976)	(32,353)	(4,579)	29,679	18,251	2,583
Finance costs	393,189	(257,845)	420,065	59,456	212,048	166,573	23,577
Depreciation of property, plant and equipment	28,959	25,993	35,607	5,040	14,211	10,472	1,482
EBITDA	<u>1,662,622</u>	<u>1,376,197</u>	<u>2,736,050</u>	<u>387,263</u>	<u>1,406,628</u>	<u>1,506,822</u>	<u>213,277</u>
Revenue	8,506,328	9,337,650	14,551,683	2,059,657	7,026,870	8,710,301	1,232,863
EBITDA margin⁽¹⁾	19.5%	14.7%	18.8%	18.8%	20.0%	17.3%	17.3%

Note:

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

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or as an indicator of operating performance or any other standard measure under IFRSs. Our definition of EBITDA does not account for income taxes and other non-operating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture.

Selected Consolidated Statements of Financial Position

	As of December 31,				Six months ended June 30,		
	2017 ⁽¹⁾	2018 ⁽¹⁾	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Non-current assets							
Investment properties ...	1,965,000	2,128,610	2,656,360	375,983	2,656,360	2,851,045	403,539
Property, plant and equipment	483,613	472,477	453,554	64,196	453,554	446,526	63,202
Intangible assets.....	2,302	2,436	8,149	1,153	8,149	10,991	1,556
Freehold land held for future development ...	29,732	31,980	32,507	4,601	32,507	32,988	4,669
Interests in associates ...	106,664	112,984	33,003	4,671	33,003	42,607	6,031
Interests in joint ventures	2,698,333	2,430,885	2,449,415	346,692	2,449,415	2,341,159	331,370
Loans to joint ventures	3,190,116	5,455,094	5,161,445	730,555	5,161,445	5,413,098	766,174
Equity investments at FVOCI	50,085	60,085	44,641	6,319	44,641	44,641	6,319
Deferred tax assets.....	421,242	751,306	980,251	138,746	980,251	1,251,363	177,119
	<u>8,947,087</u>	<u>11,445,857</u>	<u>11,819,325</u>	<u>1,672,917</u>	<u>11,819,325</u>	<u>12,434,418</u>	<u>1,759,978</u>
Current assets							
Other inventories and contract costs	7,263	64,924	158,579	22,445	158,579	230,746	32,660
Properties under development for sale	20,173,043	23,764,203	33,242,482	4,705,168	33,242,482	31,178,718	4,413,061
Completed properties held for sale	2,396,366	2,314,191	3,293,758	466,201	3,293,758	5,673,580	803,043
Trade and other receivables, deposits and prepayments.....	3,009,880	5,969,034	7,875,236	1,114,667	7,875,236	10,109,873	1,430,960
Amounts due from related parties.....	227,391	353,541	764,883	108,262	764,883	688,770	97,489
Restricted cash.....	2,876,247	2,983,945	3,523,971	498,786	3,523,971	3,856,746	545,887
Bank balances and cash.....	7,533,713	6,733,265	7,858,655	1,112,320	7,858,655	7,840,824	1,109,797
	<u>36,223,903</u>	<u>42,183,103</u>	<u>56,717,564</u>	<u>8,027,850</u>	<u>56,717,564</u>	<u>59,579,257</u>	<u>8,432,896</u>
Current liabilities							
Trade and other payables, deposits received and accrued charges	16,846,552	9,094,513	13,398,451	1,896,428	13,398,451	15,902,080	2,250,793
Contract liabilities	–	16,918,562	20,724,982	2,933,431	20,724,982	16,703,306	2,364,200
Amounts due to related parties.....	2,550,226	1,564,072	3,516,909	497,786	3,516,909	3,912,169	553,732
Taxation payable.....	1,939,709	2,285,403	3,232,194	457,487	3,232,194	3,971,343	562,107
Bank and other borrowings – due within one year.....	5,234,810	5,550,716	7,087,864	1,003,222	7,087,864	5,349,149	757,123
Corporate bonds – due within one year ..	–	–	–	–	–	130,473	18,467
Senior notes – due within one year.....	1,478,140	3,286,031	2,379,120	336,743	2,379,120	2,319,893	328,360
	<u>28,049,437</u>	<u>38,699,297</u>	<u>50,339,520</u>	<u>7,125,097</u>	<u>50,339,520</u>	<u>48,288,413</u>	<u>6,834,781</u>
Net current assets.....	<u>8,174,466</u>	<u>3,483,806</u>	<u>6,378,044</u>	<u>902,754</u>	<u>6,378,044</u>	<u>11,290,844</u>	<u>1,598,115</u>
Total assets less current liabilities.....	<u>17,121,553</u>	<u>14,929,663</u>	<u>18,197,369</u>	<u>2,575,670</u>	<u>18,197,369</u>	<u>23,725,262</u>	<u>3,358,093</u>

	As of December 31,				Six months ended June 30,		
	2017 ⁽¹⁾	2018 ⁽¹⁾	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Capital and reserves							
Share capital.....	173,932	175,341	175,693	24,868	175,693	175,693	24,868
Reserves.....	5,003,879	5,498,341	5,983,938	846,971	5,983,938	6,283,141	889,321
Equity attributable to owners of the Company.....	5,177,811	5,673,682	6,159,631	871,839	6,159,631	6,458,834	914,189
Non-controlling interests.....	1,838,963	1,908,277	2,444,682	346,022	2,444,682	2,731,126	386,566
Total equity	<u>7,016,774</u>	<u>7,581,959</u>	<u>8,604,313</u>	<u>1,217,861</u>	<u>8,604,313</u>	<u>9,189,960</u>	<u>1,300,754</u>
Non-current liabilities							
Bank and other borrowings							
– due after one year..	5,284,320	3,731,390	3,700,812	523,816	3,700,812	8,363,148	1,183,727
Corporate bond.....	1,027,672	1,032,175	1,022,303	144,698	1,022,303	934,852	132,320
Long-term payable.....	334,711	–	–	–	–	–	–
Senior notes – due after one year.....	3,215,818	2,327,846	4,305,879	609,458	4,305,879	4,456,474	630,773
Deferred tax liabilities..	242,258	256,293	564,062	79,838	564,062	780,828	110,519
	<u>10,104,779</u>	<u>7,347,704</u>	<u>9,593,056</u>	<u>1,357,809</u>	<u>9,593,056</u>	<u>14,535,302</u>	<u>2,057,338</u>
	<u>17,121,553</u>	<u>14,929,663</u>	<u>18,197,369</u>	<u>2,575,670</u>	<u>18,197,369</u>	<u>23,725,262</u>	<u>3,358,093</u>

Note:

- (1) The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018, and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated.

INDUSTRY OVERVIEW

Unless otherwise specified, the information set forth in this section has been extracted, in part, from various official government publications. Such information has not been independently verified by us, the Initial Purchasers, or any of our and their affiliates or advisors. The information may be inaccurate, incomplete, out-of-date or inconsistent with other information compiled within or outside the PRC.

OVERVIEW OF THE PRC ECONOMY

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. China's GDP increased from approximately RMB9,921 billion in 2000 to approximately RMB99,087 billion in 2019, reflecting a CAGR of approximately 12.9%.

The table below sets out selected economic statistics for China for the years indicated.

Economic statistics of the PRC

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Nominal GDP (RMB billion)	27,023	31,952	34,090	41,303	48,930	54,037	59,524	64,397	68,905	74,413	82,712	90,031	99,087
Real GDP growth rate ...	14.2%	9.7%	9.4%	10.6%	9.5%	7.9%	7.8%	7.3%	6.9%	6.7%	6.9%	6.6%	6.1%
Per capita GDP (RMB) ..	20,505	24,121	26,222	30,876	36,403	40,007	43,852	47,203	49,229	53,980	59,660	64,644	70,892
Total investment in fixed assets (RMB billion) ...	13,732	17,283	22,460	25,168	31,149	37,468	44,629	51,202	56,200	60,647	64,123	64,568	56,087
Fixed-asset investment growth	24.8%	25.9%	30.0%	12.1%	23.8%	20.3%	19.1%	14.7%	9.8%	7.9%	7.0%	5.9%	5.1%
Foreign direct investment (US\$ billion)	74.8	92.4	90.0	105.7	116.0	111.7	117.6	119.6	126.3	126.0	120.1	120.5	110.6

Source: National Bureau of Statistics of China, MOFCOM

During each of the years from 2004 to 2007, the PRC's real GDP recorded double-digit growth. In 2008, the global economic crisis caused a slowdown in the global capital and credit markets as well as the world economy, which in turn adversely affected the domestic market in the PRC, including our target cities. In 2008, the PRC's real GDP growth declined significantly to 9.7% compared to 14.2% in 2007. In view of the negative impact of the global economic crisis on the PRC economy, the PRC government launched a RMB4 trillion economic stimulus plan in November 2008. Since the inception of the economic stimulus plan, the PRC stock market has shown signs of recovery. Stock prices of companies in sectors such as real estate, construction, raw materials, machinery and energy have generally increased. In addition, the economic stimulus plan has had a positive impact on domestic consumption and demand in the PRC.

By the end of 2009, it appeared that the PRC economy was showing signs of recovery. By 2010, real GDP growth of the PRC climbed back to the double-digit growth rate with 10.6%. The PRC was poised to move from export dependency to development of an internal market. In mid-2010, the PRC became the world's second largest economy, surpassing Japan's economy and second only to the U.S. economy. In the second quarter of 2010, the PRC's economy was valued at US\$1.33 trillion, as compared with the Japan's economy at US\$1.28 trillion. Despite the fact that its real GDP slowed down to 9.5% in 2011, the PRC remained one of the fastest growing economies in the world.

Currently, the Chinese economy is undergoing a transition from investment-driven economy to a consumption-driven one. Its GDP growth rate fell below 7% in 2015, which is the first time since 2009. The economy is targeted to grow at 6.5% in 2017.

THE PRC PROPERTY MARKET

Overview

We believe the economic growth of the PRC, the increase in disposable income, the emergence of the mortgage lending market and the increase in the urbanization rate, are key factors in sustaining the growth of the PRC's property market. Government housing reforms continue to encourage private ownership and it is expected that an increasing proportion of urban residents who will own private properties will continue to increase over the coming years in the near future. According to the National Bureau of Statistics of China, the PRC's urbanization rate, i.e., the proportion of the population residing in urban areas, rose from approximately 44.9% in 2007 to approximately 60.6% in 2019. Increases in the urban population of the PRC will likely result in increases in demand for residential properties. The table below describes the PRC's urbanization rate for the years indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Urban population (million) ...	593.8	606.7	621.9	665.6	690.8	711.8	731.1	749.2	771.2	793.0	813.5	831.4	848.4
Total population (million)	1,321.3	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,374.6	1,382.7	1,390.1	1,395.4	1,400.1
Urbanization rate (%)	44.9	45.7	46.6	49.7	51.3	52.6	53.7	54.8	56.1	57.3	58.5	59.6	60.6

Source: National Bureau of Statistics of China

Property price and supply

Supply of properties in the PRC also increased from approximately 606.1 million sq.m. in 2007 to approximately 959.4 million sq.m. in 2019.

The table below sets out selected data relating to the PRC property market for the years indicated:

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total GFA completed (million sq.m.)	606.1	665.4	726.8	787.4	926.2	994.3	1,014.4	1,074.6	1,000.4	1,061.3	1,014.9	935.5	959.4
Total GFA sold (million sq.m.)	773.6	659.7	947.6	1,047.6	1,093.7	1,113.0	1,305.5	1,206.5	1,285.0	1,573.5	1,694.1	1,716.5	1,715.6
GFA of residential properties sold (million sq.m.)	701.4	592.8	861.9	933.7	965.3	984.7	1,157.2	1,051.8	1,124.1	1,375.4	1,447.9	1,479.3	1,501.4
Average price of commodity properties (RMB per sq.m.)	3,864	3,800	4,681	5,032	5,357	5,709	6,237	6,323	6,793	7,476	7,892	8,737	9,310
Average price of residential properties (RMB per sq.m.)	3,645	3,576	4,459	4,725	4,993	5,430	5,850	5,932	6,473	7,203	7,614	8,544	9,287

Sources: National Bureau of Statistics of China

The total GFA sold was different from the total GFA completed in the years indicated because of the difference in timing of completion and sales of properties. Total GFA completed and GFA of residential properties sold increased from approximately 606.1 million sq.m. and 701.4 million sq.m. in 2007 to approximately 959.4 million sq.m. and 1,501.4 million sq.m. in 2019 due to continuation of urbanization and hence construction and sales of residential units.

The average price of commodity properties sold in the PRC increased from RMB3,864 per sq.m. in 2007 to RMB9,310 per sq.m. in 2019, while the average price of residential properties sold increased from RMB3,645 per sq.m. to RMB9,287 per sq.m. during the same period.

Key real estate reforms and policies in the PRC

For details of recent real estate reforms and recent regulatory developments, please refer to the section headed “Regulations—Regulations on the Real Estate Developers in the PRC”.

REAL ESTATE INDUSTRY IN OUR MAIN TARGET CITIES

Beijing

Beijing is the capital of the PRC. It is also the political, cultural and educational center of the PRC. Beijing is a municipality directly under the administration of the central government of the PRC. Since August 2008, Beijing has further enhanced its international profile with the successful hosting of the Olympic Games as well as with improved infrastructure. In addition, Beijing is home to a large number of corporate regional headquarters and its development is expected to continue at a rapid pace.

According to the Beijing Municipal Bureau of Statistics, Beijing had a population of approximately 21.7 million at the end of 2016. In 2019, Beijing’s GDP reached approximately RMB3,537 billion. The table below sets forth selected economic indicators relating to Beijing for the years indicated.

	Beijing economic indicator													2009-2019 CAGR	
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Beijing	China Average
	GDP (RMB billion)	985	1,112	1,215	1,411	1,625	1,788	1,980	2,133	2,301	2,490	2,800	3,032	3,537	11.3%
GDP per capita (RMB)	60,096	64,491	66,940	73,856	81,658	87,475	94,647	99,995	106,497	114,690	129,032	140,000	164,000	9.4%	11.3%
Disposable income for urban households (RMB)	21,989	24,725	26,738	29,073	32,903	36,469	40,321	43,910	52,859	57,275	62,406	62,361	67,756	9.7%	10.2%

Source: Beijing Municipal Bureau of Statistics

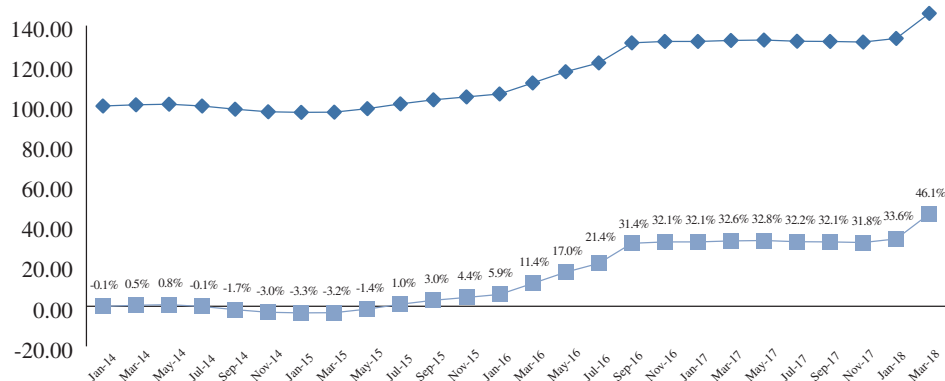
According to the Beijing Municipal Bureau of Statistics, in 2018 and 2019, residential properties with a total GFA of approximately 7.3 million sq.m. and 5.8 million sq.m., respectively, were completed and residential properties with a total GFA of approximately 5.3 million sq.m. and 7.9 million sq.m., respectively, were sold in Beijing.

	Beijing property market indicators												
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residential properties													
GFA Completed (’000 sq.m.).....	18,540	13,993	16,132	14,985	13,161	15,227	16,920	18,043	13,782	12,671	6,040	7,312	5,832
GFA under construction (’000 sq.m.).....	59,145	55,382	55,519	61,760	71,681	75,104	74,069	69,997	62,612	58,576	53,909	58,771	56,401
GFA sold (’000 sq.m.)....	17,315	10,314	18,805	12,014	10,350	14,834	13,637	11,365	11,273	9,814	6,088	5,268	7,890
Average price (RMB/sq.m.).....	10,661	11,648	13,224	17,151	15,518	16,553	17,854	18,499	22,300	28,489	34,117	37,420	38,432

Sources: National Bureau of Statistics of China

The following chart shows the changes in Beijing new residential housing price for the periods indicated.

Beijing new residential housing price as compared to 2015 price level



Source: National Bureau of Statistics

Nanchang

Nanchang is the capital of Jiangxi Province in southeastern China. Due to its central location relative to the Yangtze and Pearl River Delta regions, it is a major railroad hub and a regional hub for agricultural production in Jiangxi Province.

According to the Nanchang Municipal Bureau of Statistics, Nanchang had a population of approximately 5.36 million at the end of 2018. In 2019, its GDP exceeded approximately RMB560 billion. The table below sets forth selected economic indicators relating to Nanchang for the years indicated.

Nanchang economic indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009-2019 CAGR	
														Nanchang	China Average
GDP (RMB billion)	139	166	184	221	269	300	334	367	400	435	500	527	560	11.8%	11.8%
GDP per capita (RMB)	30,464	36,105	39,669	47,174	53,023	58,715	64,678	70,373	75,879	81,598	96,211	99,170	104,406	11.6%	11.3%
Disposable income for urban households (RMB)	13,076	15,112	16,472	18,276	20,741	23,602	26,151	29,091	31,942	34,619	37,675	40,844	44,136	10.4%	10.2%

Source: Nanchang Municipal Bureau of Statistics

According to the Nanchang Municipal Bureau of Statistics, in 2016, residential properties with a total GFA of approximately 3.4 million sq.m., were completed and residential properties with a total GFA of approximately 10.8 million sq.m., were sold in Nanchang. The average selling price per sq.m. in 2016 was RMB7,707.

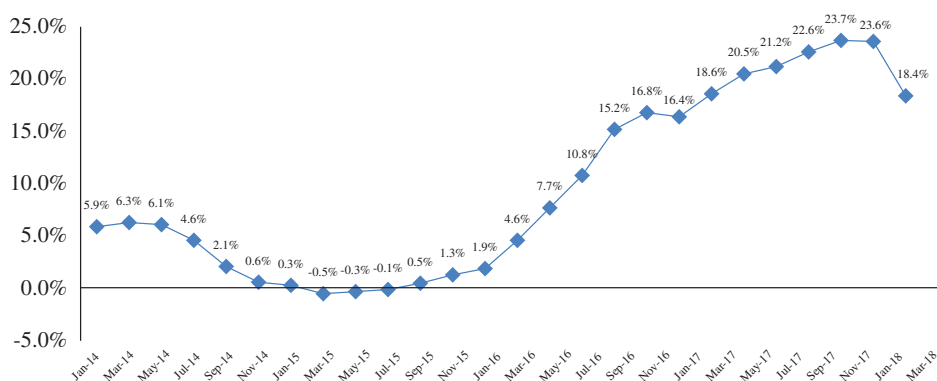
Nanchang property market indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residential properties													
GFA Completed ('000 sq.m.)...	3,474	2,971	3,266	3,140	3,892	3,254	3,055	4,268	3,463	3,386	3,894	4,624	N/A
GFA under construction ('000 sq.m.)...	12,912	15,414	14,840	17,433	21,123	22,316	27,627	29,969	30,840	35,756	42,024	42,950	N/A
GFA sold ('000 sq.m.).....	4,603	3,265	4,636	4,893	4,360	5,953	7,519	7,515	8,160	10,778	12,898	15,365	N/A
Average price (RMB/sq.m.)...	3,509	3,361	3,637	4,331	5,323	5,880	6,639	6,225	6,955	7,707	8,106	8,276	N/A

Source: Nanchang Municipal Bureau of Statistics

The following chart shows the changes in Nanchang new residential housing price for the periods indicated.

Nanchang new residential housing price as compared to 2015 price level



Source: National Bureau of Statistics

Taiyuan

Taiyuan is the capital and largest city of Shanxi Province in north China. It is an industrial city and a significant producer of coal. Taiyuan is also a center of education and research, particularly in technology and applied science.

According to the Taiyuan Municipal Bureau of Statistics, Taiyuan had a population of approximately 4.5 million at the end of 2019. In 2019, its GDP reached approximately RMB40.3 billion. The table below sets forth selected economic indicators relating to Taiyuan for the years indicated.

Taiyuan economic indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009-2019 CAGR	
														Taiyuan	China Average
GDP (RMB billion)	129	153	155	178	208	231	241	253	274	296	338.2	388.4	402.9	10.04%	11.8%
GDP per capita (RMB) ..	36,377	44,054	44,319	46,114	49,292	54,440	56,547	59,023	63,483	68,234	77,536	88,272	90,698	7.4%	11.3%
Disposable income for urban households (RMB)	13,745	15,230	15,607	17,258	20,149	22,587	24,000	25,768	27,727	29,632	31,469	33,672	36,362	8.8%	10.2%

Source: Taiyuan Municipal Bureau of Statistics

According to the Taiyuan Municipal Bureau of Statistics in 2016, residential properties with a total GFA of approximately 4.6 million sq.m., were completed and residential properties with a total GFA of approximately 5.6 million sq.m., were sold in Taiyuan. The average selling price per sq.m. in 2016 was RMB7,348.

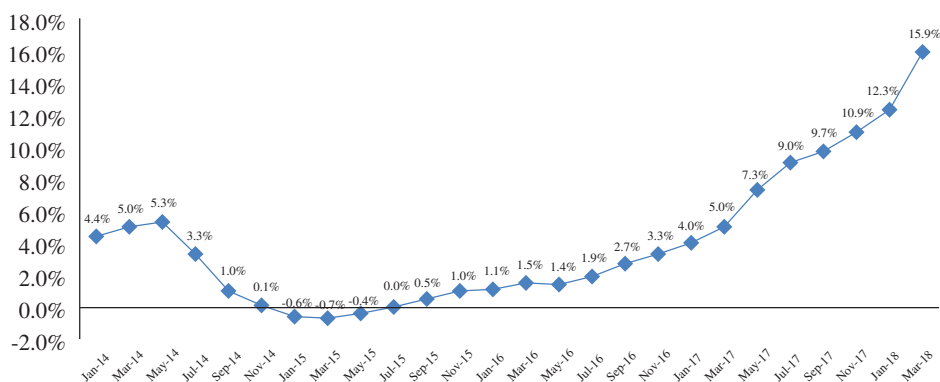
Taiyuan property market indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residential properties													
GFA Completed (‘000 sq.m.).....	898	1,584	1,430	1,091	2,093	2,013	2,112	4,910	3,220	4,583	2,491	2,784	N/A
GFA under construction (‘000 sq.m.).....	8,746	10,540	14,608	19,222	23,556	28,541	32,427	34,812	35,106	40,856	39,038	43,153	N/A
GFA sold (‘000 sq.m.).	1,490	1,621	1,688	2,355	1,919	3,081	4,011	3,941	4,216	5,564	7,221	7,712	N/A
Average price (RMB/sq.m.).....	3,561	3,743	4,499	7,088	6,517	6,405	6,668	7,155	7,303	7,348	8,827	10,840	N/A

Source: Taiyuan Municipal Bureau of Statistics

The following chart shows the changes in Taiyuan new residential housing price for the periods indicated.

Taiyuan new residential housing price as compared to 2015 price level



Source: National Bureau of Statistics

Changsha

Changsha is the capital city of Hunan Province and is a major port, handling rice, cotton, timber and livestock. Being the distribution point on the railway from Hankou to Guangzhou, it is also a commercial and industrial center in south central China.

According to the Changsha Municipal Bureau of Statistics, Changsha had a population of approximately 8.4 million at the end of 2019. In 2019, its GDP reached approximately RMB1,157 billion. The table below sets forth selected economic indicators relating to Changsha for the years indicated.

Changsha economic indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009-2019 CAGR	
														Changsha	China Average
GDP (RMB billion)	219	300	374	455	562	640	715	782	851	932	1,054	1,100	1,157	12.0%	11.8%
GDP per capita (RMB)	33,711	45,765	56,620	69,941	79,530	89,903	99,570	107,683	115,443	123,681	135,388	134,933	137,878	14.9%	11.3%
Disposable income for urban households (RMB).....	16,153	18,282	20,238	22,814	26,451	30,288	33,662	36,826	39,961	43,294	46,948	50,792	55,211	10.6%	10.2%

Source: Changsha Municipal Bureau of Statistics

According to the Changsha Municipal Bureau of Statistics in 2016, residential properties with a total GFA of approximately 11.1 million sq.m., were completed and residential properties with a total GFA of approximately 23.1 million sq.m., were sold in Changsha. The average selling price per sq.m. in 2016 was RMB6,160.

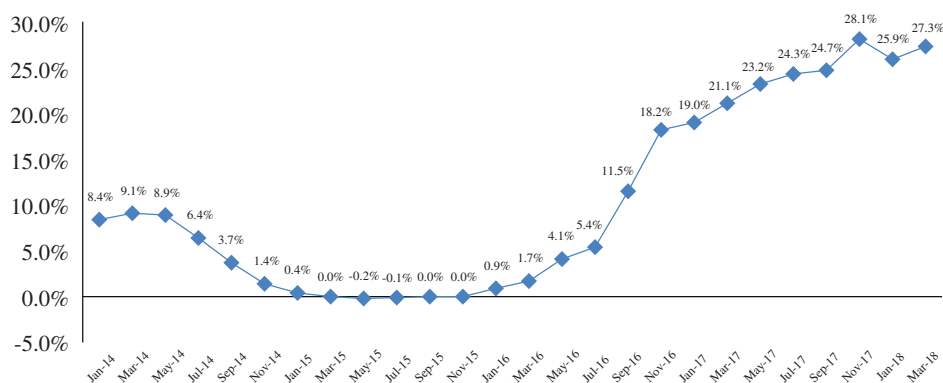
Changsha property market indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residential properties													
GFA Completed ('000 sq.m.)	5,831	6,429	11,046	11,613	11,637	11,310	10,676	10,423	9,495	11,060	8,050	9,768	N/A
GFA under construction ('000 sq.m.)	25,999	35,779	50,985	54,466	59,608	53,310	61,117	65,628	62,028	62,158	61,803	68,430	N/A
GFA sold ('000 sq.m.)	9,285	8,023	13,580	16,240	13,942	13,853	16,595	13,314	16,871	23,082	18,238	19,733	N/A
Average price (RMB/sq.m.)	3,191	3,165	3,533	4,322	5,481	5,603	5,759	5,458	5,544	6,160	7,287	7,796	N/A

Source: Changsha Municipal Bureau of Statistics

The following chart shows the changes in Changsha new residential housing price for the periods indicated.

Changsha new residential housing price as compared to 2015 price level



Source: National Bureau of Statistics

Jiujiang

Jiujiang is the second-largest prefecture-level city in Jiangxi Province and a rising industrial and import/export center. Its main economic activities including shipping, oil refining and production of chemical fertilizer.

According to the Jiujiang Municipal Bureau of Statistics, Jiujiang had a population of approximately 4.9 million at the end of 2019. In 2019, its GDP reached approximately RMB312.1 billion, representing a per capita GDP of RMB63,584. The table below sets forth selected economic indicators relating to Jiujiang for the years indicated.

Jiujiang economic indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009-2019 CAGR	
														Jiujiang	China Average
GDP (RMB billion) ...	59	70	83	103	126	142	160	178	190	210	241.1	270.0	312.1	14.2%	11.8%
GDP per capita (RMB)	12,590	14,785	17,420	21,487	26,464	29,785	33,500	37,097	39,505	43,338	49,659	55,274	63,584	13.8%	11.3%
Disposable income for urban households (RMB)	11,272	12,889	14,203	15,764	17,911	20,330	22,504	25,077	27,635	30,011	32,592	35,265	38,076	10.4%	10.2%

Source: Jiujiang Municipal Bureau of Statistics

According to the Jiujiang Municipal Bureau of Statistics in 2016 and 2017, commodity properties with a total GFA of approximately 2.2 million sq.m. and 1.5 million sq.m., respectively, were completed and commodity properties with a total GFA of approximately 6.8 million sq.m. and 7.4 million sq.m., respectively, were sold in Jiujiang in 2018 and 2019. The average selling price per sq.m. in 2019 was RMB6,165.

Jiujiang property market indicators

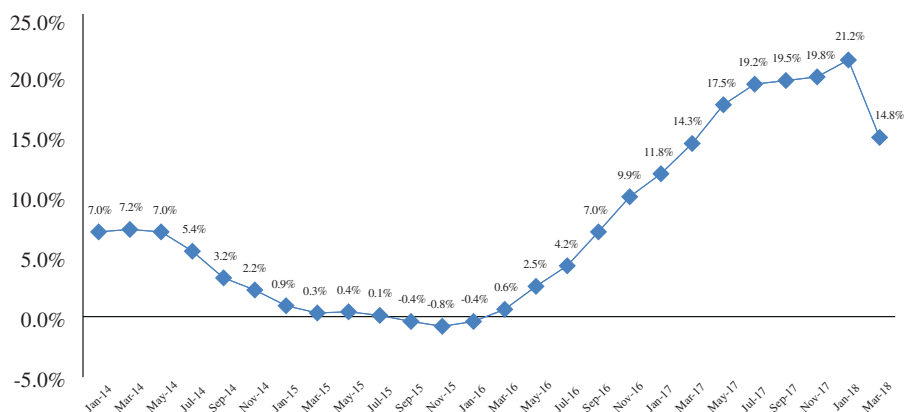
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Commodity properties													
GFA Completed ('000 sq.m.).....	1,809	820	2,037	2,149	1,440	1,446	2,121	1,347	1,604	2,230	1,479	N/A	N/A
GFA sold ('000 sq.m.).....	2,468	1,895	2,662	2,929	3,380	1,965	3,048	3,172	3,549	4,919	5,981	6,774	7,374
Total sales (RMB million)	4,650	3,777	7,995	8,518	12,411	7,342	14,744	13,438	15,080	23,243	30,031	40,385	45,461
Average price (RMB/sq.m.)*.....	1,883	1,993	3,004	2,908	3,672	3,738	4,837	4,237	4,250	N/A	5,021	5,962	6,165

Source: Jiujiang Municipal Bureau of Statistics and National Bureau of Statistics of China

* Calculated by dividing total sales by GFA sold of the respective year

The following chart shows the changes in Jiujiang new residential housing price for the periods indicated.

Jiujiang new residential housing price as compared to 2015 price level



Source: National Bureau of Statistics

Hefei

Hefei is the capital of Anhui Province in Eastern China. Due to its central location relative to the Eastern regions, it is a major railroad hub and a regional hub for industrial production in Anhui Province.

According to the Hefei Municipal Bureau of Statistics, Hefei had a population of approximately 8.2 million at the end of 2019. In 2019, its GDP reached approximately RMB941 billion, representing a per capita GDP of RMB115,623. The table below sets forth selected economic indicators relating to Hefei for the years indicated.

Hefei economic indicator

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009-2019 CAGR	
														Hefei	China
GDP (RMB billion)	133	166	210	270	364	416	467	516	566	627	721	782.3	940.9	16.2%	11.8%
GDP per capita (RMB)	28,125	34,482	41,543	47,392	48,563	55,186	61,555	67,394	73,102	80,136	91,113	97,470	115,623	10.8%	11.3%
Disposable income for urban households (RMB)	13,427	15,591	17,158	19,051	22,459	25,434	28,083	29,348	31,989	34,852	37,972	41,484	45,404	10.2%	10.2%

Source: Hefei Municipal Bureau of Statistics

According to the Hefei Municipal Bureau of Statistics, in 2018, residential properties with a total GFA of approximately 9.1 million sq.m., were completed and residential properties with a total GFA of approximately 11.0 million sq.m. and 11.6 million sq.m. in 2018 and 2019, respectively, were sold in Hefei. The average selling price per sq.m. in 2019 was RMB14,086.

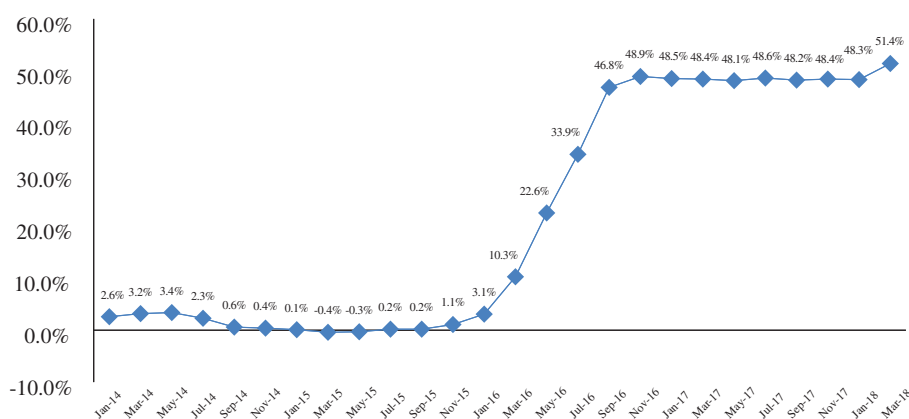
Hefei property market indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residential properties													
GFA Completed ('000 sq.m).	5,121	4,634	4,777	5,794	6,642	7,253	10,723	7,007	7,095	8,606	7,799	9,092	N/A
GFA under construction ('000 sq.m) ⁽¹⁾	33,579	38,149	44,323	51,797	41,199	42,359	46,798	44,856	43,264	46,804	48,546	49,186	N/A
GFA sold ('000 sq.m)	9,392	8,674	11,803	8,639	10,584	11,173	14,517	13,262	12,859	17,057	9,605	11,039	11,557
Average price (RMB/sq.m.) ..	3,154	3,425	4,095	5,502	5,608	5,754	6,084	6,917	7,512	9,312	11,442	13,069	14,086

Source: Hefei Municipal Bureau of Statistics

The following chart shows the changes in Hefei new residential housing price for the periods indicated.

Hefei new residential housing price as compared to 2015 price level



Source: National Bureau of Statistics

Wuhan

Wuhan is the capital of Hubei Province in Central China. Historically, Wuhan has become a commerce center since Sui Dynasty. Today, Wuhan is one of the most important industrial center, transportation hub and education base in China.

According to the Wuhan Municipal Bureau of Statistics, Wuhan had a population of approximately 11.2 million at the end of 2019. In 2019, its GDP reached approximately RMB1,622 billion, representing a per capita GDP of RMB123,831. The table below sets forth selected economic indicators relating to Wuhan for the years indicated.

Wuhan economic indicator

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009-2019 CAGR	
														Wuhan	China
GDP (RMB billion)	314	396	456	552	676	800	905	1,007	1,091	1,191	1,341	1,485	1,622	13.5%	11.8%
GDP per capita (RMB)	35,258	44,148	50,117	56,310	67,427	79,089	88,564	97,403	104,132	111,469	123,831	133,989	144,695	13.3%	11.3%
Disposable income for urban households (RMB)	14,358	16,712	18,385	20,806	23,738	27,061	29,821	33,270	36,436	39,737	43,405	47,359	51,706	10.9%	10.2%

Source: Wuhan Municipal Bureau of Statistics

According to the Wuhan Municipal Bureau of Statistics in 2017 and 2018, residential properties with a total GFA of approximately 6.0 million sq.m. and 3.1 million sq.m., respectively, were completed and residential properties with a total GFA of approximately 32.3 million sq.m., were sold in Wuhan in 2018. The average selling price per sq.m. in 2018 was RMB12,679.

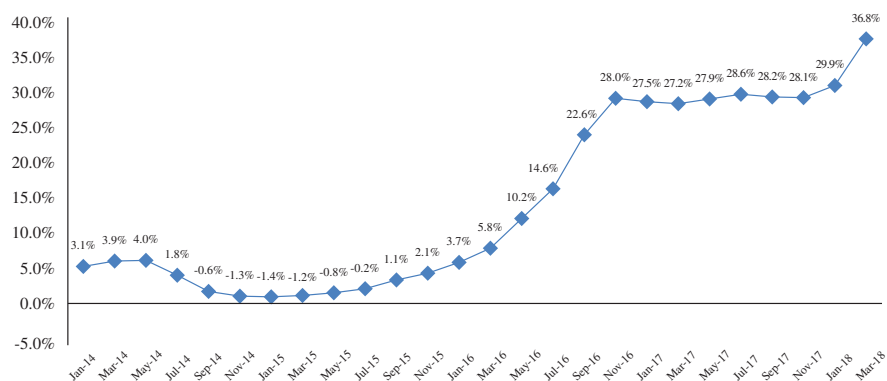
Wuhan property market indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residential properties													
GFA Completed ('000 sq.m)	8,116	7,682	8,246	7,335	9,692	9,009	5,297	6,460	6,546	6,001	5,978	3,057	N/A
GFA under construction ('000 sq.m)	26,596	32,221	35,810	38,117	44,895	50,690	62,257	73,054	79,744	83,348	84,199	82,639	N/A
GFA sold ('000 sq.m).....	10,699	6,832	10,414	10,915	11,822	13,905	17,504	19,790	24,138	29,311	30,858	32,298	N/A
Average price (RMB/sq.m.)	4,516	4,680	5,199	5,552	6,676	6,895	7,238	7,399	8,404	9,819	11,453	12,679	N/A

Source: Wuhan Municipal Bureau of Statistics

The following chart shows the changes in Wuhan new residential housing price for the periods indicated.

Wuhan new residential housing price as compared to 2015 price level



Source: National Bureau of Statistics

Shanghai

Shanghai is the biggest finance center in China, also one of the most populous city in the world. For centuries, Shanghai has played an important role in China as a shipping and trading town. In 1990s, Pudong Development Policy boosted Shanghai's economy, and in 2013, Shanghai became the first free trade zone in mainland China.

According to the Shanghai Municipal Bureau of Statistics, Shanghai had a population of approximately 24.3 million at the end of 2019. In 2019, its GDP reached approximately RMB3,816 billion, representing a per capita GDP of RMB124,600. The table below sets forth selected economic indicators relating to Shanghai for the years indicated.

Shanghai economic indicator

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009-2019 CAGR	
														Shanghai	China Average
GDP (RMB billion).....	1,200	1,370	1,490	1,687	1,920	2,010	2,160	2,356	2,496	2,747	3,013	3,268	3,816	8.2%	11.8%
GDP per capita (RMB).....	64,592	72,536	77,556	73,297	81,772	84,444	89,444	97,131	103,363	113,731	124,600	135,000	157,300	7.3%	11.3%
Disposable income for urban households (RMB).....	23,623	26,675	28,838	31,838	36,230	40,188	43,851	47,710	49,867	54,305	62,596	64,183	69,442	9.2%	10.2%

Source: Shanghai Municipal Bureau of Statistics, National Bureau of Statistics

According to the National Bureau of Statistics in 2018, residential properties with a total GFA of approximately 14.5 million sq.m., were completed and residential properties with a total GFA of approximately 13.3 million sq.m. and 13.5 million sq.m., respectively, were sold in Shanghai in 2018 and 2019. The average selling price per sq.m. in 2019 was RMB32,926.

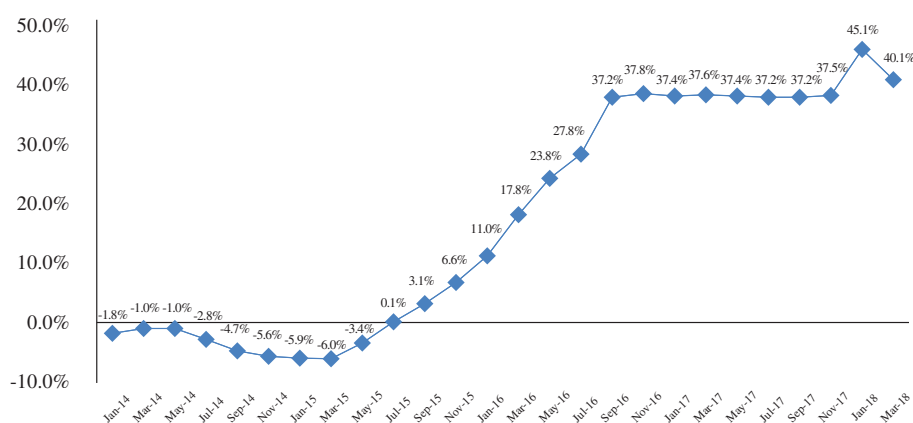
Shanghai Residential properties

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GFA Completed ('000 sq.m).....	28,436	18,994	15,221	14,154	15,497	16,091	14,174	15,355	15,890	15,329	18,627	17,303	14,533
GFA under construction ('000 sq.m).....	77,899	70,602	65,812	73,441	83,863	83,157	81,255	85,259	83,721	80,739	80,138	75,204	74,464
GFA sold ('000 sq.m)	32,792	19,659	29,280	16,854	14,737	15,926	20,158	17,809	20,092	20,198	13,416.2	13,333	13,537
Average price (RMB/sq.m.).....	8,253	8,182	12,364	14,213	13,448	13,870	16,192	19,650	21,501	25,910	24,866	28,981	32,926

Source: National Bureau of Statistics

The following chart shows the changes in Shanghai new residential housing price for the periods indicated.

Shanghai new residential housing price as compared to 2015 price level



Source: National Bureau of Statistics

Suzhou

Suzhou, a city west of Shanghai, is known for its canals, bridges and classical gardens. Today, Suzhou is one of the most important business hub and logistic center in Yangtze River Delta region.

According to the Suzhou Municipal Bureau of Statistics, Suzhou had a population of approximately 10.75 million at the end of 2019. In 2019, its GDP reached approximately RMB1,924 billion, representing a per capita GDP of RMB161,985. The table below sets forth selected economic indicators relating to Suzhou for the years indicated.

Suzhou economic indicator

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009-2019 CAGR	
														Suzhou	China
GDP (RMB billion).....	570	670	774	923	1,050	1,201	1,302	1,376	1,450	1,548	1,730	1,850	1,924	9.5%	11.8%
GDP per capita (RMB)	64,617	73,395	82,604	88,159	102,129	114,029	123,200	130,000	136,300	145,556	161,985	172,547	178,938	8.9%	11.3%
Disposable income for urban households (RMB)	21,260	23,862	26,320	29,219	33,070	37,531	41,143	46,677	50,400	54,341	58,806	63,500	68,629	10.1%	10.2%

Source: Suzhou Municipal Bureau of Statistics

According to the Suzhou Municipal Bureau of Statistics in 2019, residential properties with a total GFA of approximately 10.0 million sq.m., were completed and residential properties with a total GFA of approximately 17.9 million sq.m. and 29.0 million sq.m., respectively, were sold in Suzhou in 2018 and 2019. The average selling price per sq.m. in 2018 was RMB16,212.

	Suzhou Residential properties												
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GFA Completed (<i>'000 sq.m.</i>)	25,251	12,295	15,094	12,215	11,024	13,862	12,275	11,294	12,746	14,028	14,720	10,072	10,023
GFA under construction (<i>'000 sq.m.</i>)	N/A	N/A	N/A	58,181	58,417	60,494	68,559	76,524	79,386	85,547	84,008	83,371	90,131
GFA sold (<i>'000 sq.m.</i>) ...	N/A	N/A	N/A	11,829	9,835	12,631	16,334	14,461	19,409	22,586	16,880	17,883	28,992
Average price (<i>RMB/sq.m.</i>)	N/A	N/A	N/A	8,213	9,028	8,980	9,479	9,639	10,335	13,596	15,415	16,212	N/A

Source: Suzhou Municipal Bureau of Statistics

Nanjing

Nanjing is the capital of Jiangsu province. Situated in the heartland of Yangtze River Delta, it has been a major center of culture, education, research, economy and tourism.

According to the Nanjing Municipal Bureau of Statistics, Nanjing had a population of approximately 8.5 million at the end of 2019. In 2019, its GDP reached approximately RMB1,403 billion, representing a per capita GDP of RMB165,681. The table below sets forth selected economic indicators relating to Nanjing for the years indicated.

	Nanjing economic indicator														
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009-2019 CAGR	
														Nanjing	China
GDP (<i>RMB billion</i>).....	328	378	423	501	615	720	801	882	972	1,050	1,172	1,282	1,403	12.7%	11.8%
GDP per capita (<i>RMB</i>).....	44,852	50,327	52,290	62,594	75,785	88,525	98,011	107,545	118,171	127,264	141,103	152,886	165,681	12.2%	11.3%
Disposable income for urban households (<i>RMB</i>).....	20,317	23,123	25,504	28,312	32,200	36,322	39,881	42,568	46,104	49,997	54,538	59,308	64,372	9.7%	10.2%

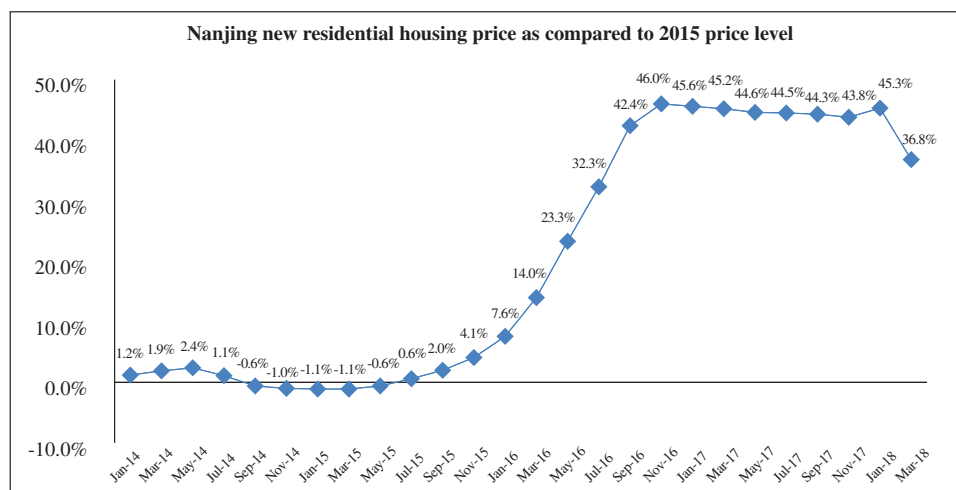
Source: Nanjing Municipal Bureau of Statistics

According to the Nanjing Municipal Bureau of Statistics in 2019, residential properties with a total GFA of approximately 10.9 million sq.m., were completed and residential properties with a total GFA of approximately 11.4 million sq.m., were sold in Nanjing. The average selling price per sq.m. in 2019 was RMB19,428.

	Nanjing Residential properties												
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GFA Completed (<i>'000 sq.m.</i>)	5,786	8,929	12,279	7,374	8,642	13,622	7,540	7,223	10,639	9,116	8,059	8,453	10,917
GFA under construction (<i>'000 sq.m.</i>)	28,487	31,801	31,882	31,745	40,484	42,291	41,317	44,011	47,750	52,478	53,950	56,027	58,192
GFA sold (<i>'000 sq.m.</i>)	10,645	6,591	11,140	7,548	6,809	8,763	11,432	11,247	14,292	14,063	12,090	9,827	11,372
Average price (<i>RMB/sq.m.</i>)	5,011	4,786	6,893	9,227	8,415	9,675	11,078	10,964	11,260	17,884	15,259	19,708	19,428

Source: Nanjing Municipal Bureau of Statistics

The following chart shows the changes in Nanjing new residential housing price for the periods indicated.



Source: National Bureau of Statistics

Foshan

Foshan is the third biggest city in Guangdong Province. Historically, it was one of the earliest ports open to foreign trades. Today, it is one of the biggest production center for home appliances and exports trades.

According to the Foshan Municipal Bureau of Statistics, Foshan had a population of approximately 8.2 million at the end of 2019. In 2019, its GDP reached approximately RMB1,075 billion, representing a per capita GDP of RMB124,722. The table below sets forth selected economic indicators relating to Foshan for the years indicated.

	Foshan economic indicator													2009-2019 CAGR	
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Foshan	China
GDP (RMB billion).....	359	433	481	565	658	671	701	760	800	863	955	994	1,075	8.4%	11.8%
GDP per capita (RMB).....	60,917	72,975	80,579	78,555	91,001	92,388	96,086	103,438	107,716	N/A	124,722	125,679	131,775	7.2%	11.3%
Disposable income for urban households (RMB).....	21,754	22,494	24,578	27,245	30,718	34,580	34,324	36,555	39,757	43,120	46,849	50,737	55,233	8.4%	10.2%

Source: Foshan Municipal Bureau of Statistics

According to the Foshan Municipal Bureau of Statistics in 2016, residential properties with a total GFA of approximately 5.7 million sq.m. were completed and residential properties with a total GFA of approximately 18.6 million sq.m. were sold in Foshan. The average selling price per sq.m. in 2018 was RMB11,936.

	Foshan Residential properties												
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GFA Completed ('000 sq.m)....	237	751	5,771	9,805	5,210	5,210	5,258	5,410	3,634	5,667	N/A	N/A	N/A
GFA under construction ('000 sq.m)....	851	1,188	21,235	28,469	29,524	29,524	35,056	57,353	67,543	77,462	N/A	N/A	N/A
GFA sold ('000 sq.m).....	6,894	4,820	7,113	7,763	7,486	8,022	7,890	8,842	12,348	18,570	20,765	16,891	N/A
Average price (RMB/sq.m.)...	5,275	5,366	6,204	7,648	8,207	6,997	8,837	8,728	8,492	9,662	11,375	11,936	N/A

Source: National Bureau of Statistics

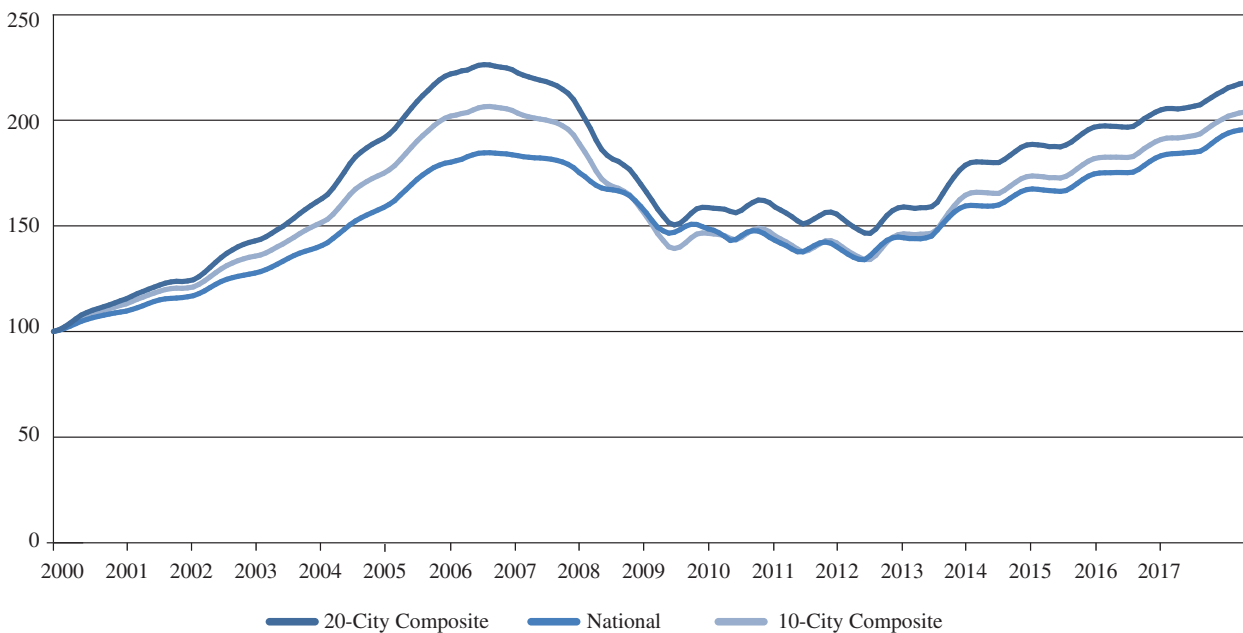
THE U.S. HOUSING MARKET

Overview

The U.S. housing market has experienced much volatility in recent years. U.S. housing prices topped in early 2006, began to decline in 2006 and 2007, and reached new lows in 2012. In December 2008, the Case-Shiller home price composite index reported one of its largest price drops. The correction in home price was immediately followed by a surge in foreclosure rates among U.S. homeowners.

After almost nine years have past since the housing market correction, the housing market has turned the corner in 2012 with general rising in home prices and decreasing in inventory on the back of low mortgage rates environment.

S&P CoreLogic Case-Shiller Indices



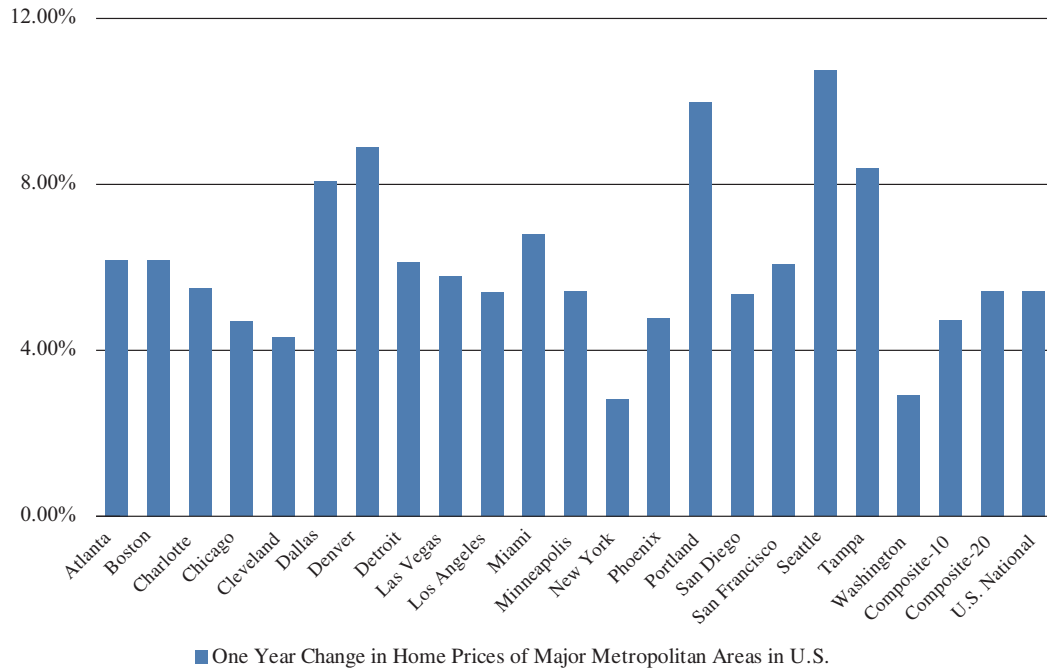
Source: S&P Dow Jones Indices and CoreLogic

Note: The S&P/Case-Shiller home price composite indices are designed to measure the average change in prices of single-family home (excluding condominium and co-operative housing) in a particular geographic market in U.S. The 10-city composite index includes 10 metropolitan areas namely, Boston, Chicago, Denver, Las Vegas, Los Angeles, Miami, New York, San Diego, San Francisco and Washington DC. The 20-city composite index includes additional areas namely, Atlanta, Charlotte, Cleveland, Dallas, Detroit, Minneapolis, Phoenix, Portland (Oregon), Seattle and Tampa, U.S. The National Home Price Index tracks the value of single-family housing within the United States. The index is a composite of single-family home price indices for the nine U.S. Census divisions and is calculated quarterly.

The S&P/Case-Shiller home price composite indices above are updated to December 2016 and are adjusted for seasonal changes.

According to S&P/Case-Shiller home price composite indices, one of the main indicators of U.S., as of June 2016, average home prices across the United States are back to their Spring 2015 levels. Measured from their June/July 2006 peaks, the peak-to-current decline for both Composites is approximately 8-10%. The recovery from the March 2012 lows is 39-42% for the 10-City and 20-City Composites.

Home price changes of major metropolitan areas

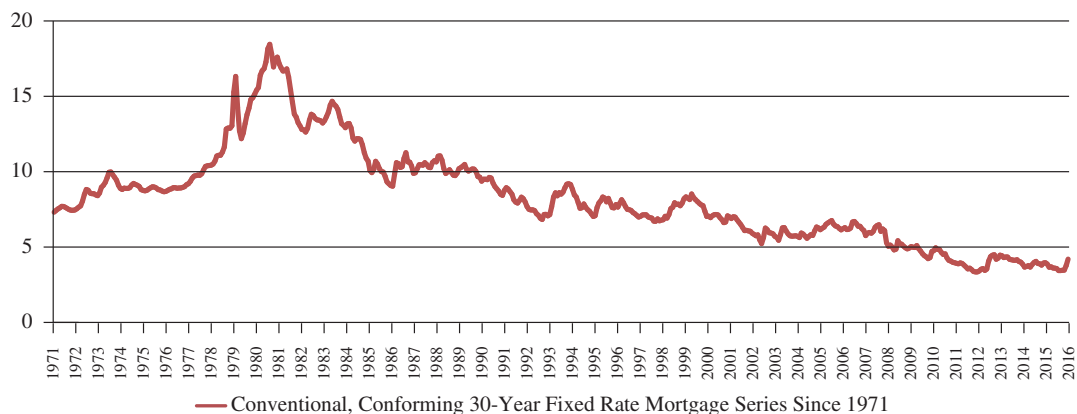


Source: S&P Dow Jones Indices and CoreLogic

Note: The chart above depicts the change in home prices across major metropolitan areas in the U.S. for December 2016.

For the 12 months ended December 2017, the average home prices increased 5.9% and 6.3% for the 10- and 20-city composites respectively.

The average mortgage rates in U.S.



Source: Freddie Mac

Note: The chart above depicts the average rate for 30-year fixed rate mortgage in U.S.

The average U.S. mortgage rates have in general declined after the onset of the housing market correction in 2006 and 2007. The average mortgage rates have remained at relatively low level. The lower mortgages have contributed to the increase in home buying and refinancing activities recently. As of December 2017, the rate is 4.0%.

Housing starts and home inventory



Source: Bloomberg

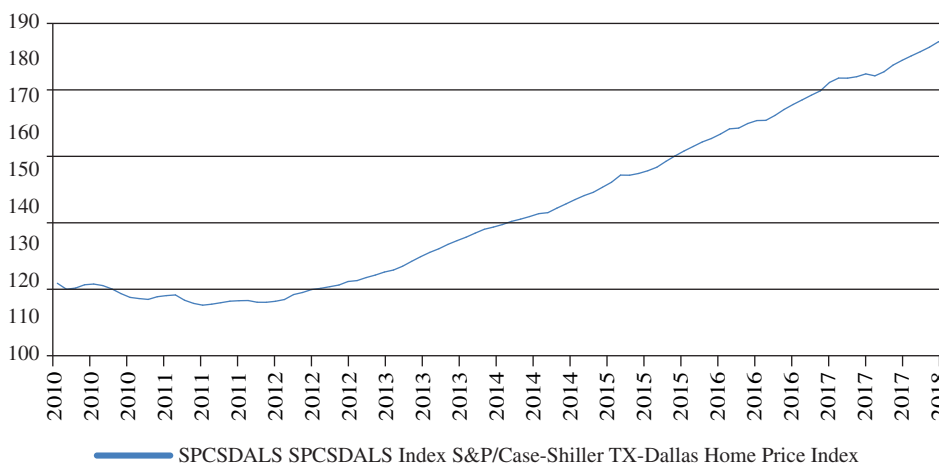
The recent data on new housing starts and home inventory has suggested a recovery in US housing market. The housing starts has recovered from their low. The recent change in housing starts reflected an increase in new building activity in U.S. The aggregate new housing inventory has in general continued to fall which likely reflected that completed homes have been selling relatively quickly recently.

HOUSING MARKET IN HOUSTON, TEXAS

We own a tract of vacant land with area of approximately 48.5 acres (or equivalent to approximately 196,155.4 sq.m.) located in Pearland, Harris and Brazoria Counties, Houston, Texas, U.S. for future development.

The city of Pearland falls almost entirely within Brazoria County, with portions extending into Fort Bend and Harris counties. According to the United States Census Bureau, the city has a total area of 47.5 square miles. In 2009 the city reported that the combined area of the city limits and of nearby unincorporated areas, including Country Place and Silverlake, was 72 square miles. As defined by the U.S. Bureau of the Census, Pearland is officially contained within the Houston-Baytown-Sugarland metropolitan statistical area (“MSA”), which based on the 2000 census consists of Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, and Waller Counties.

Texas-Dallas home price composite index



Source: S&P Dow Jones Indices and CoreLogic

The Texas-Dallas home price composite index above is updated to September 2017 (or December 2016) and is adjusted for seasonal changes.

The average home prices in Dallas, the third most populous city in the state of Texas have continued to increase in recent years.

Population growth

Population growth rate (CAGR)	Pearland	Brazoria County	Harris County	Houston MSA	U.S.
2000-2010	9.26%	2.62%	1.87%	2.35%	0.93%
2010-2012	3.18%	1.83%	1.41%	1.72%	0.71%
2012-2017	2.48%	1.82%	1.48%	1.71%	0.68%

Source: Crosson Dannis, Inc.

The projected and historical population growth for the Houston MSA is well above national levels. Houston ranks among the nation’s top metro areas in projected population growth.

Income growth

Median household income growth rate (CAGR)	Pearland	Brazoria County	Harris County	Houston MSA	U.S.
2010-2012	0.87%	1.41%	1.26%	1.39%	1.46%
2012-2017	1.67%	2.35%	2.80%	2.75%	2.44%

Source: Crosson Dannis, Inc.

Generally, the income growth in the Houston MSA has been slightly below than that of the nation overall. From 2012-2017, the income growth rate is estimated to be significantly higher than the national average.

Employment prospects

The Houston MSA has been one of the top employment markets in the U.S. in the last few years as it has been the headquarters to over 24 companies in the Fortune 500 and more than 3,000 firms, foreign investment offices and non-profit organizations involved in international business. In the past, the Houston economy has been driven by oil production and distribution, making it the focus of drilling services, petroleum refining and petrochemical production for the whole U.S. The area is also a major manufacturing, importing and exporting center. In recent years, the Houston area has diversified to become a respected research and development hub in the computer field as well as a recognized center for research and treatment of diseases such as treatment of cancer related diseases. A large portion of Pearland’s labor force commutes daily into the Texas medical center and other employment centers in the region.

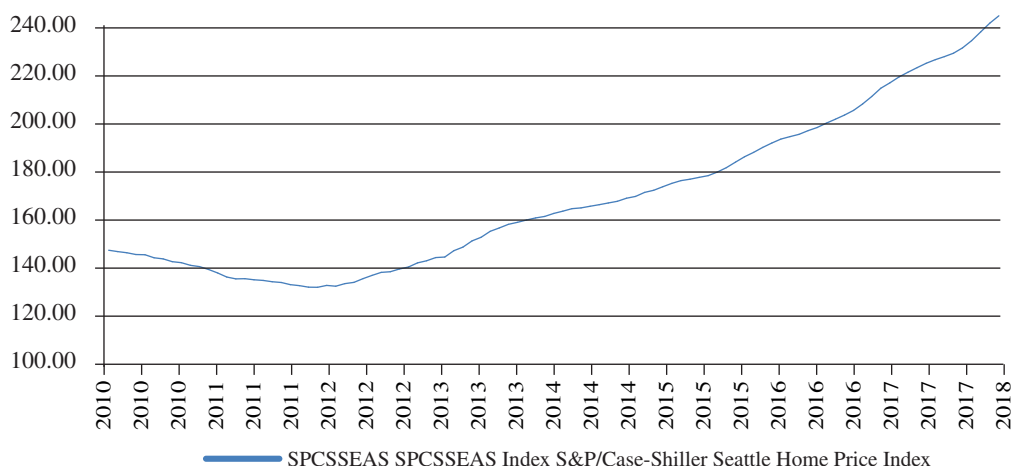
Based on statistics provided by the U.S. Bureau of Labor Statistics, non-farm for the 12 months ended October 2017, 48,100 jobs were created, in Houston MSA.

HOUSING MARKET IN SEATTLE, WASHINGTON

We acquired a parcel of land with site area of approximately 14,387 square feet and a gross floor area of approximately 237,000 square feet located at 427 9th Ave N, Seattle, WA98109, King County, Washington.

The city of King County has a total area of 2,307 square miles, of which 2,116 square miles is land and 191 square miles is water. King County is the most populous county in Washington, and the 13th most populous in the United States. The county locates in Seattle, which is the state’s largest city. King County borders Snohomish County to the north, Kitsap County to the west, Kittitas County to the east, and Pierce County to the south. It also shares a small border with Chelan County to the northeast. King County includes Vashon Island and Maury Island in Puget Sound.

Seattle home price composite index



Source: S&P Dow Jones Indices and CoreLogic

The Seattle home price composite index above is updated to September 2017 (or December 2016) and is adjusted for seasonal changes.

The average home prices in Seattle have continued to increase since recovery in 2011.

Economic prospects

Generally, the income growth in the Seattle has been significantly higher than that of the nation overall in both 2011-2015 historical data and 2016-2020 forecasts.

Seattle-Bellevue-Everett is steadfastly advancing. Though there have been job cuts at Boeing in 2016, the top employer in the region, they have been more than made up for by the breakneck pace of hiring by information technology firms and internet retailers. Seattle is adding jobs at one of the fastest paces for western metro areas, with mid-and high-wage industries accounting for two-thirds of the jobs created on net in the past six months. Intense competition for IT workers is boosting the average hourly pay rate, which stands nearly \$10 higher than the U.S. average and is quickly rising. The housing market recovery is gathering steam, and above-average house price appreciation is enticing builders to add to supply. Seattle-Bellevue-Everett is expected to outperform most of its western peers in 2016 thanks to fast growth in information technology, which is expected to enable the economy to surmount layoffs in aerospace manufacturing. Strong population gains and rising demand for IT services is expected to propel the economy in the medium term.

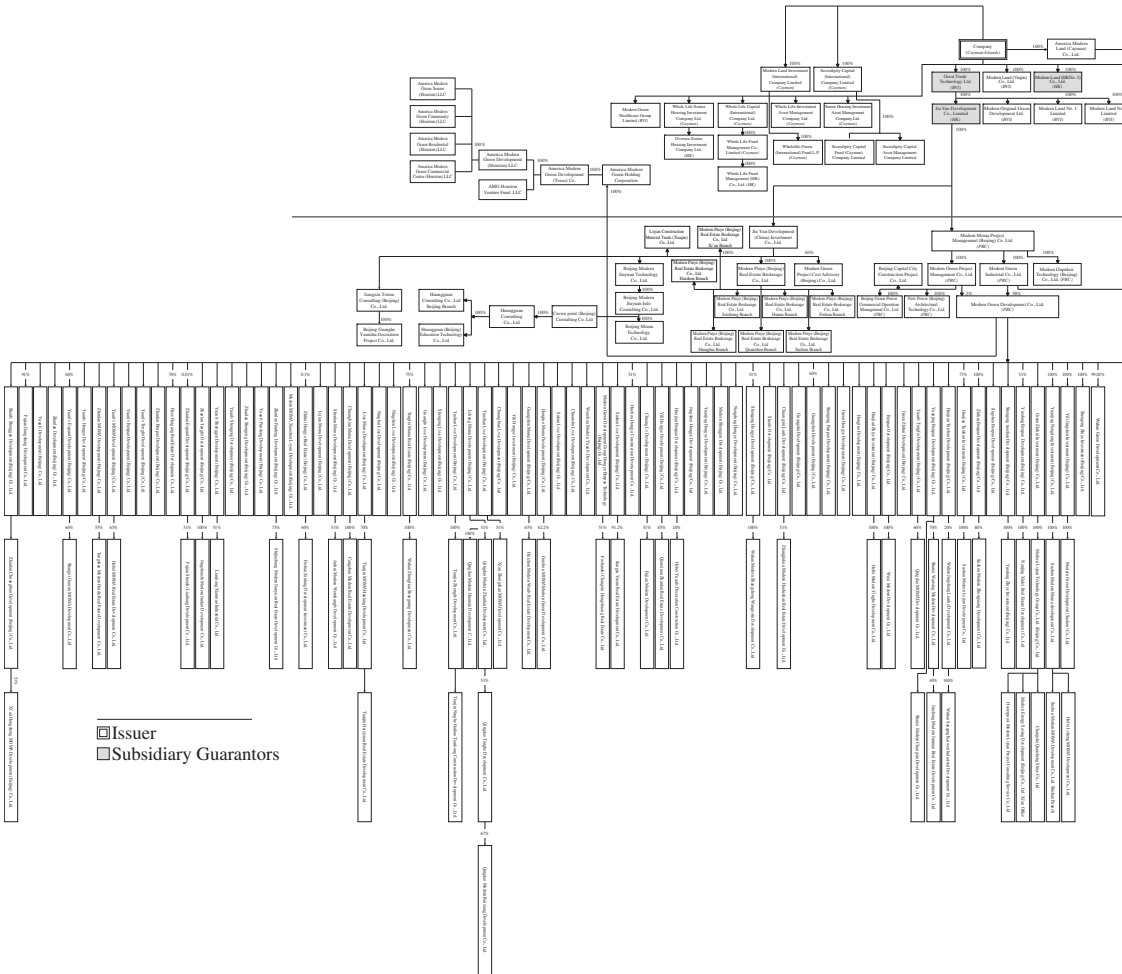
Based on statistics provided by the U.S. Bureau of Labor Statistics, non-farm for the 12 months ended October 2017, 46,600 jobs were created in Seattle.

We have disclosed in this section certain information such as population and income growths for some regions in U.S. extracted from the valuation report compiled by Crosson Dannis, Inc. in respect of the valuation of the parcel of land acquired by the Company in December 2012, and the site area of which is approximately 48.5 acres (or equivalent to approximately 196,155.4 sq.m.) located in Pearland, Texas, the U.S.

Save for the above, all statistics contained in this section is extracted from sources available to the public.

CORPORATE STRUCTURE

The following chart shows our corporate structure as of the date of this offering memorandum:



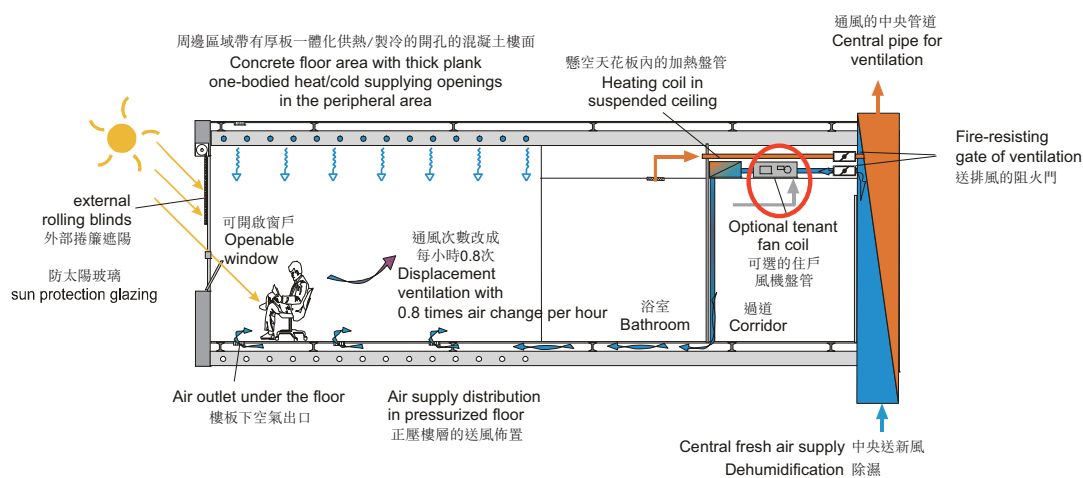
BUSINESS

OVERVIEW

We are a property developer focused on the development of green, energy-saving and eco-friendly residences in the PRC. We commenced our property development business in Beijing in 2000, and have expanded our operations to Shanghai, Guangzhou, Suzhou, Nanjing, Changsha, Taiyuan, Wuhan, Nanchang, Jiujiang, Zhangjiakou, Foshan, Huizhou, Wuxi, Zhuzhou, Jingzhou, Huangshi, Hefei, Quanzhou, Xiantao, Dongdaihe, Tianjin, Xian, Jinzhong, Qingdao, Jiaxing, Huzhou, Fuyang, Chizhou, Fúzhou, Shangrao, Zhengzhou, Xuchang, Hengyang, Xiaogan, Tianmen, Fúzhou, Guiyang and Xingyi.

We highly regard corporate social responsibility, and are committed to delivering comfortable and eco-friendly residential properties to the market. We believe our residential properties under our “MOMA” brand enjoy broad recognition among our customers, and “MOMA” has become one of the few brand names that are representative of green building design and construction. We have, over the years, developed a technology system combining energy-saving and eco-friendly construction technologies and techniques designed to provide energy-saving and comfortable living experience to our customers.

The following diagram illustrates our typical design of a comfortable living environment.



We have developed and maintained strong relationships with many internationally reputable design organizations and architects. We have received numerous awards recognizing the energy-saving function and quality of our products, including the following:

- We were recognized as the 2020 China Specialized Real Estate Company with Excellence in Operation – Green Technology Real Estate by China Index Academy;
- Our Fuzhou Modern City MOMA, Modern Jiabao Park YUE MOMA, Modern Xishan Shang Pin Wan MOMA, Modern Shishou Xian Yang Fu MOMA and Modern Huzhou Shang Pin Wan MOMA were awarded the title of “Green Residences” in 2019;
- Our Tongzhou Modern Megahall MOMA was awarded the Platinum-level precertification under the WELL Building Standard™;
- Our Foshan Modern Megahall MOMA was awarded the Gold-level certificate under the WELL Building Standard™;
- We were accredited as China Model Green Property Developers in Operation (ranking No. 1) for the fourth time;
- Our Modern Wan Guo Fu MOMA (Nanjing), Swan Lake MOMA (Hefei), Modern Zhongrui Wan Guo Fu (Wuhan) and Modern Wan Guo Fu MOMA (Foshan) were awarded Three Star Green Building Label – Design, while three projects were awarded Two Star Green Building Label – Design. Eight major projects were awarded the title of “Green Residences” in 2018;
- Our Modern Wan Guo Cheng MOMA (Tongzhou) received the Green Technology Residential Project Award for the Year 2018;
- We received the AAA rated credit enterprise awarded by the China Market Credit. The Company was ranked third in 2018 China Listed Real Estate Enterprise Green Credit Index;
- Our Modern MOMA (Beijing) won the first China’s Three-star Health Certification – Operation of Residential Projects, which is also the first project awarded the Three-star Green Building Certification – Operation in the country in a consecutive way;

- Our Wan Guo Cheng MOMA project was awarded the “Asian Technology Application Award for Green Ecology Habitation” by the Asian Habitat Society, the Asian Real Estate Society and the World Association of Chinese Architects; and
- Our MOMA Forest Forever project was listed among the “IHA Special Contribution Awards for Green Building in China – Best Practices in Green Building Project” by the International Housing Association.

We have a diversified product portfolio comprised of four product lines, namely, Modern MOMA, Modern Eminence MOMA, Modern Horizon MOMA, Modern City MOMA. They provide different features catering to customer classes with different needs and purchasing power, from high-end to mid-end customers to the general public. Please refer to “Our Property Development Process—Product lines” for details about their features and target customers.

We have adopted and implemented prudent business expansion and land acquisition strategies, and have built our land reserves in strategically important regions where our technologies can be widely applied under local climate conditions. As of June 30, 2020, we had a total of 97 property development projects in the PRC, the majority of which are under our “MOMA” brand, at various stages of development, including completed projects with a total GFA of approximately 8,681,548 sq.m. and projects under development with a total planned GFA of approximately 12,491,703 sq.m. Our projects are located in Beijing, Shanghai, Guangzhou, Suzhou, Nanjing, Changsha, Taiyuan, Wuhan, Nanchang, Jiujiang, Zhangjiakou, Foshan, Huizhou, Wuxi, Zhuzhou, Jingzhou, Huangshi, Hefei, Quanzhou, Xiantao, Dongdaihe, Tianjin, Xian, Jinzhong, Qingdao, Jiaying, Huzhou, Fuyang, Chizhou, Fúzhou, Shangrao, Zhengzhou, Xuchang, Hengyang, Xiaogan, Tianmen, Fúzhou, Guiyang, Xingyi, Chongqing and Shijiazhuang. We believe that our land reserves currently being developed, which have an aggregate planned total GFA (comprising the total GFA pre-sold and the total GFA unsold) of approximately 12,394,462 sq.m., will be sufficient to meet our development needs for the near future. In addition, as of June 30, 2020, we had a parcel of land with a site area of approximately 48.5 acres (or equivalent to approximately 196,155.4 sq.m.) located in Pearland, Texas, the U.S. As of the same date, we had two parcels of land with an aggregate GFA of approximately 1,001,082 square feet (or equivalent to approximately 93,004 sq.m.) located in Seattle, Washington, the U.S.

Our land reserves as of June 30, 2020 were located in the following provinces:

Location	Total GFA
	(sq.m.)
Anhui.....	2,110,626
Beijing.....	753,650
Chongqing.....	202,143
Fujian.....	141,564
Guangdong.....	490,411
Guizhou.....	1,031,697
Hebei.....	954,998
Henan.....	422,480
Hubei.....	3,867,332
Hunan.....	792,646
Jiangsu.....	571,313
Jiangxi.....	1,450,046
Liaoning.....	129,946
Shaanxi.....	2,038,918
Shandong.....	1,235,885
Shanghai.....	17,704
Shanxi.....	2,144,051
Tianjin.....	301,265
Zhejiang.....	299,399
Total	18,956,074

Notes:

- (1) Include land reserves held by us, our joint ventures and associates.
- (2) Include GFA unsold and GFA sold but undelivered with sales contracts.

We intend to continue to expand our operations in new markets. We take into account a number of factors in selecting new markets for our expansion, such as economic growth, governmental policies and application of our technologies. We will also customize our product features according to local market conditions.

We develop our property projects primarily through our wholly owned subsidiaries. When suitable opportunities arise, we also consider entering into joint ventures with third parties such as other property developers and real estate trusts or funds. We have entered into joint venture arrangements by forming new joint venture companies with third parties, selling equity interests in and introducing new shareholders to our existing subsidiaries, securing shareholders’ loans from our joint venture partners and acquiring equity interests in third parties.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue amounted to approximately RMB8,506.3 million, RMB9,337.7 million, RMB14,551.7 million (US\$2,059.7 million), RMB7,026.9 million and RMB8,710.3 million (US\$1,232.9 million), respectively.

RECENT DEVELOPMENTS

Grant of Share Options

On July 7, 2020, we granted 47,800,000 share options (the “Share Options”) to certain eligible participants under the share option scheme (the “Share Option Scheme”) adopted by us on June 14, 2013. Upon acceptance of the grant of Share Options and subject to the terms of the Share Option Scheme, 25% of the Share Options granted will vest on each of 7 July 2021, 7 July 2022, 7 July 2023 and 7 July 2024.

Issuance of July 2020 Notes

On July 13, 2020, the Company issued 11.5% senior notes in an aggregate amount of US\$250,000,000. The July 2020 Notes will mature on November 13, 2022.

Redemption and Repurchase of the March 2018 Notes

On July 30, 2020, the Company repurchased the March 2018 Notes in an aggregate amount of US\$99,996,000. The March 2018 Notes repurchased had been cancelled. Upon cancellation, the principal amount of the March 2018 Notes that remains outstanding was US\$235,004,000.

Entering into Facility Agreement

On August 12, 2020, we, as borrower, entered into a facility letter with Heng Seng Bank Limited, as lender, pursuant to which we borrowed a term loan facility in the amount of HK\$100.0 million. The facility is available within three months from the date of facility letter.

On November 24, 2020, we, as borrower, entered into two facility letters with Nanyang Commercial Bank, as lender, pursuant to which we borrowed term loan facilities in the amount of US\$24.0 and US\$30.0, respectively. The facility is available within six months from the date of facility letter.

Issuance of Additional March 2020 Notes and Additional July 2020 Notes

On September 8, 2020, the Company issued an additional US\$50,000,000 11.95% senior notes due 2024 (the “Additional March 2020 Notes”) and an additional US\$50,000,000 11.5% senior notes due 2022 (the “Additional July 2020 Notes”).

Acquisition of Land Parcels in Chongqing

On September 15, 2020, we entered into an equity transfer agreement to acquire 49% equity interest of Chongqing Konkka Real Estate Development Co., Ltd. (重慶康佳置業發展有限公司) (“Chongqing Konkka Real Estate”), a company established in the PRC with limited liability. Chongqing Konkka Real Estate indirectly holds the land use right of a land parcel at Bishan District, Chongqing, with total site area of approximately 133,334.8 sq.m. On September 30, the equity transfer was completed.

On November 20, 2020, we entered into another equity transfer agreement to further acquire 18% equity interest of Chongqing Konkka Real Estate. Upon completion, we will own 67% equity interest in Chongqing Konkka Real Estate.

On November 24, 2020, we entered into an equity transfer agreement to acquire 49% equity interest of Chongqing Chengda Real Estate Co., Ltd. (重慶程達置業有限公司) (“Chongqing Chengda”), a company established in the PRC with limited liability. Chongqing Chengda indirectly holds the land use right of a land parcel at Bishan District, Chongqing with the total site area of 198,120.78 sq.m. As of the date of this offering memorandum, the equity transfer is not completed.

On December 22, 2020, we entered into another equity transfer agreement to further acquire 18% equity interest of Chongqing Chengda. Upon completion, we will own 67% equity interest in Chongqing Chengda.

Change of Independent Non-executive Director and Changes in Composition of Board Committees

Effective from November 24, 2020, Mr. Zhong Bin resigned as an independent non-executive Director, and a member of the Audit Committee and the Nomination Committee. Effective from the same date, Mr. Gao Zhikai has been appointed as an independent non-executive Director, and a member of the Audit Committee and the Nomination Committee.

Recent Coronavirus Epidemic Outbreak

Toward the end of 2019, public health officials of the PRC informed the World Health Organization, or WHO, that a highly infectious novel coronavirus was detected. WHO later named the novel coronavirus as COVID-19. In March 2020, the WHO characterized the outbreak of COVID-19 a pandemic. The COVID-19 pandemic has resulted in an adverse impact on the livelihood of the people in and the economy of the PRC, particularly in Hubei Province, which has the largest number of confirmed cases and fatalities in China. The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. Since April 2020, China has 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 outbreak at the moment, particularly in view of the new rounds of COVID-19 outbreak recently, it is difficult to predict how long these conditions will persist and the extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. See “Risk Factors—Risks Relating to Our Business—Acts of God, epidemics, pandemic, including the recent outbreaks of A/H1N1, H7N9 influenza and COVID-19, and other disasters could materially and adversely affect our business, financial condition and results of operations.”

OUR COMPETITIVE STRENGTHS

We consider that we have the following competitive strengths:

Leading position and brand in China’s niche market of energy-saving, comfortable residential properties

We believe that we are one of the earliest PRC property developers to specialize in energy-saving, comfortable residential properties, and are now a leader in this “green property” market in terms of brand recognition and execution capability with dedicated research and development resources and cumulative technical expertise. Since our establishment in 2000, our “MOMA” brand has grown from its regional roots in Beijing to a presence across different regions in China. In 2010, we derived 69.3% of our sales of properties from four projects in Beijing and the rest from one project in Changsha. By comparison, as of June 30, 2020, we had 97 projects in various stages of development in Beijing, Shanghai, Guangzhou, Suzhou, Nanjing, Changsha, Taiyuan, Wuhan, Nanchang, Jiujiang, Zhangjiakou, Foshan, Huizhou, Wuxi, Zhuzhou, Jingzhou, Huangshi, Hefei, Quanzhou, Xiantao, Dongdaihe, Tianjin, Xian, Jinzhong, Qingdao, Jiaxing, Huzhou, Fuyang, Chizhou, Fúzhou, Shangrao, Zhengzhou, Xuchang, Hengyang, Xiaogan, Tianmen, Fúzhou, Guiyang, Xingyi, Chongqing and Shijiazhuang.

“Green property” development requires not only certain design elements and construction techniques used in isolation, but also an integrated approach employing select design elements and construction techniques to cater to project-specific factors such as location, climate, geographic environment and particular customer requirements. Through years of dedicated research and development and industry experience, we have put in place and continue to improve a versatile “MOMA” technology system, under which our experienced design and project execution personnel have at their disposal a wide variety of tested design and construction concepts and modules to ensure that our key design philosophies and technical standards are implemented consistently throughout our developments in different locations. The properties we have developed typically consume less energy and are installed with temperature and humidity control, noise reduction and air ventilation systems. We believe that these distinctive features of our developments have helped distinguish us from most of the other property developers in China and contributed to our strong profit margins. Our gross profit margin was 24.4% and 26.5% in the six months ended June 30, 2020 and the corresponding period in 2019, respectively. The lower gross profit margin in the six months ended June 30, 2020 was due to the increase of property delivery of projects with high margin, which contributed to the increase in the gross profit margin to sales of properties. We believe that these design and technical features have resonated with our target customers and helped enhance our brand value. Later phases of our developments often achieve higher average selling prices than earlier ones, as they have had the time to establish a reputation among local customers.

Focused positioning in a market segment favored by government policies

We believe our leading position and brand in the “green property” market segment in China put us in an advantageous position to benefit from the PRC government’s directives for energy conservation and environmental protection. In April 2012, the PRC Ministry of Finance and MOHURD promulgated certain “Implementation Opinions on Expediting the Development of Green Buildings in China,” which for the first time specified PRC government grants on green buildings to the real property developer: “Three Star Green Buildings” would be entitled to RMB80 per sq.m. and “Two Star Green Buildings” would be entitled to RMB45 per sq.m. Of the nine “Three Star Green Building” labels that the Chinese Society for Urban Studies Green Building Research Center had issued as of December 31, 2015 nationwide, two (Beijing Modern MOMA and Nanchang Man Ting Chun MOMA (Phase I)) were developed by us. Also, our Nanchang Man Ting Chun MOMA (Phase II) and Jiujiang Man Ting Chun MOMA have received “Two Star Green Building” labels. In addition, the implementation opinions are targeting to have more than one billion sq.m. in GFA of green buildings by 2015 and more than 30% of new buildings as green buildings by 2020 in China, which we believe is a positive policy gesture from the PRC government.

Strategically located, low-cost land bank and differentiated property offerings catering to various customer classes

As of June 30, 2020, we had 97 property development projects in various stages of development in Beijing, Shanghai, Guangzhou, Suzhou, Nanjing, Changsha, Taiyuan, Wuhan, Nanchang, Jiujiang, Zhangjiakou, Foshan, Huizhou, Wuxi, Zhuzhou, Jingzhou, Huangshi, Hefei, Quanzhou, Xiantao, Dongdaihe, Tianjin, Xian, Jinzhong, Qingdao, Jiaxing, Huzhou, Fuyang, Chizhou, Fúzhou, Shangrao, Zhengzhou, Xuchang, Hengyang, Xiaogan, Tianmen, Fúzhou, Guiyang, Xingyi, Chongqing and Shijiazhuang. We have selected these cities for our expansion from Beijing as they are provincial capitals or important regional cities with relatively robust local economies and growth potential, and as they are situated within climates (generally cold regions or regions with hot summers and cold winters) in which our technical systems are particularly suitable.

We have rolled out four product lines with different design concepts and technical specifications, catering to customer classes of different needs and purchasing power.

- Modern MOMA, our top-level product line, targets high-end customers. These properties are located in the core or high-end potential area of first-and second-tier cities. Life enjoyers are the main purchasers.
- Modern Eminence MOMA, our high-end product line, targets mid-to high-end customers, to whom we provide scarce resources, four constant (constant temperature, constant humidity, constant oxygen and constant quietness) residence, and green tech high-end works. Life enjoyers and reformers are the main purchasers.
- Modern Horizon MOMA, our quality product line, targets the general public. These properties meet the needs of quality and comfortable living and create value-for-money green community for purchasers who settle down, take root or seek family reunion.
- Modern City MOMA, our whole-life cycle and mixed function properties, is a faithful carrier that reflects the concept of life-cycle community of Modern Land. This product line is suitable for various purchasers who enjoy life, enjoy happiness, settle down, look for housing upgrade, take root and seek family reunion.

We believe that this differentiation has helped us broaden our market reach on the one hand and maximize added value and return on the other.

Effective cost control of property developments through standardized operations

We have established and implemented a standardized and effective “flow-chart operation” system for the operation and management of property developments since 2005, through which we allocate our internal resources and delegate responsibilities for our internal departments. This operating system is guided by standardized procedures and illustrated by various flow charts. With respect to each step in our standardized operations, we specify the responsible internal department and expected turnaround time. We believe that this system has been an important component of our cost-control efforts. Our cost of sales as a portion of our revenue was 79.0%, 76.7%, 74.5% and 75.6% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 respectively.

Stable and experienced management and research and development teams

The key members of our management team have an average of over 20 years of experience in the PRC real estate industry, and are well versed in areas of strategic planning, business management, resource operations and sustainable development. Our founder, executive director and chairman, Mr. Zhang Lei, with his insight on the PRC real estate market, has been instrumental in our strategic development since our founding. Mr. Chen Yin, an executive director and our chief technology officer and general engineer is a well-known expert in the green architecture field in China, having served in professional organizations such as the Green Architecture Committee of the Architectural Society of China and the Renewable Energy Resource Society of China. Our other senior management members collectively have significant experience in the fields of marketing, project development, capital operations, financial management and human resource management and extensive experience in real estate development and property operation and management.

Mr. Chen Yin also leads our dedicated research and development team which, as of June 30, 2020, comprised of approximately 20 technical staff in charge of overall project design as well as technical design and integration.

Focused financial management

We pursue a focused financial management policy by closely monitoring our capital and cash positions and carefully managing our land costs, construction costs, operating expenses and fixed charge coverage. We closely monitor the maturity profiles of our borrowings and manage the level of our liquid assets to ensure the availability of sufficient cash flows to service our indebtedness and meet cash requirements arising from our business. As of June 30, 2020, we had bank balances and cash (including restricted cash) of RMB7,840.8 million (US\$1,109.8 million), representing 10.9% of our total assets. We monitor our capital and indebtedness levels by reviewing our net gearing ratio, which is equal to net borrowings (total borrowings subtracting bank balances and cash) divided by total equity. Our net gearing ratio as of December 31, 2017, 2018 and 2019 and June 30, 2020 was approximately 83.1%, 81.9%, 82.7% and 107.3%, respectively.

OUR STRATEGIES

We intend to continue strengthening our participation in the development of comfortable communities. To accomplish our goal, we have formulated the following primary business strategies.

Continue to strengthen our capabilities in adapting and integrating energy-saving technologies

Our capabilities in research and development and integration of green energy-saving technologies set us apart from other PRC property developers and afford us with a competitive advantage in the PRC real estate market.

We will continue to keep abreast of the latest developments in construction and building materials using energy-saving technologies in both the PRC and the rest of the world. In order to enhance the quality, comfort level, energy efficiency, temperature control, air ventilation and noise reduction of our property developments, we will continue to strengthen our research on building techniques and materials to save energy, water, construction materials and space. We will continue to draw experience from our previous development projects to optimize our “MOMA” energy-saving system in terms of design, installation and scope of application. We will also promote the use of standardized modules in building energy-saving residences in new projects.

We will continue to deepen our relationships with our current business partners and enhance our cooperation with world famous design organizations and architects. We will maintain our working relationships with renowned individuals and entities and expand our cooperation with other leading organizations in the field of sustainable development.

Expand our footprint to carefully selected locations and enhance our brand recognition

With respect to the PRC real estate market as a whole, we intend to leverage our brand recognition and reputation in Beijing and draw on our successful experience there to expand our operations in markets where our products have competitive advantages. We take into account a number of factors in selecting new markets for our expansion, including local market conditions, geography and climate and the prospects of applying our technologies. We believe that cold areas and areas with hot summers and cold winters generally offer the most desirable climate conditions for the application of our technologies and plan to focus our development in these areas.

As of June 30, 2020, we had successfully expanded our operations to Beijing, Shanghai, Guangzhou, Suzhou, Nanjing, Changsha, Taiyuan, Wuhan, Nanchang, Jiujiang, Zhangjiakou, Foshan, Huizhou, Wuxi, Zhuzhou, Jingzhou, Huangshi, Hefei, Quanzhou, Xiantao, Dongdaihe, Tianjin, Xian, Jinzhong, Qingdao, Jiaying, Huzhou, Fuyang, Chizhou, Fúzhou, Shangrao, Zhengzhou, Xuchang, Hengyang, Xiaogan, Tianmen, Fúzhou, Guiyang, Xingyi, Chongqing and Shijiazhuang. We intend to expand to regions adjacent to these locations where we have accumulated experience in dealing with the local markets. We will continue to customize our energy-efficient, eco-friendly properties in new markets according to local market conditions.

We are also considering expanding our business to the U.S. as part of our long term strategic plan, which may involve the acquisition of land for mixed-use residential and retail/commercial property developments applying our energy-saving technologies, and in such regards we obtained the relevant enterprise overseas investment certificate issued by the MOFCOM and the relevant foreign exchange approval from SAFE in 2012. We have strategically chosen the U.S. as a destination for our potential expansion due to the increasing application of advanced eco-friendly technologies in properties there. We expect to enhance our experience and strengthen our capabilities in the integration and practical application of sustainable development technologies through our participation in the U.S. market. Furthermore, we have been recognized by various U.S. institutes, including LEED, in recent years, which we believe provides a favorable foundation for our expansion in the U.S. We believe that our proposed expansion plans in the U.S. will diversify our property development projects portfolio and revenue sources geographically and will expand our land reserves for future development. We further believe that the application of our energy-saving technologies in overseas projects will help our brands to achieve international recognition. Nevertheless, it remains our intention that our business operations will continue to be based principally in the PRC.

For the purpose of our expansion to the U.S. as part of our long-term strategic plan, we purchased a parcel of land with a site area of approximately 48.5 acres (approximately 196,155.4 sq.m.) located in Pearland, Texas, the U.S. in December 2012. In 2016, we purchased two parcels of land with an aggregate GFA of approximately 1,001,082 square feet (or equivalent to approximately 93,004 sq.m.) located in Seattle, Washington, the U.S. See “Business—Our Property Project in the PRC and the U.S.—Property development in the U.S.” for more details about this parcel of land and our development plan.

We believe we have established “MOMA” as a reputable brand in the PRC real estate market and that our brand is associated with high-quality and comfortable communities. These factors enable us to enjoy a competitive advantage over our competitors in terms of demand and pricing for our products. In order to further enhance our brand recognition, we intend to continue to devote ourselves to perfecting our energy-saving development technologies and integrating such technologies into our property developments. We also recognize that customer loyalty is a key factor to our success and contributes to our reputation. As such, we will continue to foster our customer-oriented values in all stages of our operations from product design to sales and marketing.

Maximize sales and profit in our existing product lines

Currently, we have four product lines, Modern MOMA, Modern Eminence MOMA, Modern Horizon MOMA, Modern City MOMA, which provide different features and target different groups of customers. We intend to maximize sales and profit in these product lines. We will carefully consider market conditions, customers’ preferences and spending power in selecting product lines for our projects at different locations, so as to increase the popularity of our products in different markets and improve our sales and maximize our profitability.

We intend to make necessary adaptations to tailor our products to the needs of local customers, taking into consideration local market conditions, geography and climate and the prospects of applying our technologies. We believe that doing this will enable us to effectively penetrate local markets.

Continue to boost operational efficiency and reduce cost

In order to optimize our “standardized progress and operation” system, we intend to consolidate and optimize our research and development, project management, operation and development and customer service functions and to implement effective management for each of our internal departments.

We plan to adopt and implement the following measures to optimize our operations:

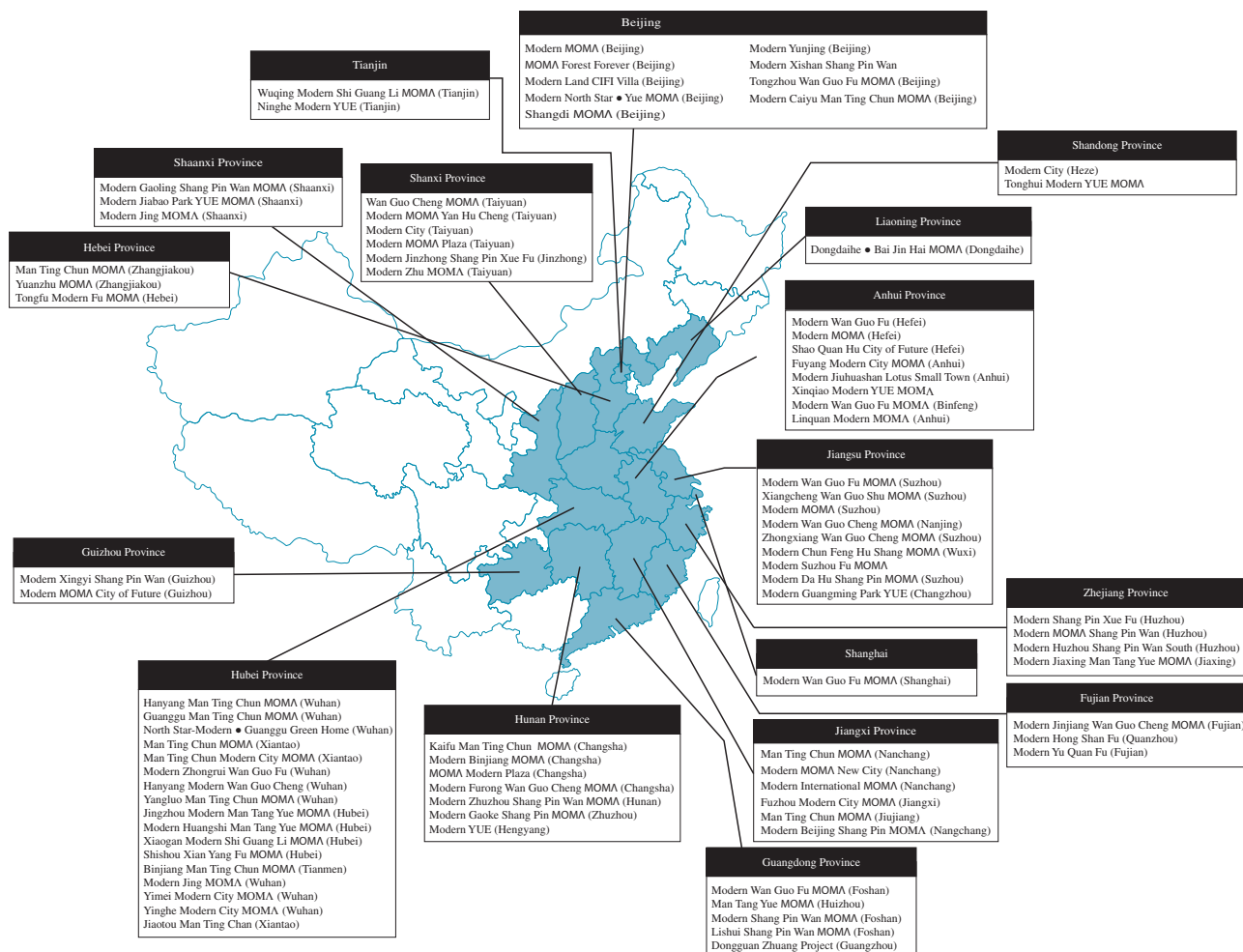
- to implement a comprehensive planned budget control;
- to build strategic alliances with our suppliers for centralized procurement and other means to lower the cost of materials; and
- to continue to optimize our effective management through our “standardized progress and operation” system.

OUR PROPERTY PROJECTS IN THE PRC AND THE U.S.

Overview of Our Property Developments

As of June 30, 2020, we had a total of 97 major property development projects at various stages of development in the PRC, located in Beijing, Shanghai, Guangzhou, Suzhou, Nanjing, Changsha, Taiyuan, Wuhan, Nanchang, Jiujiang, Zhangjiakou, Foshan, Huizhou, Wuxi, Zhuzhou, Jingzhou, Huangshi, Hefei, Quanzhou, Xiantao, Dongdahe, Tianjin, Xian, Jinzhong, Qingdao, Jiaxing, Huzhou, Fuyang, Chizhou, Fúzhou, Shangrao, Zhengzhou, Xuchang, Hengyang, Xiaogan, Tianmen, Fúzhou, Guiyang, Xingyi, Chongqing and Shijiazhuang. We also had a parcel of land for future development in Pearland, Texas, the U.S. As of the same date, we had two parcels of land with an aggregate GFA of approximately 1,001,082 square feet (or equivalent to approximately 93,004 sq.m.) located in Seattle, Washington, the U.S.

The following map shows the geographic locations of our property projects in the PRC:



We intend to expand the geographic scope of our property development operations in the near future and to expand our existing operations in Beijing, Shanghai, Hunan Province, Hubei Province, Fujian Province, Hebei Province, Shanxi Province, Guangdong Province, Jiangsu Province, Shaanxi Province, Liaoning Province and Jiangxi Province. We take into account a number of factors in selecting new markets for our expansion, such as local market conditions, geography and climate.

Most of our property development projects are developed in multiple phases and each phase may be in a different stage of development. We classify our property projects into the following three categories: completed projects, projects under development and projects held for future development. Our classification of properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Each property project or project phase may be subject to multiple land use rights certificates, construction permits, pre-sale permits and other permits and certificates which may be issued at different times throughout their developments.

The following table sets forth a breakdown of GFA and other key information as of June 30, 2020 of our property development projects in the PRC under various stages of development:

I. COMPLETED PROJECTS

Project	Attributable interest to the Group	Approximate total land site area in respect of the entire project (sq.m.)	Approximate total GFA ⁽¹⁾ (sq.m.)	Total GFA delivered ⁽²⁾ (sq.m.)	Total GFA less GFA delivered ⁽²⁾⁽³⁾ (sq.m.)	Approximate total GFA held for investment (sq.m.)	Actual construction commencement date	Actual construction completion date	Pre-sale start date/Date of pre-sale permit	Actual/Expected delivery date	Total costs incurred as of June 30, 2020 (RMB million)
1. Modern MOMA (Beijing) (北京當代MOMA)	100%	107,666	441,431	423,536	17,895	17,409	01-Sept	10-Nov	11-Jan	08-Jul	4,624.95
2. MOMA Forest Forever (MOMA萬萬樹)	100%	183,161	100,141	92,156	7,985	3,155	06-Apr	12-Dec	07-Nov	12-Dec	1,117.90
3. Shangdi MOMA (上第MOMA)	100%	266,865	229,667	218,504	11,163	2,721	07-Aug	11-Apr	13-Dec	11-Apr	2,492.29
4. Modern Land CIFI Villa (Beijing) (北京當代•旭輝墅)	50%	75,435	158,213	157,220	993	-	14-May	14-Jul	14-Sept	16-Apr	685.00
5. Modern North Star • YUE MOMA (Beijing) (北京當代北辰•悅MOMA)	50%	52,842	131,346	125,615	5,731	-	15-Jun	17-Jun	15-Aug	18-Apr	1,768.55
6. Wuqing Sunshine MOMA (Tianjin) (天津武清當代拾光里MOMA)	70%	36,408	43,123	42,904	219	-	18-Jan	18-Apr	18-Oct	19-Jun	314.06
7. Wan Guo Cheng MOMA (Taiyuan) (太原萬國城MOMA)	100%	124,496	584,641	535,563	49,078	18,487	10-Sept	16-Apr	11-Mar	16-Apr	3,268.99
8. KaiFu Man Ting Chun MOMA (Changsha) (長沙開福滿庭春MOMA)	100%	338,794	1,078,751	1,037,892	40,859	27,476	07-Jul	15-Apr	11-Jan	15-Jul	3,338.23
9. Modern Binjiang MOMA (Changsha) (長沙當代濱江MOMA)	100%	48,241	229,374	217,464	11,910	-	14-Oct	16-Sept	14-Oct	16-Dec	1,299.79
10. MOMA Modern Plaza (Changsha) (長沙MOMA當代廣場)	100%	79,374	341,778	304,723	37,055	-	14-Jul	16-Oct	14-Oct	16-Dec	1,080.34
11. Modern Zhuzhou Shang Pin Wan MOMA (Hunan) (湖南當代株洲上品灣MOMA)	70%	74,964	176,397	152,654	23,743	-	17-Dec	20-Mar	17-Dec	20-May	785.94
12. Modern MOMA (Hefei) (合肥當代MOMA)	100%	56,262	189,073	188,370	703	-	14-Apr	17-Nov	15-Feb	17-Dec	1,592.57
13. Man Ting Chun MOMA (Nanchang) (南昌滿庭春MOMA)	100%	116,349	251,833	244,078	7,755	1,406	10-Apr	13-Dec	10-Dec	13-Dec	1,099.39
14. Modern MOMA New City (Nanchang) (南昌當代MOMA新城)	100%	31,201	90,432	79,305	11,125	7,047	14-Jan	15-Nov	14-May	15-Dec	522.18
15. Modern International MOMA (Nanchang) (南昌當代國際MOMA)	100%	70,000	207,084	186,710	20,374	7,529	14-Apr	16-Mar	14-Aug	16-Jul	1,254.51
16. Man Ting Chun MOMA (Jiujiang) (九江滿庭春MOMA)	100%	173,130	493,390	467,624	25,766	17,552	11-Sept	17-Jun	11-Dec	17-Aug	1,934.20
17. Man Ting Chun MOMA (Xiantao) (仙桃滿庭春MOMA)	100%	226,095	869,663	788,445	81,218	11,325	11-Oct	19-Sept	12-Dec	19-Sept	2,179.36
18. Hanyang Man Ting Chun MOMA (Wuhan) (武漢漢陽滿庭春MOMA)	99%	42,314	120,473	112,442	8,031	-	14-Aug	16-Jun	14-Oct	16-Jun	502.10
19. Guanggu Man Ting Chun MOMA (Wuhan) (武漢光谷滿庭春MOMA)	100%	94,050	283,100	261,688	21,412	-	14-Feb	17-Nov	14-Aug	17-Nov	1,480.50
20. North Star-Modern • Guanggu Green Home (Wuhan) (武漢北辰當代•光谷綠色家園)	45%	140,817	315,203	313,924	1,279	-	15-May	17-Dec	14-Sept	17-Dec	1,171.42

Project	Attributable interest to the Group	Approximate total land site area in respect of the entire project (sq.m.)	Approximate total GFA ⁽¹⁾ delivered ⁽²⁾ (sq.m.)	Total GFA delivered ⁽²⁾ (sq.m.)	Total GFA less GFA delivered ^{(2),(3)} (sq.m.)	Approximate total GFA held for investment (sq.m.)	Actual construction commencement date	Actual construction completion date	Pre-sale start date/ Date of pre-sale permit	Actual/ Expected delivery date	Total costs incurred as of June 30, 2020 (RMB million)
21. Modern Wan Guo Cheng MOMA (Suzhou) (蘇州當代萬國府MOMA)	100%	27,322	72,730	70,447	2,283	1,611	16-Mar	17-Jun	16-Mar	17-Dec	795.55
22. Modern Suzhou Fu MOMA (當代蘇州府MOMA)	50%	14,868	24,078	17,384	6,694	-	16-Oct	19-Jan	17-Apr	19-May	581.57
23. Xiangcheng Wan Guo Shu (蘇州相城萬國墅)	100%	26,643	58,373	39,411	18,962	-	16-Sept	18-Jun	16-Dec	18-Oct	709.56
24. Wan Guo Cheng MOMA (Shanghai) (上海當代萬國府MOMA)	100%	46,201	127,474	109,770	17,704	-	15-May	17-Jun	15-Dec	17-Jun	2,262.96
25. Modern MOMA Yan Hu Cheng (Taiyuan) (太原當代MOMA沿湖城)	50%	49,459	201,600	190,340	11,260	-	16-Dec	19-July	16-Nov	19-Oct	1,090.29
26. Modern Furong Wan Guo Cheng MOMA (Changsha) (長沙當代芙蓉萬國城MOMA)	51%	156,285	545,752	512,603	33,149	7,119	15-Feb	19-Mar	15-Apr	19-Apr	2,637.02
27. Modern Hankou Wan Guo Fu (Wuhan) (武漢當代漢口萬國府)	51%	13,285	39,810	37,820	1,990	-	16-Oct	19-Nov	17-May	19-Nov	971.90
28. Hanyang Modern Wan Guo Cheng (Wuhan) (武漢漢陽當代萬國城)	75%	45,208	159,944	141,393	18,551	-	17-Aug	20-Apr	17-Oct	20-Apr	1,535.63
29. Jingzhou Modern Man Tang Yue MOMA (Hubei) (湖北荊州當代滿堂悅MOMA)	30%	35,193	103,473	89,442	14,031	-	17-Aug	19-Apr	17-Nov	19-May	298.72
30. Modern MOMA Hengtong International City of the Future (Hefei) (合肥當代MOMA恒通國際未來城)	100%	139,157	460,037	450,985	9,052	-	16-Apr	19-Jun	16-Aug	19-Aug	1,661.94
31. Shishan Modern MOMA (Suzhou) (蘇州獅山當代MOMA)	100%	15,419	80,511	54,850	25,661	-	16-Oct	19-Apr	16-Nov	19-Sept	942.39
32. Chun Feng Hu Shang (Wuxi) (無錫春風湖上)	100%	92,610	101,871	95,126	6,745	-	17-Apr	18-Nov	17-Nov	18-Dec	890.54
33. Modern Shang Pin Wan MOMA (Foshan) (佛山當代上品灣MOMA)	100%	9,741	29,222	27,420	1,802	-	17-Apr	19-Feb	17-Jun	19-May	315.70
34. Modern Tian Yu (Huzhou) (湖州當代天譽)	40%	26,802	42,883	38,770	4,113	-	18-Aug	19-Nov	18-Aug	19-Dec	277.40
35. Modern Hong Shan Fu (Fujian) (福建當代鴻山府)	75%	9,429	19,800	13,449	6,351	-	18-Jul	19-Dec	18-Sept	20-Jan	91.07
36. Modern Jiaying Man Tang Yue MOMA (當代嘉興滿堂悅MOMA)	51%	30,570	55,027	23,472	31,555	-	18-Aug	19-Dec	18-Sept	20-Apr	561.35
37. Modern Shang Pin Xue Fu (Huzhou) (湖州當代上品學府)	81%	98,056	223,850	142,005	81,845	-	18-Mar	20-May	18-Jun	20-Jun	1,318.11
Sub total		3,174,712	8,681,548	8,005,506	676,041	122,836					49,453.99

II. PROJECTS UNDER DEVELOPMENT

Project	Attributable interest to the Group	Approximate total land site area in respect of the entire project (sq.m.)	Total GFA ⁽¹⁾ (sq.m.)	Total GFA delivered ⁽²⁾ (sq.m.)	Total GFA less GFA delivered ^{(2),(3)} (sq.m.)	Approximate total GFA held for investment (sq.m.)	Actual construction commencement date	Expected/Actual construction completion date	Pre-sale start date/Date of pre-sale permit	Actual/Expected delivery date	Total costs incurred as of June 30, 2020 ⁽⁴⁾ (RMB million)	Estimated future development costs to be incurred (RMB million)
1. Modern Yunjing MOMA (Beijing) (當代雲鏡MOMA)	51%	49,477	163,593	-	163,593	-	16-May	23-Sep	-	23-Oct	220,223	102,496
2. Modern Tongzhou Wan Guo Fu MOMA (北京通州萬國府)	51%	35,998	220,733	-	220,733	-	17-Sept	22-Oct	17-Oct	22-Dec	470,872	114,615
3. Modern Xishan Shang Pin Wan MOMA (Beijing) (當代西山上品灣MOMA)	51%	78,773	130,030	-	130,030	-	19-Jul	22-Oct	19-Sept	22-Dec	265,868	64,372
4. Man Ting Chun MOMA (Zhangjiakou) (張家口滿庭春)	35%	170,592	340,841	70,876	269,965	-	17-Sept	23-Oct	18-Jun	23-Dec	100,908	114,301
5. Yuanzhu MOMA (Zhangjiakou) (張家口垣著MOMA)	48%	61,365	121,909	-	121,909	-	19-Jun	22-Oct	19-Aug	22-Dec	85,449	53,945
6. Modern Zhu MOMA (Taiyuan) (太原當代著MOMA)	20%	59,563	127,698	-	127,698	-	19-Sept	23-May	19-Nov	23-Jun	22,977	96,257
7. Modern MOMA Plaza (Taiyuan) (太原當代MOMA廣場)	51%	36,013	140,788	-	140,788	-	18-Apr	21-Jun	18-Jul	21-Aug	80,587	40,377
8. Modern City MOMA (Taiyuan) (太原當代城MOMA)	51%	141,881	508,309	-	508,309	-	18-Oct	23-Mar	19-Jun	23-May	207,859	384,608
9. Modern Jinzhong Shang Pin Xue Fu (Shanxi) (山西當代晉中上品學府)	49%	176,719	355,388	-	355,388	-	18-Aug	23-Jan	18-Dec	23-Apr	137,029	157,536
10. Modern Gao Ke Shang Pin MOMA (Zhuzhou) (株洲當代高科上品MOMA)	56%	35,997	111,590	-	111,590	-	20-Feb	22-Jun	20-Jun	22-Dec	29,813	46,746
11. Modern Shang Pin MOMA (Hengyang) (衡陽當代上品MOMA)	51%	36,331	127,160	-	127,160	-	20-Feb	22-Jun	20-Jun	22-Aug	1,294	65,108
12. Modern MOMA (Hefe) (合肥當代萬國府)	31%	111,170	258,402	136,276	122,126	-	17-Mar	21-Nov	17-Jun	21-Dec	551,485	54,730
13. Modern Juhuashan Lotus Small Town (Anhui) (安徽當代九華山蓮花小鎮)	51%	92,513	48,477	-	48,477	-	19-Apr	22-Dec	19-Jun	22-Dec	22,655	89,316
14. Fuyang Modern City MOMA (Anhui) (安徽阜陽當代城MOMA)	74%	162,321	357,186	-	357,186	-	18-Nov	23-Apr	18-Dec	23-Apr	141,621	90,328
15. Linqun Modern City MOMA (Anhui) (安徽臨泉當代城MOMA)	26%	189,620	393,857	-	393,857	-	19-Feb	24-May	19-Jun	24-Jun	95,134	87,997
16. Modern Jing MOMA (Wuhan) (武漢當代境MOMA)	100%	92,894	239,797	-	239,797	-	19-Nov	22-Nov	20-May	22-Nov	106,363	128,937
17. Modern Wan Guo Cheng MOMA (Nanjing) (南京萬國城)	51%	20,532	54,486	-	54,486	-	16-Nov	20-Oct	18-Aug	20-Oct	136,675	15,451
18. Mian Ting Chun Modern City MOMA (Xiantao) (仙桃滿庭春當代城MOMA)	82%	79,035	300,138	-	300,138	-	18-Apr	21-Sept	18-Aug	21-Oct	55,658	73,308

Project	Attributable interest to the Group	Approximate total land site area in respect of the entire project (sq.m.)	Total GFA ⁽¹⁾ (sq.m.)	Total GFA delivered ⁽²⁾ (sq.m.)	Total GFA less GFA delivered ^{(2),(3)} (sq.m.)	Approximate total GFA held for investment (sq.m.)	Actual construction commencement date	Expected/Actual construction completion date	Pre-sale start date/Date of pre-sale permit	Actual/Expected delivery date	Total costs incurred as of June 30, 2020 ⁽⁴⁾ (RMB million)	Estimated future development costs to be incurred (RMB million)
19. Binjiang Man Ting Chun MOMA (Tianmen) (天門濱江滿庭春MOMA).....	60%	35,999	131,697	-	131,697	-	18-Jul	21-May	18-Oct	21-Jun	22,876	25,529
20. Xiantao Communications Investment Man Ting Chun (Xiantao) (仙桃交投滿庭春).....	50%	300,002	599,485	-	599,485	-	19-Sept	24-Mar	19-Dec	24-April	11,415	246,764
21. Ninghe Modern Park • YUE MOMA (Tianjin) (天津寧河當代公園悅MOMA).....	100%	124,086	193,441	-	193,441	-	19-Dec	22-Sept	20-Mar	22-Dec	13,446	143,822
22. Tongfu Modern Fu MOMA (同福當代府MOMA).....	90%	76,872	210,874	-	210,874	-	19-Dec	23-May	19-Dec	23-Aug	107,681	134,962
23. Yangluo Man Ting Chun MOMA (Wuhan) (武漢陽邏滿庭春MOMA).....	20%	76,394	268,141	241,825	26,316	-	17-May	20-Jun	17-Sept	20-Jun	110,362	20,791
24. Jianhai Modern Park • YUE MOMA (Xinyang) (蔡陽建海當代公園悅MOMA).....	49%	20,865	52,102	-	52,102	-	19-Jul	21-Nov	19-Nov	21-Dec	9,331	19,857
25. Modern Huangshi Man Tang Yue MOMA (Hubei) (湖北當代黃石滿堂悅MOMA).....	51%	41,808	162,865	-	162,865	-	18-Jul	21-Nov	18-Nov	21-Dec	55,224	36,715
26. Xiaogan Modern Shi Guang Li MOMA (Hubei) (湖北當代孝感拾光里MOMA).....	53%	99,749	239,398	-	239,398	-	18-Oct	25-Apr	19-Jan	25-Jul	26,463	81,953
27. Shishou Xian Yang Fu MOMA (Hubei) (湖北石首顯揚府MOMA).....	30%	65,886	164,700	-	164,700	-	19-Jan	21-Oct	21-Jun	21-Dec	18,744	49,662
28. Fuzhou Modern City MOMA (Jiangxi) (江西撫州當代城MOMA).....	51%	166,703	359,096	-	359,096	-	19-Jan	23-Oct	19-May	23-Nov	50,656	99,547
29. Yinghe Modern City MOMA (Wuhan) (武漢英赫當代城MOMA).....	70%	139,334	284,050	-	284,050	-	19-Jul	22-Oct	19-Dec	22-Dec	102,048	160,003
30. Binfeng Modern Wan Guo Fu MOMA (Jiangxi) (贛鋒當代萬國府MOMA).....	51%	54,336	108,671	-	108,671	-	19-Aug	22-Oct	20-May	22-Dec	95,722	74,148
31. Modern City (Heze) (荷澤當代城).....	100%	193,269	747,259	-	747,259	-	19-Jul	22-Nov	19-Jul	22-Dec	97,656	228,593
32. Modern Gaoling Shang Pin Wan MOMA (Shaanxi) (陝西當代高陵上品灣MOMA).....	60%	280,003	637,559	-	637,559	-	18-May	22-Mar	18-Jul	22-Apr	300,722	112,748
33. Modern Jiabao Park • YUE MOMA (Shaanxi) (陝西當代嘉寶公園悅MOMA).....	51%	110,597	202,970	-	202,970	-	18-Oct	21-Oct	18-Nov	21-Dec	114,548	60,939
34. Modern Jing MOMA (Shanxi) (陝西當代境MOMA).....	51%	48,824	170,800	-	170,800	-	20-Feb	22-Oct	20-May	22-Nov	67,859	108,176
35. Wan Guo Cheng MOMA (Foshan) (佛山當代萬國府MOMA).....	51%	48,208	190,833	166,833	24,000	2,428	16-Jun	20-Apr	16-Oct	20-May	270,678	23,889
36. Modern Yue MOMA (Xuchang) (許昌當代悅MOMA).....	60%	61,551	214,485	-	214,485	-	19-Sept	22-Aug	20-Apr	22-Sept	30,605	87,848
37. Modern Shang Pin Wan MOMA (Foshan) (福建當代晉江萬國城MOMA).....	60%	110,597	426,305	391,618	34,687	13,070	17-Jun	20-Jun	17-Oct	20-Jul	334,596	42,526
38. Man Tang Yue MOMA (Huizhou) (惠州滿堂悅).....	100%	27,624	209,700	95,708	113,992	16,719	17-May	22-Aug	18-Jun	22-Aug	155,314	26,947

Project	Attributable interest to the Group	Approximate total land site area in respect of the entire project (sq.m.)	Total GFA ⁽¹⁾ (sq.m.)	Total GFA delivered ⁽²⁾ (sq.m.)	Total GFA less GFA delivered ^{(2),(3)} (sq.m.)	Approximate total GFA held for investment (sq.m.)	Actual construction commencement date	Expected/Actual construction completion date	Pre-sale start date/Date of pre-sale permit	Actual/Expected delivery date	Total costs incurred as of June 30, 2020 ⁽⁴⁾ (RMB million)	Estimated future development costs to be incurred (RMB million)
39. Modern Shang Pin Wan (Huzhou) (湖州當代上品灣).....	79%	37,029	71,447	6,153	65,294	-	18-Aug	20-Jul	18-Oct	20-Jul	47,187	9,493
40. Tonghui Modern Yue MOMA (通匯當代閩MOMA).....	34%	39,437	98,593	-	98,593	-	19-Dec	22-May	20-Apr	22-Jun	40,036	55,460
41. Modern Great Lakes Shang Pin MOMA (蘇州當代大湖上品MOMA).....	80%	38,385	57,578	-	57,578	-	18-Dec	20-Dec	19-May	21-Mar	58,817	24,027
42. Modern Binjiang Shang Pin MOMA (Nanchang) (南昌當代濱江上品MOMA).....	26%	141,399	291,534	-	291,534	-	19-May	24-May	19-Jul	24-Jul	209,232	152,232
43. Modern Xingyi Shang Pin Wan (Guizhou) (貴州當代興義上品灣).....	60%	79,160	174,542	22,168	152,374	-	18-Mar	22-Mar	18-Jun	22-May	33,082	45,329
44. Modern MOMA City of Future (Guizhou) (貴州當代MOMA未來城).....	62%	480,576	415,455	-	415,455	-	18-Nov	23-May	18-Dec	23-Aug	59,796	181,070
45. Dongguan Zhuang Project (Guangzhou) (廣州東莞莊項目).....	38%	96,503	284,596	-	284,596	-	18-Sept	23-Apr	21-Apr	23-Aug	426,318	466,082
46. Yimei Modern City (Hongghu) (洪湖憶美當代城).....	51%	38,934	109,015	-	109,015	-	20-Feb	21-Nov	20-May	22-Apr	8,715	39,666
47. Qianjiang Modern Yue MOMA (潛江當代閩).....	51%	64,124	160,000	-	160,000	-	20-Mar	22-Nov	20-Jun	22-Dec	11,324	70,308
48. Modern Jing MOMA (Changsha) (長沙當代雲公園).....	25%	50,346	196,626	-	196,626	-	20-May	23-May	20-Sept	23-Jun	-	195,783
49. Times Yun Park (Changsha) (長沙時代雲公園).....	20%	8,848	53,088	-	53,088	-	20-Sept	22-Oct	20-Dec	22-Nov	35,177	37,497
50. Fuzhou Modern Yue MOMA (蕪州當代閩).....	51%	105,597	211,193	-	211,193	-	20-Feb	23-Sept	20-Jun	23-Oct	61,829	122,526
51. Xinqiao Modern Yue MOMA (新橋當代閩MOMA).....	100%	65,646	144,422	-	144,422	-	20-Feb	23-May	20-May	23-Sept	13,717	56,927
52. Modern Zhu Jia MOMA (Suzhou) (蘇州當代著家MOMA).....	80%	26,136	81,010	-	81,010	-	20-Jun	22-Dec	20-Oct	23-Mar	67,376	146,290
53. Guorun Jing MOMA (國潤當代鏡).....	75%	101,826	244,566	-	244,566	-	20-May	22-Dec	20-Sept	23-Jun	62,891	246,377
54. Chongqing Chunfeng Yinyue (重慶春風印月).....	100%	134,762	202,143	-	202,143	-	20-Feb	22-Aug	20-Jun	22-Dec	35,089	98,482
55. Modern Guang Ming Park • YUE (Changzhou) (常州當代光明公園閩).....	50%	55,038	121,082	-	121,082	-	20-Feb	22-Oct	20-Apr	22-Dec	89,777	59,292
Sub total		5,277,246	12,491,703	1,131,457	11,360,245	32,216					5,993,780	5,569,689

III. PROJECTS HELD FOR FUTURE DEVELOPMENT

Project	Attributable interest to the Group	Approximate total land site area in respect of the entire project	Total GFA ⁽¹⁾	Total GFA delivered ⁽²⁾	Total GFA less GFA delivered ⁽²⁾⁽³⁾	Approximate total GFA held for investment	Expected construction commencement date	Expected construction completion date	Pre-sale date/ pre-sale permit	Actual/ Expected delivery date	Total costs incurred as of June 30, 2020 ⁽⁴⁾	Estimated future development costs to be incurred
1. Dongdaihe • Bai Jin Hai MOMA (Dongdaihe) (東戴河•白金海MOMA)	100%	185,564	346,675	226,662	120,013	–	21-Jul	23-Dec	21-Sep	24-Mar	98,781	51,219
2. Tianmen Riverside Wangjiang Project (天門濱江望江項目)	51%	40,046	112,130	–	112,130	–	21-Apr	24-Nov	21-Oct	24-Dec	1,828	38,339
3. Lishui Shang Pin Wan MOMA (Foshan) (佛山里水上品灣MOMA)	100%	16,424	37,776	–	37,776	–	21-Oct	24-Mar	21-Dec	24-Jun	24,183	30,422
4. Modern Yu Quan Fu (Fujian) (福建當代御泉府)	51%	40,117	88,257	–	88,257	–	21-Mar	23-Aug	21-May	23-Nov	13,500	35,000
Sub total		282,152	584,838	226,662	358,176	–					138,292	154,980
Total		8,734,109	21,758,089	9,363,626	12,394,462	155,053					6,132,072	5,724,669

Notes:

- (1) Including the approximate total GFA which was sold, pre-sold, unsold, held for investment and held for own use. Figures refer to approximate total GFA for completed projects and approximate total planned GFA for projects under development.
- (2) Our land reserves as of June 30, 2020 were 12,394,462 sq.m., which were comprised of the total GFA pre-sold of 6.6 million sq.m. and the total GFA unsold of 5.8 million sq.m.
- (3) Our total GFA unsold comprises the unsold portion of the GFA of completed projects, properties under construction that have not been sold or pre-sold and property held for future development.
- (4) Total costs incurred includes the construction costs, land costs, financing costs and relevant taxes. All of the costs in respect of the completed projects had been fully reflected in the relevant financial statements. In respect of projects under development and the projects for future development, the estimated future development costs to be incurred refers to the expected cash outflow. We will fund our future development costs by various means including utilizing our internal resources or applying the proceeds from the pre-sale or sale of our properties as well as obtaining bank borrowings or other external financings.
- (5) The projects of our Group as shown in the above table include the projects of our joint ventures and associates.

The following table sets forth a breakdown of the approximate ASP calculated on the basis of revenue recorded and GFAs delivered, where available, of our projects in the PRC for the periods indicated:

Project Name	Approximate ASP			
	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
	(RMB per sq.m.)			
Modern Chun Feng Hu Shang MOMA (Wuxi)	8,515	9,465	9,877	12,182
Dongdaihe • Bai Jin Hai MOMA (Dongdaihe)	5,806	6,768	6,726	5,438
Guanggu Man Ting Chun MOMA (Wuhan) ..	8,601	16,695	–	–
Modern Zhongrui Wan Guo Fu (Wuhan)	–	28,308	26,194	19,408
Hanyang Modern Wan Guo Cheng (Wuhan) ..	–	14,371	14,720	13,731
Kaifu Man Ting Chun MOMA (Changsha) ...	8,027	10,974	–	–
Man Tang Yue MOMA (Huizhou)	–	10,815	9,845	10,745
Man Ting Chun MOMA (Jiujiang) (Note)	5,366	7,481	11,171	–
Man Ting Chun MOMA (Nanchang)	6,963	–	–	–
Man Ting Chun MOMA (Xiantao)	3,061	3,786	5,110	7,413
Man Ting Chun Modern City MOMA (Xiantao)	–	5,131	5,054	5,876
Man Ting Chun MOMA (Zhangjiakou)	–	6,815	6,598	5,514
Modern Binjiang MOMA (Changsha)	10,596	18,724	5,684	–
Modern International MOMA (Nanchang)	14,430	11,278	–	–
Modern Jinjiang Wan Guo Cheng MOMA (Fujian)	–	11,471	9,506	36,678
Modern Land • CIFI Villa (Beijing)	10,072	25,964	–	–
Jingzhou Modern Man Tang Yue MOMA (Hubei)	–	5,431	5,521	9,011
Modern MOMA (Hefei)	18,357	22,097	16,633	11,751
Modern MOMA Plaza (Taiyuan)	–	9,857	11,270	–
Modern MOMA New City (Nanchang)	6,955	10,408	–	–
Modern MOMA Yan Hu Cheng (Taiyuan)	–	6,915	7,554	11,268
Modern Shang Pin Wan MOMA (Foshan)	–	16,877	15,888	10,648
Modern Shang Pin Xue Fu (Huzhou)	–	9,810	8,937	11,447
Modern Wan Guo Fu (Hefei)	–	21,886	22,043	27,771
Modern Wan Guo Fu MOMA (Foshan)	–	21,056	24,242	19,688
Modern Wan Guo Fu MOMA (Nanjing)	–	40,881	39,589	–
Modern Wan Guo Fu MOMA (Shanghai)	37,475	59,834	–	–
Modern Wan Guo Fu MOMA (Suzhou)	24,827	28,481	–	–
Modern Zhuzhou Shang Pin Wan MOMA (Hunan)	–	6,588	6,738	7,573
MOMA Modern Plaza (Changsha)	6,844	9,886	–	9,023
Shangdi MOMA (Beijing)	27,024	–	–	–
Shao Quan Hu City of Future (Hefei)	–	7,158	8,923	–
Shishan Modern MOMA (Suzhou)	–	23,131	16,464	–
Wan Guo Cheng MOMA (Taiyuan)	16,563	15,774	–	11,148
Yangluo Man Ting Chuo MOMA (Wuhan) ...	–	5,975	6,868	7,145
Fuzhou Modern City MOMA (Jiangxi)	–	–	6,239	6,462
Modern Jinzhong Shang Pin Xue Fu (Shanxi)	–	–	8,573	7,250
Wuqing Sunshine MOMA (Tianjin)	–	–	11,868	–
Fuyang Modern City MOMA (Anhui)	–	–	6,137	6,299
Modern Jiaxing Man Tang Yue MOMA	–	–	11,362	11,301
Modern Tian Yu (Huzhou)	–	–	9,642	–
Modern Xingyi Shang Pin Wan (Guizhou)	–	–	3,839	3,855
Modern MOMA City of Future (Guizhou)	–	–	11,231	5,522

Property development in the U.S.

For the purpose of our expansion to the U.S. as part of our long term strategic plan, in December 2012, we purchased a parcel of land with a site area of approximately 48.5 acres (approximately 196,155.4 sq.m.) located in Pearland, Texas, for a consideration of US\$4,550,000, settled by cash and funded by our internal resources. We currently intend to use the land to develop a mixed use community targeting middle-aged to senior people and members of their families, or younger people who are interested in purchasing or leasing property in or close to such community to meet their future residential needs. We have obtained the City Planned Development Approval on April 25, 2016.

On May 30, 2016, we acquired a parcel of land located in Seattle, King County, Washington, U.S., through entering into the LLC agreement in relation to the formation of MGCW, LLC with Modern Green Land Bellevue LLC and CW Development LLC. The consideration for the acquisition and development of the parcel of land was approximately US\$16.3 million.

The site area of this parcel of land is approximately 14,387 square feet. We expect that the GFA of properties to be constructed 26,333 sq.m). We expect to develop this parcel of land into serviced apartments for sale.

Subsequent to May 30, 2016, we acquired another parcel of land with a GFA of approximately 764,082 square feet (approximately 66,671 sq.m.) in Seattle, Washington, U.S. As of June 30, 2020, we had two parcels of land with an aggregate GFA of approximately 1,001,082 square feet (or equivalent to approximately 93,004 sq.m.) located in Seattle, Washington, U.S.

The total investment for our U.S. projects will be funded by us through a combination of internal and external financing, such as credit facilities from financial institutions. While we currently do not have any concrete plans as to our external financing, we will consider all feasible financing channels that are most suitable and favorable to ourselves, such as borrowings from financial institutions under fixed tenor with payment of interest and principal by installments or stages in accordance with the progress of the property development and with certain assets such as title of the parcel of land on which property is to be developed secured. Save for the staff expenses, land cost and legal and professional fees incurred in connection with the land acquisition, we had not recorded significant expenses for this project. We currently contemplate that the total assets in relation to our proposed expansion plan in the U.S. will not exceed 5% of our total assets as of the latest balance sheet date. As of June 30, 2020, our consolidated total assets were RMB72,013.7 million (US\$10,192.9 million).

As of the date of this memorandum, we were still in the stages of project planning and assessment of our U.S. projects, and save for the purchase of the said parcels of land, we have not entered into any binding agreement in relation to our proposed expansion plan in the U.S.

We currently have 7 staff members in the U.S., supervised by our head of business operations. We will maintain an adequate number of staff in the leased office of appropriate size in designated locations. We intend to adopt our multi-project management information system, which has been successfully applied in the property development in the U.S. and the property development and management in the PRC. To comply with the relevant laws and regulations in the U.S. in the course of business operation, we have designated our head of business operations in the U.S. to oversee the regulatory and legal compliance in the U.S. and to report to the Board on a quarterly basis. Our staff are required to attend semi-annual training sessions provided by relevant organizations to ensure the compliance with U.S. laws and regulations in property development and sales in the U.S. Furthermore, we continue to work closely with our external legal counsels to safeguard the legal and regulatory compliance of business operations in the U.S.

OUR INVESTMENT IN THE APPLICATION OF ENERGY-SAVING TECHNOLOGIES IN REAL ESTATE

We have been focusing on the research and development of energy-saving technologies. Through the formation of our energy-saving system, we have integrated a number of advanced building technologies, which can be summarized in the following 22 categories based on the national PRC standards of “Four Conservations and One Environment”: land conservation, water conservation, energy conservation, material conservation and environmental protection:

- | | |
|--------------------|--|
| Land Conservation | <ul style="list-style-type: none">• Use of environmental virtualization analysis technology in planning and designing in order to achieve a residential development with reasonable density (with floor area ratio being three or more)• Use of underground spaces• Use of abandoned land or upgrade of city development |
| Water Conservation | <ul style="list-style-type: none">• Dual water supply• Recovery and processing of waste water and use of reclaimed water• Collection and use of rain water• Rain infiltration• Man-made wet land |

Energy Conservation	<ul style="list-style-type: none"> • European standard building surface maintenance structure • Exterior windows with high performance insulation • Exterior shading • Separated air-conditioning systems with coil in dry or wet conditions • Application of heat recycling technology • Application of renewable energy, including solar and geothermal energy • Implementation of an intelligent building control system
Material Conservation	<ul style="list-style-type: none"> • Recycling and recovery of building materials • Optimizing building design to save material • Modeling, digitalization, standardization and simplification of style to reduce building volume
Environmental Protection	<ul style="list-style-type: none"> • Classification and reduction of household rubbish • Use of recoverable and degradable material • Protection of trees and natural vegetation on land to be developed • Prevention of municipal noise and light pollution

These technologies have all been adopted in our property development projects. With respect to each technology, we prepare several alternatives to adapt to various geographic climates and customer needs. While optimizing each technology, we have also proactively explored new energy-saving technologies so as to continuously enrich and improve the entire energy-saving system. In the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, there had not been any material incidents or impact on our Group arising from prohibition of the use or application of eco-friendly technologies in our projects.

Core technical systems

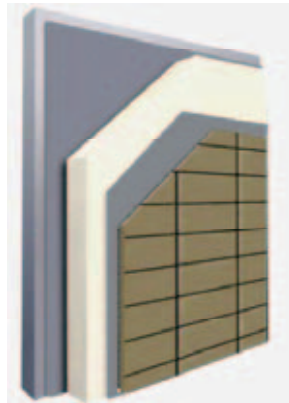
To save energy and achieve sustainability, we have adopted the following core technical systems:

Exterior temperature preservation system

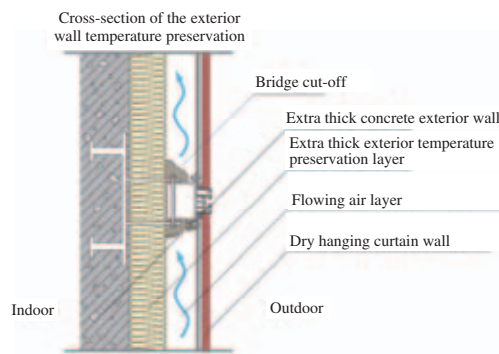
The combination of the exterior walling system, the exterior window system and the exterior shading system constitutes the exterior temperature preservation system that improves heat insulation performance in our buildings.

- **Exterior Walling System:** the exterior walls of our products utilize exterior insulation to preserve temperature. Outside the concrete exterior wall, an insulation layer is created which uses a plate made from rockwool or other high-performance insulation materials. Between the heat-insulation layer and the decorative glass on the exterior wall is a layer of flowing air which enhances insulation and keeps the insulation layer dry. Application of this exterior insulation approach can bring the heat transfer coefficient of the exterior wall to a level lower than that specified in the Energy Saving Design Standards for Residential Buildings.

Exterior Walling System



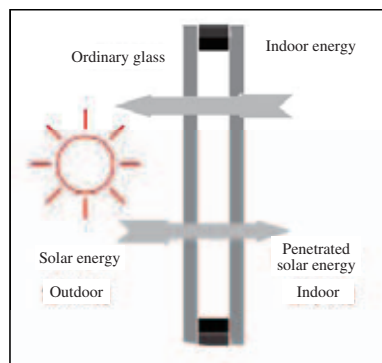
The exterior wall of common residential properties is approximately 20 cm, using common polyphenyl board of 3-5 cm thick, without air layer.



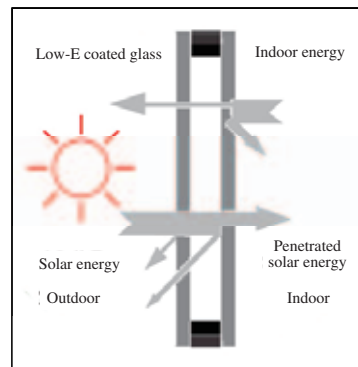
The exterior wall of our products is 30-40 cm, using a board made from rockwool or other high-performance insulation materials which is more than 7 cm thick. Such exterior wall can decrease the heat transmission using the air layer as well as decrease the heat loss of metal parts using bridge cut-off.

- Exterior Window System: our products utilize off-bridge aluminum alloy windows equipped with heat insulating off-bridge technology and the glass used on these windows is Low-E coated glass, ensuring that no heat will leak out in the winter or get in in the summer. This technology brings the heat transfer coefficient of our windows to a level lower than that specified in the Energy Saving Design Standards for Residential Buildings.

Exterior Window System



Solar radiation penetrated through common glass results in higher indoor energy consumption in summer.



The Low-E glass used in our products allows less solar penetration, which results in lower indoor energy consumption.

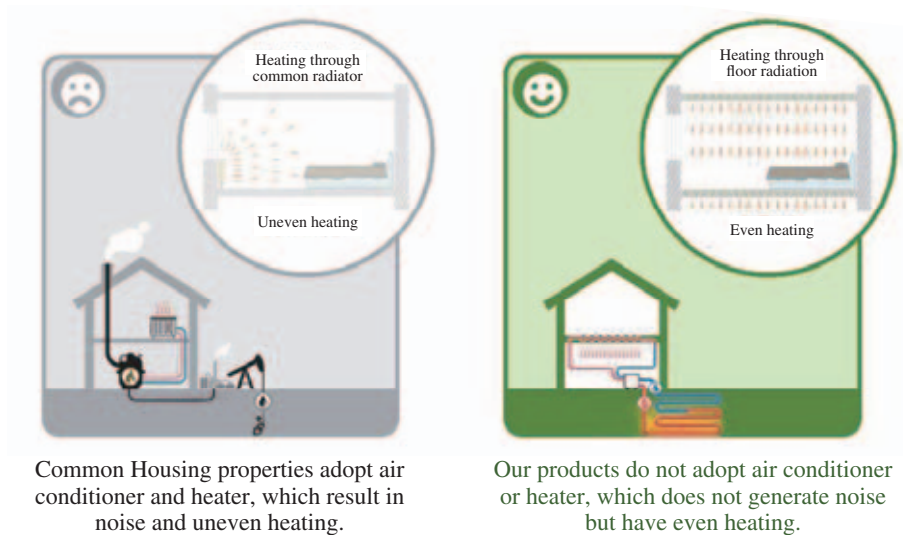
- Exterior Shading System: our products use an adjustable exterior shading system, which not only prevents strong sunlight from directly entering the room, but also preserves the interior of the room in private. The combination of the exterior window system and exterior shading system enables the entire building to block much of the sunlight radiation and helps keep the room cool throughout the summer.

Heating and cooling system

The overall fresh air displacement ventilation system and the ceiling heating and cooling system together achieve the separation of wet and dry air, and assure a comfortable indoor air temperature and humidity. It can also effectively prevent dew corrosion in humid areas during the summer.

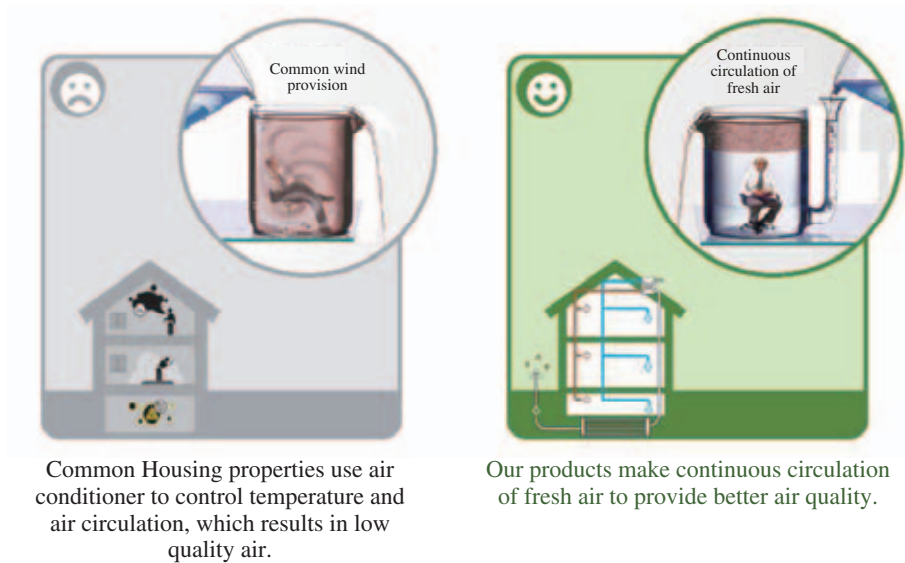
- **Ceiling Cooling and Heating System:** The ceiling cooling and heating system used in our products is an advanced technology which provides constant temperature and humidity, continuous circulation of fresh air and is devoid of external noise. The system can be used in both winter and summer. Under this system, water pipes are buried in concrete floor slabs, either cold or hot water with an appropriate temperature determined by a change in season is injected into the pipes, and the concrete floor slabs will in turn give off and absorb heat. Consequently, the room temperature will be uniformly controlled by mild radiation from the floor slabs. Furthermore, no noise is generated when the system is in operation.

Ceiling Cooling and Heating System



- **Overall Fresh Air Displacement Ventilation System:** This is a high performance ventilation and air quality control system. Fresh outdoor air is ventilated into the room after filtration, moisture addition or absorption, and polluted air is discharged by the waste ventilation system. This fresh air system is computer controlled, indicating that even if the room is left unoccupied for a long time, the interior air quality and air humidity can be kept constant. Furthermore, it does not cause any damage to the environment and generate any noise.

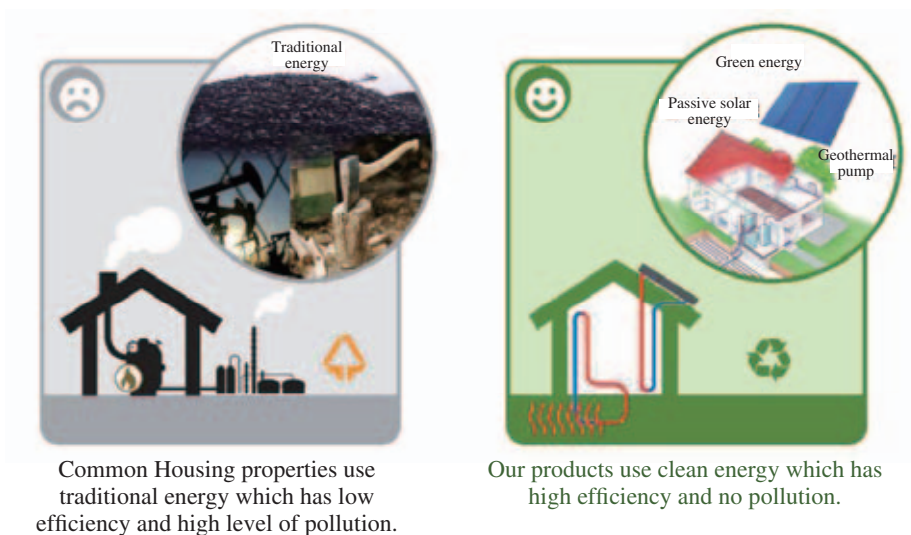
Overall Fresh Air Displacement Ventilation System



Application of Geothermal Pump System

In consideration of the need for environmental protection and sustainable development, we use the geothermal pump system to a large extent in our property developments, which is able to provide heat in winter and cooling in summer using renewable energy from the ground. The geothermal pump is in line with the PRC government environmental protection and energy efficiency policy, since the low temperature heat resource used in the heat pump is subterranean heat, a renewable energy source. In addition, the relatively stable geothermal energy allows the pumps to operate stably and efficiently, thereby greatly reducing maintenance fees.

Application of Geothermal Pump System

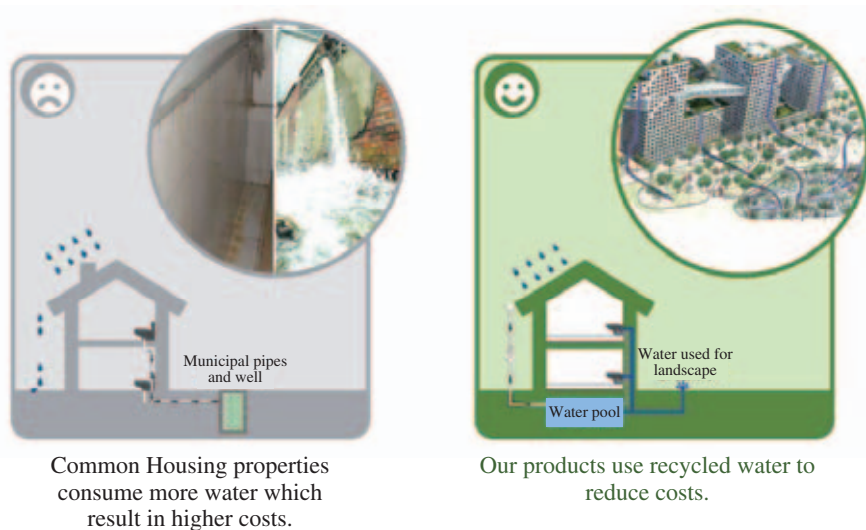


We installed an energy-saving control and smart home system named “proBA” in the buildings of our properties. The proBA system includes a communication platform and sensory equipment. Based on the inspection platform of the energy consumption of different items and the energy-saving diagnosis, the system is able to provide a highly efficient energy-saving control strategy, which controls a building’s temperature, humidity, fresh air and lighting, and supplies the amount of energy which corresponds to actual need.

System for Optimizing Water Treatment

Our system for optimizing water treatment comprises four water supply systems (a cool water system, a hot water system, a reclaimed water system and a drinking water system) and two drainage systems (a waste water system and a sewage system). We achieve multi-purpose use of water resources by (i) recovering the domestic waste water for reclaimed use, (ii) using the reclaimed water for gardening, waterscape and plumbing, (iii) applying our technology to improve the water quality in the landscape work and changing water less frequently and (iv) recovering, treating, using and recycling rain water.

System for Optimizing Water Treatment



We apply our core technical systems across a number of property projects and some projects utilize more than one of the core technical systems. In terms of degree of application in each project, our core technical systems are applied to the whole project instead of to specific units. The following table sets forth the application of core technical systems in our property projects.

Projects	Exterior Temperature Preservation System			Heating and Cooling System		Geothermal Pump System	ProBa System	System for Optimizing Water Treatment
	Exterior Walling System	Exterior Window System	Exterior Shading System	Ceiling Cooling and Heating System	Overall Fresh Air Displacement Ventilation System			
Tongzhou Wan Guo Cheng MOMA (Beijing)	✓	✓	✓	✓	✓	✓	✓	✓
Wan Guo Cheng MOMA	✓	✓	✓	✓	✓	✓	✓	✓
Modern Land • CIFI Villa (Beijing) ...	✓	✓	-	-	-	-	-	-
Shangdi MOMA	✓	✓	✓	✓	✓	✓	✓	✓
Modern Wan Guo Fu MOMA (Shanghai)	✓	✓	-	-	-	-	-	-
Modern Wan Guo Fu MOMA (Suzhou)	✓	✓	✓	✓	✓	✓	✓	✓
Shishan MOMA (Suzhou)	✓	✓	✓	✓	✓	✓	✓	-
Wan Guo Cheng MOMA (Nanjing) ...	✓	✓	✓	✓	✓	✓	✓	-
Modern MOMA (Hefei)	✓	✓	✓	✓	✓	✓	✓	-
Modern MOMA Hengtong international city of the future (Hefei)	✓	✓	-	-	-	✓	-	-
Wan Guo Cheng MOMA (Taiyuan) ...	✓	✓	✓	✓	✓	-	-	✓
Modern Wan Guo Fu MOMA (Foshan)	✓	✓	-	-	✓	-	✓	-
Hongsheng Man Ting Chun MOMA (Shaanxi)	✓	✓	-	-	✓	-	-	-
Modern Furong Wan Guo Cheng MOMA (Changsha)	✓	✓	-	-	✓	-	-	-
Kaifu Man Ting Chun MOMA (Changsha)	✓	✓	-	✓	-	✓	-	✓
Modern Binjiang MOMA (Changsha) ..	✓	✓	-	✓	-	✓	-	-
MOMA Modern Plaza (Changsha)	✓	✓	-	✓	-	✓	-	-
Hanyang Man Ting Chun MOMA (Wuhan)	✓	✓	-	-	✓	-	-	-
Guanggu Man Ting Chun MOMA (Wuhan)	✓	✓	-	✓	-	✓	-	-
Man Ting Chun MOMA (Nanchang) ..	✓	✓	-	✓	-	✓	-	✓
Modern MOMA New City (Nanchang)	✓	✓	-	✓	-	✓	-	-
Modern International MOMA (Nanchang)	✓	✓	-	✓	-	✓	-	-
Man Ting Chun MOMA (Jiujiang)	✓	✓	-	✓	-	✓	-	-
Man Ting Chun MOMA (Xiantao)	✓	✓	-	✓	-	✓	-	-

Energy conservation effect of our products

Through our proBA system, our “MOMA” series residential buildings are able to reduce energy consumption while providing residents with a comfortable living experience.

For example, according to an Inspection Report (No. BETC-JN2-2008-8) dated March 21, 2008, which was issued by the National Architecture Engineering and Construction Quality Supervision and Inspection Center, the heat transfer coefficient of the outer wall of Wan Guo Cheng MOMA No. 8 building was approximately 0.49W/(m²·K), which was lower than the specified figure 0.60W/(m²·K), the standard heat transfer coefficient of 65% as required by Design Standard for Energy Efficiency of Residential Buildings of Beijing (DBJ01-602-2004). Based on the above inspection result and by using the index of heat loss of the building provided by Design Standard for Energy Efficiency of Residential Buildings of Beijing, the energy consumption of Wan Guo Cheng MOMA No. 8 building was approximately 6.96 kilograms standard coal per sq.m..

According to 2008 China Architecture Energy Saving Development and Research Annual Report released by the Architecture Energy Saving Development and Research Center of Tsinghua University, the energy consumption of a typical Beijing residential building was 83kWh/m², equal to 10.2 kilograms standard coal per sq.m. The energy consumption of Wan Guo Cheng MOMA No. 8 building was approximately 31.8% lower than that of a common Beijing residential building (see the table below), while providing residents with a high quality comfortable living environment.

Assuming that the energy consumption of Wan Guo Cheng MOMA No. 8 building is the average energy consumption of our energy-saving products, our energy-saving products can save 162 kilograms of standard coal per sq.m. during the full life span of residential buildings, as calculated on a 50-year basis, as compared to a Beijing common residential building.

The following table sets forth a comparison of (i) the standard coal consumption of a common residential building in Beijing, (ii) residential buildings that accomplish up to 65% in energy savings and (iii) our residential buildings.

Residential Type	Standard coal consumption per sq.m. of residential buildings	Standard coal consumption per sq.m. during full life span (50 years)
Beijing common residential building ⁽¹⁾	10.2 kilograms	510 kilograms
Residential buildings in Beijing up to 65% energy-saving standard ⁽¹⁾	8.82 kilograms	441 kilograms
Wan Guo Cheng MOMA No. 8 building.....	6.96 kilograms	348 kilograms

Note:

(1) The source of the data is the 2008 China Architecture Energy Saving Development and Research Annual Report (the “Report”) issued by the Architecture Energy Saving Development and Research Center of Tsinghua University, the preparation of which was not commissioned by us. As Wan Guo Cheng MOMA No. 8 Building was completed in 2008 and its relevant data were based on the Inspection Report (No. BETC-JN2-2008-8) dated March 21, 2008, which was issued by the National Architecture Engineering and Construction Quality Supervision and Inspection Center, the standards set out in the 2008 Report are adopted for fair comparison.

In addition to calculating energy savings by using standard coal consumption as a measure, our buildings are also energy efficient by using energy consumption for heating per sq.m. as a measure, as illustrated by our Wan Guo Cheng MOMA No. 3 and No. 12 buildings and our Shangdi MOMA project.

The following table sets forth the actual energy consumption index for heating (measured by volume) of our Wan Guo Cheng MOMA No. 3 and No. 12 buildings as compared to Common Housing projects:

Energy consumption index	Value of the Wan Guo Cheng MOMA No. 3 and No. 12 buildings	Common residential buildings in Northern China	Percentage of energy saving	Reference source
Hourly energy consumption per sq.m. (W/m ²)	16.88	45~70	63%~76%	Architecture Equipment Professional Technology Measures (Beijing Institute of Architectural Design)
Energy consumption for heating per sq.m. (GJ/m ²)	0.186	0.486	62%	2012 China Architectural Energy Saving Development Annual Research Report ⁽¹⁾

Note:

(1) The 2012 China Architecture Energy Saving Development and Research Annual Report (the "Report") was issued by the Architecture Energy Saving Development and Research Center of Tsinghua University, the preparation of which was not commissioned by us.

The following table sets forth the actual energy consumption index for heating (measured by monetary value) of our Shangdi MOMA project:

Energy consumption index	Value of Shangdi MOMA	Common residential buildings in Northern China	Percentage of energy saving	Reference source
Costs of energy consumption for heating per sq.m. (RMB/m ²)	15.98	30	47%	Common residence heating charges of Beijing
Energy consumption for heating per sq.m. (GJ/m ²)	0.18	0.486	63%	2012 China Architectural Energy Saving Development Annual Research Report ⁽¹⁾

Note:

(1) The 2012 China Architecture Energy Saving Development and Research Annual Report (the "Report") was issued by the Architecture Energy Saving Development and Research Center of Tsinghua University, the preparation of which was not commissioned by us.

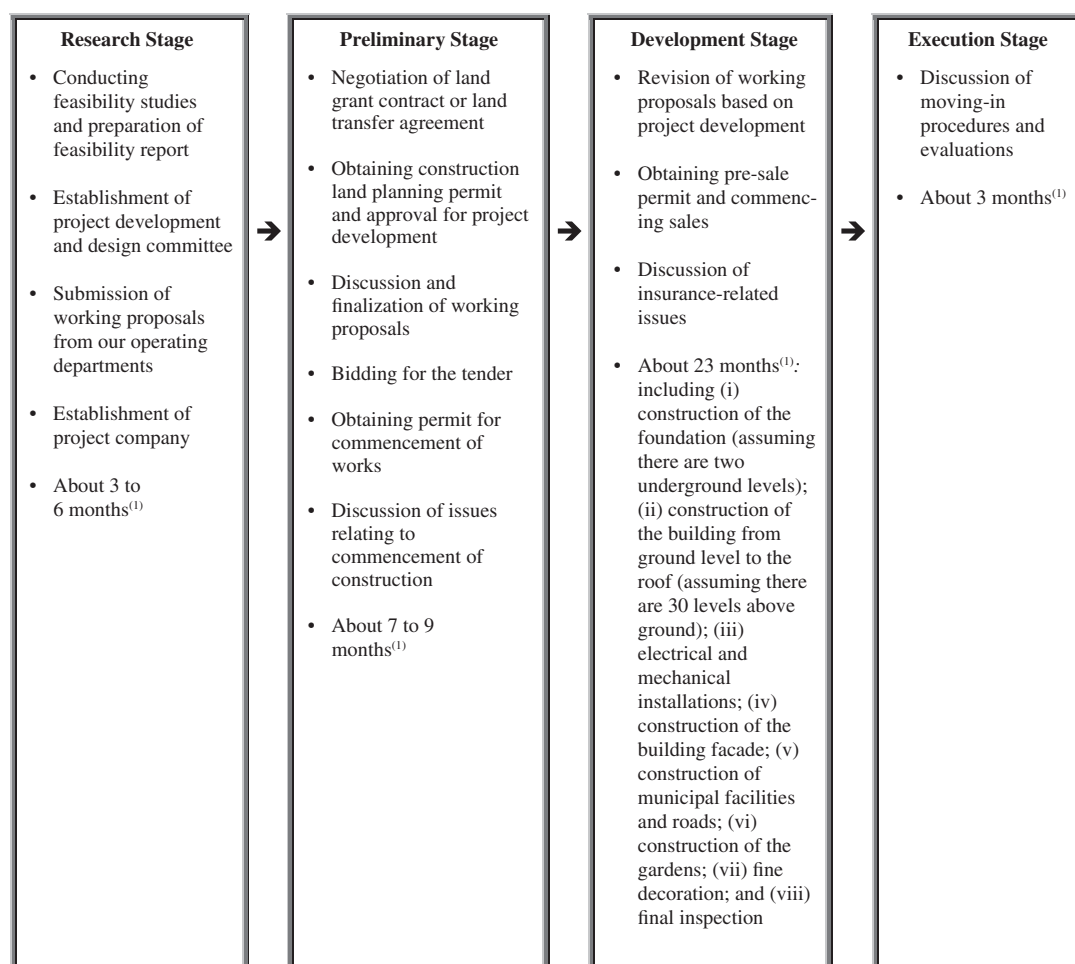
With the advanced building energy conservation technology system, the products we developed provide a comfortable accommodation experience and at the same time reduce energy consumption and contribute to the development of energy conservation and emission reduction in the PRC.

OUR PROPERTY DEVELOPMENT PROCESS

Project management system and procedures

We are highly focused on our property development process. As such, we have developed a set of detailed and standardized operating procedures to which we strictly adhere when implementing each step of the process, including a feasibility study, site selection, project planning, project design and construction, marketing, pre-sales, sales, post-sales support, and others. These processes are managed, coordinated and supervised by our management at our headquarters in Beijing and implemented by the departments of our regional offices and project companies. Under these operating procedures, substantial input from, and constant monitoring and supervision by, different departments will be in place for each stage of our development process. We also take into account the conditions of land planning adjustment that relate to different aspects of our project development, such as plot ratio, height and density of construction, as well as other development requirements of a project as requested by the planning authorities in our project management system and procedures.

Our operating procedures are designed to enable real-time monitoring and supervision of each stage of our development process to help us identify and resolve potential problems as early as possible during the project cycle, and to minimize material deviations from pre-approved budgets at each stage of our development process. Although the nature and sequence of specific planning and execution activities will vary among projects and may be subject to the requirements of local laws and regulations, we have summarized below the core elements of our typical project development process for our properties:



Note:

(1) This is an estimated range as the required time for each property development stage may vary among projects depending on the geographical location and the size of the projects. As mentioned above, the sequence of specific planning and execution activities may also vary among projects as they may be subject to the requirement of local laws and regulations.

We have generally established separate project companies to undertake and facilitate the management of the development of each project. In line with industry practice and for the purpose of avoiding unnecessary administrative costs and resources to maintain a project company, we will consider a number of factors to determine whether a project company will be dissolved after the property development project has been completed. These factors include the availability of a new property development project in the locality and whether it is necessary or useful to retain the project company to obtain a higher qualification certificate on the basis of the property development experience of such project company.

Project selection

We generally follow these steps in selecting or developing a new project:

- gather and analyze new project information (including land and projects under development) based on strategic development for a geographic region;
- preliminarily examine and register the project (subject to our strategic planning);
- review and approve project proposals (including preliminary market research and design analysis);
- perform a feasibility study (including detailed market research, design analysis, forensic research, investment budgeting, financial analysis and environmental protection assessment); and
- submit a feasibility report to our chief executive officer for approval.

Based on our strategic planning and taking into account local market conditions, we identify and evaluate land with potential and companies holding land or having projects under development. We believe that the ability to identify such sites and companies is essential to the success of a real estate development company. Prior to the development of a piece of land, we conduct market research and analysis to identify the development trends in the area. We continue to monitor the property markets in the northwestern PRC, northern PRC and the middle and lower reaches of the Changjiang River and other emerging cities to identify new opportunities for property development. During the process of evaluation, our operations planning department works closely with our design and marketing team as well as with external consultants to thoroughly analyze the target site and to evaluate its potential for development. We make the decision to invest based upon our analysis of, among other things:

- our strategic planning;
- the location, size, shape and planned use of the project land;
- infrastructure and ancillary facilities nearby;
- regional planning and local policies on real estate development, future land supply and long-term and short-term development plans for the area and surrounding areas;
- local regulations and policies affecting the economy and the technological infrastructure of the region;
- economic development prospects and local population and its purchasing power;
- estimated time for construction and completion of the project and costs of relocations (as appropriate); and
- competitors in the market.

Once we have decided on the acquisition of either a piece of land or a company with either land or a project under development, we prepare a feasibility report for approval by our chief executive officer. We cooperate with and provide opinions to the relevant local governments throughout the project development process in order to develop the land in a way that is compatible with general urban planning.

Land acquisition

We generally acquire land through the acquisition of land use rights by participating in public tenders, auctions or listings-for-sale. In accordance with the Regulations on the Grant of State-owned Land Use Rights by Invitation of Tender, Auction or Listing-for-sale (《招標拍賣掛牌出讓國有土地使用權規定》), promulgated on May 9, 2002 and effective since July 1, 2002, all land planned for commercial development (such as retail, tourism, entertainment, and commercial property) must be transferred in one of the following ways: public tenders, auctions or listings-for-sale on the land exchanges.

Another method we use to acquire land is through the acquisition of equity interests in companies that hold land use rights. This increases our land bank and helps us to maintain a sustainable land supply in accordance with our development strategy.

We generally follow the following steps in land acquisition:

- arrange for bidding/tendering or contract negotiations for land;
- wait for notice of our successful bid/tender;
- sign land grant contract or equity transfer agreement with respect to target company concerning acquisition of the land;
- pay land grant premium;
- obtain land use rights certificate or acquire equity in the company with land use right;
- obtain all requisite permits and approvals from the relevant local PRC government authorities; and
- relocate existing residents (as appropriate).

We from time to time enter into land resettlement contracts with original land use rights owners to undertake certain fundamental operations required on their lands before the lands become suitable for property development and can be granted to property developers or other entities through public tender, auction or listing-for-sale. Land resettlement generally involves (i) compensation and resettlement of residents in the affected area, (ii) destruction of existing structures and clearing of the land, (iii) construction of infrastructure and civil and public facilities, and (iv) construction of the water supply, drainage, power supply, roads, communications infrastructure, heat supply and natural gas supply.

We believe that by conducting land resettlement operations, we can enhance our understanding of the relevant land and the related government development plan, thereby increasing our chance of successfully obtaining the land from the public tender, auction and listing-for-sale process for property development purposes.

Pre-construction

We begin the pre-construction process by obtaining the necessary permits and certificates prior to the commencement of construction and following the grant of the development rights to a parcel of land. A property developer is only permitted to commence construction of a property development upon obtaining the construction land planning permit, the construction work planning permit and the construction work commencement permit (which will only be issued after the land use rights certificate, the construction land planning permit and the construction work planning permit are obtained). Details of these certificates and permits are set out below:

- land use rights certificate: a certification evidencing the right of a party to use a parcel of land;
- construction land planning permit: a permit authorizing a developer to begin the survey, planning and design of a parcel of land;
- construction work planning permit: a permit evidencing government approval for a developer's overall planning and design of a project and allowing a developer to apply for a construction work commencement permit; and
- construction commencement permit: a permit required for commencement of operation.

As of June 30, 2020, we had obtained land use rights certificates for all of our property development projects that had been completed, were under development and were held for future development. In addition, for all of our projects currently under development, we had obtained all relevant certificates and permits prior to the commencement of construction as required under PRC laws and regulations.

Project financing

We finance our projects primarily through bank loans and our internal cash flow, including proceeds from the pre-sale and sale of our properties.

Although the financing methods vary from project to project, under relevant PRC regulations, not less than 35% of the total investment in a property development project must come from a property developer's own capital in order for banks to be able to extend loans to the property developer.

Bank financing has been one of the major sources of funding for our property development projects. According to guidelines issued by CBRC, no construction loan may be granted to projects which have not obtained the relevant land use rights certificate, construction land planning permit, construction work planning permit and construction work commencement permit.

We also use proceeds from the pre-sale of our properties to fund part of the construction costs of the relevant projects and to settle the bank loans for projects sold at the pre-sale stage. Proceeds from pre-sale form the integral source of operating cash inflows during our project development. According to the laws of the PRC, we may pre-sell properties under construction after certain criteria are met and proceeds from the pre-sales must be used for the construction of such properties.

Our ability to obtain financing for our projects also depends on the various measures introduced by the PRC government. The PRC government had from time to time in the past adopted certain restrictive measures to control the pace of development of the PRC property market, which may affect our ability to obtain bank financing. Among these measures were policy initiatives issued by the PRC government on May 24, 2006 to use taxation, bank credit and land policies to regulate housing demand. For example, the PBOC has in recent years announced several increases in the reserve ratio of commercial banks as a result of which the reserve ratio increased. The reserve ratio refers to the amount that banks must set aside when they engage in lending. Any decisions to raise the reserve ratio by the PBOC will limit the amount available to commercial banks for lending and our ability to obtain financing from commercial banks may be adversely affected.

It is one of our strategies to optimize our capital and financing structure to secure sufficient financing for our future property development projects, which we aim to achieve through a combination of retained earnings and access to the capital and debt markets.

Project design

Through our mission “better living through architectural design and integrated technology” (科技建築，品位生活), we emphasize quality in all of our designs. We have a dedicated, experienced and professional team of designers. Many of our design managers possess practical experience from leading domestic property companies and extensive international experience. More importantly, our design team understands our culture of quality excellence.

We also work with selected third party architectural and interior design institutions. We select third party designers through a process involving multiple interviews. Selected designers are highly reputable and known for their great innovation in both the domestic and overseas markets. Their collaboration is integral to the completion of our high-quality projects.

We determine the design of a particular property development by taking into account various factors including:

- proposed type of development;
- target market customers; and
- size and surrounding area of the site.

Construction

A property developer is only permitted to commence construction of a property development upon obtaining the construction land planning permit, the construction work planning permit and the construction work commencement permit (which will only be issued after the land use rights certificate, the construction land planning permit and the construction work planning permit are obtained).

During the construction phase, we work closely together with the contractors, the project engineers and the design firms to manage and monitor the project’s progress. We also require our design team to provide constant supervision and conduct progress audits in order to ensure that construction progresses are in accordance with the design plan, budget and schedule.

Under current PRC law, if we failed to commence construction more than one year from the commencement date prescribed in the land grant contract, the relevant PRC land administrative department may serve a warning notice on us and impose an idle land fee of up to 20% of the land grant premium. If we failed to commence construction for more than two years from the relevant prescribed commencement date, the PRC government may reclaim the land without compensation unless the delay is caused by force majeure, acts of government or their departments concerned, or early preparations necessary for commencement of development. For details, see “Regulation—Regulations on Real Estate Project Development—Idle Land” in this offering memorandum. As of June 30, 2020, we don’t have any idle lands. We will strictly comply with the relevant laws and regulations on idle land with respect to our future property development projects.

Procurement

Our procurement department is responsible for our strategic procurement, management of our contractors and suppliers and management of our bidding process.

Our property development projects normally involve the use of various contractors and suppliers, with many of whom we have established strong long-term business relationships. Among the factors we take into account when selecting contractors and suppliers are price, skillset, workmanship, and level of experience. As of June 30, 2020, we had business relationships with approximately 4,290 suppliers, including approximately 150 long-term contractors.

Our typical co-operation arrangement is for a two-year term, renewable upon the consent of both parties. In order to ensure the quality of our product, we generally do not allow our contractors to subcontract the work to others. Our construction contracts generally provide for progressive payments at specific milestones throughout the construction process. We also generally retain 5% of the contract sum for a period of one to two years after completion of the construction work and will apply such retained amount against any expense incurred by us to rectify any defects should the contractor fail to rectify these when called upon to do so. Equipment and construction materials required for our construction works are generally procured by our contractors at a pre-agreed price. In the event that the final purchase price of the equipment and construction materials procured by our construction contractors increases or decreases by more than a pre-determined percentage from the pre-agreed price, payments to our contractors will be adjusted accordingly to reflect any such difference exceeding the pre-determined percentage. Certain equipment, such as elevators and air-conditioning units, are centrally procured through our procurement department from our pre-selected vendors, which are willing to provide favorable price arrangement for our bulk purchases.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we incurred construction and other development costs of approximately RMB14,539.3 million, RMB10,677.6 million, RMB15,319.1 million (US\$2,168.3 million) and RMB6,909.57 million (US\$978.0 million), respectively.

Quality control and supervision

We place a strong emphasis on quality control to ensure our property development projects not only comply with relevant regulations but also meet our quality standards.

Under Regulations on the Administration of Development and Operation of Urban Real Estate (2011 Revision) (《城市房地產開發經營管理條例(2011修訂)》), all property development companies in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third-party contractors with respect to our development projects. Our Directors confirm that in the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 and up to the date of this offering memorandum, there has not been any material incidents or impact on our Group arising from claims under statutory quality warranties.

We have standardized and detailed quality control procedures in place for our various functional departments. We have also established stringent internal quality control procedures which apply to the design, construction and quality of materials used in our property development projects. In addition, we engage independent and certified engineering supervisory companies to conduct quality and safety control checks on all building materials, equipment and construction in accordance with relevant PRC laws and regulations. Quality control procedures are implemented through on-site inspections and supervision on a daily basis.

Sales and marketing

In addition to our cooperation arrangements with external professional marketing and sales service providers to support our marketing activities, our Group has a dedicated marketing team of approximately 1,285 employees as of June 30, 2020. Our marketing and service center is responsible for formulating our marketing and sales strategies and managing the overall sales process. Each of our project companies has also established its own marketing and sales department to implement the marketing and sales strategies laid down by our marketing and sales center. The marketing and sales strategy varies from project to project and depends on a wide range of factors, including market conditions, our cash position, size, the phase and location of the project, timing for sales, targeted customer group as well as assessment of the latest austerity measures on the property market as promulgated by the PRC government from time to time. We will continue to take into account different factors as mentioned above as well as the potential impacts of the austerity measures on the PRC property market promulgated by the PRC government in formulating our sales and marketing strategy for our projects. Our marketing and sales center sets the sale price for each unit within a particular project based on the recommendation by the relevant project company, taking into account the marketing and sales strategies adopted for such project.

In the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had not engaged in sales and marketing activities such as offering price discounts or price guarantees and repurchase of properties, waivers of down payments, payment of mortgage installments on behalf of purchasers and conducting auctions with no set price on the internet. There has been no material change in our sales and marketing strategies or terms of our sales after June 30, 2020 and up to the date of this offering memorandum.

Our marketing and service center is divided into a Marketing Planning Department, a Customer Service Department, an Asset Management Department and a Corporate Culture and Brand Name Department. The responsibilities of each department are as follows:

- Marketing Planning Department: responsible for formulation of our marketing strategy and the marketing, promotion, monitoring and management of our projects.
- Customer Service Department: responsible for establishment of our customer service system, monitoring and management of customer service provided by our project companies.
- Asset Management Department: responsible for asset management and other related matters.
- Corporate Culture and Brand Name Department: responsible for corporate culture development, brand name build-up, advertising and computer & information science (CIS) management.

We outsource our sales to external sales agents which are Independent Third Parties. We select sales agents who have a wide client base, ample experience in property sales, a good reputation, and strong historical performance and sales quality. We give priority to sales agents who have previous experience in selling our properties.

Product lines

Currently, we have four product lines: Modern MOMA, Modern Eminence MOMA, Modern Horizon MOMA, Modern City MOMA, providing different product features:

- Modern MOMA, our top-level product line, targets high-end customers. These properties are located in the core or high-end potential area of first-and second-tier cities. Life enjoyers are the main purchasers.
- Modern Eminence MOMA, our high-end product line, targets mid-to high-end customers, to whom we provide scarce resources, four constant (constant temperature, constant humidity, constant oxygen and constant quietness) residence, and green tech high-end works. Life enjoyers and reformers are the main purchasers.
- Modern Horizon MOMA, our quality product line, targets the general public. These properties meet the needs of quality and comfortable living and create value-for-money green community for purchasers who settle down, take root or seek family reunion.
- Modern City MOMA, our mixed function properties, is a faithful carrier that reflects the concept of life-cycle community of Modern Land. This product line is suitable for various purchasers who enjoy life, enjoy happiness, settle down, look for housing upgrade, take root and seek family reunion.

As our products are customer-based and our main selling points are comfort and energy efficiency, apart from relying on a small number of traditional advertising campaigns and promotions, we also encourage potential customers to experience the level of comfort of our properties by living in our sample accommodations. We have four sample accommodations in Beijing where potential customers can apply for such trials. Once their applications are accepted, they can live in our sample accommodations for a few days. During their stay, they and their invited friends can use our facilities and join in leisure activities, such as watching movies at our cinemas or seeing plays at our theater. At the end of their stay, they are invited to complete questionnaires to help us improve the quality of our properties and tailor them to their individual needs.

We emphasize on the importance of our customers' relationship management and we use the Moma Club Management (Beijing) Co., Ltd. as an avenue to organize customer events to promote good publicity and maintain strong ties with our existing customers.

Pre-sales and sales

Our Marketing and Service Center is responsible for setting the price for our property developments. In order to determine the sales price, we take into account a number of factors, including, but not limited to, the following:

- size of the property
- direction where the property faces
- views
- floor level
- average sales price of other similar property developments
- the necessary sales price that will meet the profit rate requirement

During the price determination process, we conduct surveys, communicate with local people and investigate common problems of local housing. We also ascertain the price that local people are willing to pay for a more comfortable living environment. As a result, prices differ for each development.

Under the Measures for Administration of Sale of Commodity Properties (《商品房銷售管理辦法》) promulgated by the MOHURD in April 2001, the sale of commodity houses can include both sales prior to the completion of the buildings i.e. pre-sale of commodity properties and sales after the completion of the buildings. Any pre-sale of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Properties (《城市商品房預售管理辦法》) promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and July 2004. For details, please refer to “Regulation—Regulations on the Real Estate Project Development—Sale of Commodity Properties” in this offering memorandum. The pre-sale of commodity properties is required to meet the following conditions:

- (i) the related land grant fee must be fully paid up and a Land Use Rights Certificate obtained;
- (ii) a Construction Project Planning Permit and a Construction Commencement Permit must have been obtained;
- (iii) the funds invested in the development of the commodity properties intended for pre-sale must represent 25% or more of the total investment in the project and the progress of construction and the completion and delivery dates must have been properly determined; and
- (iv) the pre-completion sale has been registered and a pre-sale permit has been obtained.

The proceeds from the pre-sale of commodity properties must be used to develop the relevant project that is pre-sold.

Generally, it takes approximately 12 to 18 months from the date of purchase of a pre-sale property until its actual completion. Most customers who purchase properties at pre-sales take out mortgages and pay at least a 30% down payment on the value of the property, depending on that customers' particular circumstance.

Our customers are committed to completing the purchase of the pre-sold properties at the fixed price agreed with us pursuant to the relevant pre-sale contracts. There were no major returns of properties sold or pre-sold from January 1, 2015 to June 30, 2020 that had a material adverse impact on the financial or operating positions of our Group. We had not experienced any cancellation of sales (including pre-sales) in the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 and up to the date of this offering memorandum.

As of the date of this offering memorandum, we are in compliance, in all material respects, with the relevant laws and regulations applicable to the pre-sale of properties in the PRC.

Payment and end-user financing

Our customers can choose between a lump sum payment or by mortgage payment. If our customer chooses to settle the purchase price by making one lump sum payment, the customer will be required to fully settle the purchase price shortly after the date of the execution of the sales contract. Where a customer elects to pay by mortgage payment, such customer is required to pay a portion of the purchase price by cash, which is at least 30% of the total purchase price upon signing of the sales contract in accordance with the terms stipulated thereof, and the remaining amount is settled through proceeds from the relevant mortgage within two to three months, depending on approval process of relevant mortgagee bank. In line with market practice, we have made arrangements with various banks for the provision of mortgage facilities to our customers. Our guarantees are released upon completion of construction and either (i) the delivery of the mortgage registration documents to the relevant banks after the issuance of the property ownership certificate, or (ii) the full settlement of the mortgage loans by our customers, whichever occurs earlier. Where customers default on their mortgage payments, we help them by making the mortgage payment for them. However, if they default on several payments, we may repossess their properties and resell them.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, the amount of outstanding guarantees of mortgage loans was approximately RMB9,625.8 million, RMB11,587.3 million, RMB13,474.3 million (US\$1,907.2 million) and RMB15,364.3 (US\$2,174.7 million), respectively. In line with market practice, we do not conduct independent credit checks on our customers but instead rely on the credit checks conducted by the relevant bank. In the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, according to our records, we generally did not encounter defaults by purchasers, except in such circumstances that we are able to retain the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, our credit risk is significantly reduced.

Please also refer to "Risk Factors—Risks Relating to Our Business—We guarantee mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments" in this offering memorandum. There were no material disputes between our Group and the mortgagee banks in the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020.

Delivery of properties

Once a property development project has passed the requisite government inspections and is ready for delivery, we notify the purchaser and deliver the properties to complete the sales process. Our pre-sale and sale contracts provide the time frame for delivery and we are required to make penalty payments to our customers for any delay in delivery. For sale of completed properties by one lump sum payment, we usually deliver the properties to the customers within one week of the signing of the contracts. For pre-sales, our contracts stipulate the expected date of delivery which according to our internal procedures is usually about 60 days after the expected date of completion of construction. To facilitate timely delivery, we closely monitor the construction process and conduct inspections on the property prior to delivery. Upon service of the delivery notice by our customer service officer, our sales and engineering staff, in cooperation with the staff of the project management company, will inspect the property. Our customers are required to acknowledge receipt of delivery of properties in accordance with the terms under their respective sales and purchase agreements.

In relation to our properties for sale, after construction has been completed, we are required to obtain a completion and acceptance certificate (竣工驗收證明) from the relevant local governments before we are able to hand over the properties to our customers. Pursuant to a typical pre-sale agreement, if we fail to deliver the property on the delivery date stipulated in the pre-sale agreement, we are, depending on the length of delay, liable to pay a monetary penalty at the rate of 0.02% of the paid amount of the property purchase price on a daily basis until the delivery of the property is completed. If our delay exceeds 90 days, the relevant purchaser may have the right to declare the pre-sale agreement repudiated and to claim penalty fees against us.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we did not have any compensation payable due to delay in delivery of properties to customers. As of June 30, 2020, we did not foresee significant delay in the delivery of properties to our customers in accordance with terms of the relevant pre-sale contracts entered into with them.

Property management and after-sales services

Prior to the formation of the owner's committee, we are responsible for the management of the completed developments.

We have a dedicated customer service team providing comprehensive after-sales services, which include assisting customers in obtaining property title certificates, handling customer complaints and sponsoring social events for customers. In addition, our customer service team is responsible for collecting and analyzing customer data to identify the latest trends in customer preferences and it conducts customer satisfaction surveys to help improve our projects' design, marketing strategies and quality of service.

PROPERTIES LEASED BY US

Our corporate headquarters is located at No. 1, Xiangheyuan Road, Dongcheng District, Beijing, PRC. In addition, we leased 22 properties from other parties as June 30, 2020. We use these leased properties primarily as office space.

Lessors of these leased properties have not provided ownership certificates to prove their titles or rights to lease these properties to us. Pursuant to the Law of Administration of Urban Real Estate in the PRC (《中華人民共和國城市房地產管理法》) promulgated on July 5, 1994 and revised on August 30, 2007 and August 27, 2009, if the lessors do not have titles or are unable to obtain consent to lease properties from the property owners, they are not entitled to lease the relevant properties. As a result, the validity of the relevant lease agreements is uncertain. Since the leased properties are used for office purpose, in the event that the lease agreements are declared invalid, our Directors consider that alternative premises are readily available for relocation and there would not be material impact on our operations.

INVESTMENT PROPERTIES

We develop certain properties to generate rental income and to gain from the appreciation in the properties' values in the long term.

We carefully monitor and assess the market conditions before making our selection of properties with long-term investment value as investment properties. We take into account various factors such as location, land use plans, supporting commercial facilities in nearby proximity and our commercial interests in deciding whether properties should be held for sale or retained for investment purpose, and will from time to time adjust the portfolio of our investment properties for the best interests of our Group.

In 2017, 2018 and 2019 and the six months ended June 30, 2020, we held investment properties in the following projects: Wan Guo Cheng MOMA, Modern MOMA, Shangdi MOMA, MOMA Forest Forever, Nanchang Modern MOMA New City, Nanchang Man Ting Chun MOMA, Nanchang Modern International MOMA, Changsha Wan Guo Cheng MOMA, Jiujiang Wan Guo Cheng MOMA, Foshan Wan Guo Cheng MOMA, Xiantao Man Ting Chun MOMA, Taiyuan Wan Guo Cheng MOMA, Jiujiang Chao Yang Li MOMA, Jiujiang Man Ting Chun MOMA, Jinjiang Wan Guo Cheng MOMA, Suzhou Modern Wan Guo Fu MOMA and Huizhou Man Tang Yue MOMA.

SUPPLIERS AND CUSTOMERS

Our suppliers primarily include construction contractors and building material suppliers. Our five largest suppliers accounted for approximately 14.6%, 21.2%, 17.9% and 15.9% of our total purchases in the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. Purchases from our largest supplier accounted for approximately 4.0%, 5.0%, 6.5% and 7.0% of our total purchases for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

None of our Directors, their associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of our share capital) has any interest in any of our five largest suppliers for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020.

We target a broad base of customers with varied income levels and backgrounds who aim to improve their living environment and to enjoy a high standard of living while recognizing the significance of conservation.

Our five largest customers accounted for approximately 1.9%, 0.2%, 0.5% and 0.8% of our total contract sales for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. Our largest customer accounted for approximately 0.6%, 0.1%, 0.1% and 0.1% of our total contract sales for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020.

RESEARCH AND DEVELOPMENT

Our research and development department is headed by Mr. Chen Yin, an executive director who is responsible for planning and designing our projects and managing the entire process from making the proposal to creating the construction drawing. Our research and development department includes our internal research and development design institute and our PRC subsidiary, New Power (Beijing) Architectural Technology Co., Ltd. (“Beijing New Power”). As of June 30, 2020, our research and development department had 20 full-time employees who are engaged in architecture research and development and design.

We seek to build comfortable and eco-friendly properties that integrate unique energy-saving technologies. In 2006, the MOHURD issued the Evaluation Standard for Green Building, which provides that the authentication of a “green building” has three levels: one-star, two-star and three-star. Depending on the level of compliance with “green building” standard comprising reduced energy output, water conservation, and decreased consumption of construction materials, a property may be authenticated as a one-star, two-star or for highest level of compliance, three-star “green building.” One-star and two-star authentications can be granted by provincial departments across the PRC that are in-charge of the housing and urban-rural development, but three-star authentication can only be granted by the Chinese Society for Urban Studies Green Building Research Center (中國城市科學研究會綠色建築研究中心) or “Green Building Label” Management Office (綠色建築評價標識管理辦公室). We are in the course of applying for two-star authentication for sixty three buildings of three of our property projects under development and three-star authentication for eleven buildings of two of our property projects under development.

Our research and development department is in charge of the management of Beijing New Power and the coordination of internal and external research and development resources. Beijing New Power is principally engaged in new architectural technology consultation, the design of specialized systems and working with external research and development institutions. In addition, it is responsible for acceleration of our design process as a whole and integration of our technology and related standardized work. It is engaged in the research and development and production of building automation system and intelligent household products which provides control solutions for various energy-saving technologies.

Our research and development design development and Beijing New Power work closely together to form a comprehensive research and development platform which provides research and design support for our property projects. As of the date of this offering memorandum, we had registered 111 patents and had made 46 patent applications in the PRC. Our registered patents are in relation to and applied in one or more of our exterior temperature preservation system, heating and cooling system and proBA system, being three of our five core technical systems.

The building of a comfortable and environmentally friendly property requires not only certain construction techniques used in isolation. It also requires an integrated approach in applying all construction techniques in order to overcome problems caused by differences in the construction environment and, changes in customers’ needs, and to overcome various obstacles in the design and construction process. Such an approach enables the transformation from design to the finished product which meets market requirements for eco-friendly buildings. We have accumulated a wealth of experience, through years of development and practice, in the integration and practical application of energy-saving technology, which has helped shape our “MOMA” technology system. Further, in order to target the need of each construction project, we have prepared a wide variety of options to meet differing weather, environment and customers’ needs. Following continuous development and practical application, we continue to improve our existing technology, explore new technology and perfect our “MOMA” technology systems.

AWARDS AND RECOGNITIONS

We have received various awards and recognition for our property development projects, including awards for quality, promotion of eco-friendly properties, research and development capabilities in the development of real estate products and overall reputation in the real estate industry in the PRC.

The tables below set forth some of the awards and recognitions we have received in the past. None of the awards and recognitions was sponsored or commissioned by our Group.

<u>Year</u>	<u>Award/Recognition</u>	<u>Awarding Body</u>
2020.....	2020 Top 100 China Listed Real Estate Companies (2020中國房地產上市公司百強)	China Real Estate Association (中國房地產研究會)
	2020 Top 5 China Listed Real Estate Companies in Innovation (2020中國房地產上市公司創新能力五強)	China Real Estate Association (中國房地產研究會)
	2020 Top 10 China Real Estate Enterprises in Stability (2020中國房地產企業穩健性TOP10)	China Index Academy (中國指數研究院)
	2020 Company with Outstanding Productivity (2020中國房地產產品力優秀企業)	China Index Academy (中國指數研究院)
	2020 China Specialized Real Estate Company with Excellence in Operation—Green Technology (2020中國特色地產運營優秀企業—綠色科技地產)	China Index Academy (中國指數研究院)
	2020 Top 50 China Real Estate Enterprises in Brand Value (2020中國房地產公司品牌價值TOP50)	China Real Estate Top 10 Research Group (中國房地產TOP10研究組)
	2020 Top 10 Urban High-end Brands of China Real Estate Enterprises (2020中國房地產企業城市高端產品系品牌十強)	EH Consulting (億翰智庫)
2019.....	China Model Green Property Developers in Operation (ranking No. 1) (2019中國綠色地產運營典範第一名)	biaozhun007.com (標準排名)
	2019 Top 100 China Real Estate Enterprises (2019中國房地產百強企業), 2019 Top 100 China Real Estate Enterprises with TOP 10 Financing Capability (2019中國房地產百強企業融資能力TOP10), 2019 China Specialized Real Estate Company with Excellence in Operation – Green Technology Real Estate (2019中國特色地產運營優秀企業綠色科技地產)	China Index Academy (中國指數研究院)
	2019 Top 100 China Real Estate Developers (2019中國房地產開發企業100強), 2019 Top 10 China Real Estate Developers in Operational Efficiency (2019中國房地產開發企業運營效率10強)	China Real Estate Association (中國房地產研究會)
2018.....	China Model Green Property Developers in Operation (ranking No. 1) (2018中國綠色地產運營典範第一名)	biaozhun007.com (標準排名)

Year	Award/Recognition	Awarding Body
	2018 Top 100 China Real Estate Enterprises – TOP 10 Growth Enterprise, TOP 10 Financing Capability (2018中國房地產百強企業、成長性TOP10、融資能力TOP10) and China Specialized Real Estate Company with Excellence in Operation (中國特色地產運營優秀企業)	China Index Academy (中國指數研究院)
	Three-star authentication of “Green Building Design” – Modern Wan Guo Fu MOMA (Nanjing), Swan Lake MOMA (Hefei), Modern Zhongrui Wan Guo Fu (Wuhan) and Modern Wan Guo Fu MOMA (Foshan) (三星級綠色建築設計標識 – 南京當代萬國府MOMA、合肥當代天鵝湖MOMA、武漢當代中銳萬國府、佛山當代萬國府MOMA)	China Society for Urban Studies (中國城市科學研究會)
	Green Technology Residential Project Award for the Year – Modern Wan Guo Cheng MOMA (Tongzhou) (年度綠色科技人居項目獎 – 通州當代萬國城MOMA)	The 4th Real Estate Value Summit (第四屆房地產價值峰會)
	2018 Best 100 of China Real Estate Developers (2018房企百強) and Best 5 of Steady Running of Real Estate Developers (穩健經營5強)	China Real Estate Association (中國房地產研究會)
2017.....	2017 China Model Green Property Developers in Operation (ranking No.1) (2017中國綠色地產運營典範第一名)	biaozhun007.com (標準排名)
	Top 10 China Green Property Developers (中國綠色地產TOP10)	biaozhun007.com (標準排名)
	Top 1 2017 China Green Property – Tongzhou Wan Guo Cheng MOMA (Beijing) (2017中國綠色樓盤TOP 1 – 北京通州萬國城MOMA)	biaozhun007.com (標準排名)
	Three-star authentication of “Green Building Design” – Beijing MOMA (三星級綠色建築設計標識-北京當代MOMA)	China Society for Urban Studies (中國城市科學研究會)
	Three-star authentication of “Green Building” – Shang Pin Ge MOMA (Changsha) (三星級綠色建築標識 – 長沙上品格MOMA)	China Society for Urban Studies (中國城市科學研究會)
	2017 Top 10 The Most Fast Growing Real Estate Company (2017中國房地產百強成長性TOP10)	China Index Academy (中國指數研究院)
	2017 “Worth Capital Market Attention” Real Estate Company (2017值得資本市場關注的房地產公司)	Development Research Center of the State Council of the PRC, Tsinghua University Real Estate Research Center and China Index Academy (國務院發展研究中心企業研究院、清華大學房地產研究所和中國指數研究院)
	Top 10 The Most Innovative China Real Estate Company (中國房地產企業創新性十強)	Yi Han Research (億翰智庫)
	Three-star authentication of “Certificate of Healthy Building Design” – Modern Wan Guo Fu (Foshan) (健康建築三星設計標識 – 佛山當代萬國府MOMA)	China Index Academy (中國指數研究院)

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property rights primarily consist of the patents, trademarks and domain names we use in our operations. As of the date of this offering memorandum, we are the registered proprietor of 131 patents, 1,328 trademarks and 40 domain name, and have 118 copyrights in respect of our management information system. We also have applied for the registration of 51 patents and 337 trademarks. As of the date of this offering memorandum, we are not aware of any infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us.

INSURANCE

Property developers are not required under PRC laws and regulations to maintain insurance coverage with respect to their property development operations. In addition, we generally do not take out insurance against personal injuries that may occur during the construction of our properties. According to relevant PRC laws and regulations, general contractors and construction companies are responsible for safety control during the course of construction and are required to maintain accident insurance for their construction workers. The general contractors and construction companies will bear the risks and liabilities arising from tortuous acts committed on work sites under the terms of our construction contracts. As of June 30, 2020, we had not experienced any material damage to our property developments nor do we have any material personal injury-related claims brought against us.

However, there is a risk that we do not have sufficient insurance coverage for losses, damages and liabilities that may arise from our business operations. See “Risk Factors—Risks Relating to Our Business—We may not have adequate insurance to cover all kinds of losses and claims in our operations.”

SOCIAL, HEALTH AND SAFETY MATTERS

In respect of social responsibilities, in particular, health, safety and social insurance, pursuant to the relevant laws and regulations in the PRC, we are required to execute an employment contract with our employees in accordance with relevant laws and regulations and cannot rescind the employment contract without cause. In addition, we are required to pay contributions for basic medical insurance, pension insurance, maternity insurance, unemployment insurance and personal injury insurance as well as housing provident funds for our employees in accordance with the relevant laws and regulations.

In order to comply with the relevant laws and regulations, we participate in various defined retirement contribution plans organized by the PRC provincial and municipal governments for our employees. We pay on behalf of our employees a monthly social provident insurance premium covering pension insurance, medical insurance, unemployment insurance and housing provident fund. In the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we have complied with applicable PRC social, health and safety regulations in all material respects.

ENVIRONMENTAL MATTERS

We are subject to certain laws and regulations concerning the protection of the environment. The particular environmental laws and regulations that apply to any given property development project vary according to its location, the environmental factors associated with such development, construction and/or operations and the current and future usage of the land and the properties. Pursuant to these laws and regulations, each property development project is required to undergo environmental assessments. An environmental impact assessment document has to be submitted by the property developer before the relevant authorities will grant a permit for commencement of construction work on the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure the compliance with applicable environmental standards and regulations before the property can be delivered to the purchaser.

LEGAL PROCEEDINGS

As of the date of this offering memorandum, we are not aware of any current, pending or threatened litigation, arbitration proceedings or administrative proceedings against us or any of our subsidiaries or any of our Directors which could have a material adverse effect on the results of our operations or financial condition.

COMPETITION

Competition within the property industry in the PRC is intense. Our existing and potential competitors include major domestic State-owned and private property developers and foreign-funded property developers who focus on developing residential properties in the PRC. Competitive factors include size of land reserves, geographical location of properties, brand recognition and creditworthiness, ability to secure financing, pricing and property design quality and ancillary facilities. Some of these developers may have better track records and greater financial, land and other resources, broader name recognition and greater economies of scale than us. We consider those property developers who adopt energy-saving technologies in their properties, have property developments close to our projects and target customers similar to ours as our direct competitors.

Notwithstanding the foregoing, we believe that we offer unique housing products in the property development sector which we believe distinguish us from our competitors.

There are many PRC property developers that compete with each other on the basis of price and quality of product. These developers may have a competitive advantage over us in terms of the pricing of the development properties, location of the property, marketing strategy or brand name. However, we believe that our primary competitive advantage is that we are a developer of eco-friendly residential communities, and that we offer strong research and development capabilities and technology application ability. We also have a strong, highly experienced management team.

We believe that the major entry barriers to the property market in the PRC, and in particular to the market for eco-friendly properties, include the limited knowledge of local property market conditions, limited brand recognition, and limited knowledge and research and development capability for green technologies.

REGULATION

This section contains a summary of certain laws and regulations currently relevant to our operations in the PRC and the U.S. For a description of the legal risks relating to government regulations of our business, and in particular the land system in China, see “Risk Factors.”

REGULATION OF REAL ESTATE DEVELOPERS IN THE PRC

Establishment of a Real Estate Developer

Pursuant to the Law of the PRC on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) (the “Urban Real Estate Law”) promulgated by the Standing Committee of the National People’s Congress, effective on January 1, 1995 and revised in 2007, 2009 and 2019, a “real estate developer” refers to an enterprise which engages in the development and sale of real estate for profit-making purposes. Under the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) (the “Development Regulations”) promulgated by the State Council on July 20, 1998 and revised in 2011, 2018 and 2019, an enterprise engaging in real estate development must satisfy the following requirements in addition to other enterprise establishment conditions provided in relevant laws and administrative regulations:

- (i) its registered capital must be RMB1 million or more; and
- (ii) it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate.

The Development Regulations also stipulated that people’s governments of the provinces, autonomous regions and/or municipalities directly under the central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a real estate development enterprise according to the local circumstances.

Pursuant to the Regulations on Real Estate Developments of Hunan Province (《湖南省城市房地產開發經營管理辦法》), enacted by the People’s Government of Hunan Province on April 12, 2006 and enforced on June 1, 2006, the registered capital of a real estate development enterprise in Hunan Province (“Hunan”) shall not be less than RMB4 million, and a real estate development enterprise with different qualification classification should accord to their respective requirements of full-time professional technicians.

Pursuant to the Regulations on Real Estate Developments of Hubei Province (《湖北省城市房地產開發經營管理辦法》), enacted by the People’s Government of Hubei Province on November 19, 1999 and enforced on November 19, 1999 and amended in December 31, 2014, the registered capital of a real estate development enterprise in Hubei Province (“Hubei”) shall not be less than RMB2 million, and a real estate development enterprise with one or more full-time professional real estate/construction management personnel, each of whom must hold the relevant qualification certificate.

Pursuant to the Regulations on Real Estate Developments of Hebei Province (《河北省城市房地產開發經營管理規定》), enacted by the People’s Government of Hebei Province on May 15, 2004 and enforced on July 1, 2004 and amended in April 22, 2007, the registered capital of a real estate development enterprise in Hebei Province shall not be less than RMB5 million.

Pursuant to the Regulations on Real Estate Developments of Liaoning Province (《遼寧省城市房地產開發經營管理規定》), enacted by the People’s Government of Liaoning Province on May 30, 2002 and enforced on October 1, 2002, a real estate development enterprise must have five or more full-time professional real estate/construction/economics technicians.

Pursuant to the Development Regulations, to establish a real estate development enterprise, the developer must apply for registration with the department of industry and commerce administration of the people’s government at or above the county level, which should, in examining the application for the registration, seek the views of the governmental department governing real estate development at the relevant level. The developer must also report its establishment to the department of real estate development in the location of its registration, within 30 days of the receipt of its business license.

Qualifications of a Real Estate Developer

According to the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》) (the “Provisions on Administration of Qualifications”) promulgated by the Ministry of Construction on March 29, 2000, and revised on May 4, 2015 and December 22, 2018, a real estate developer must apply for registration of its qualifications. An enterprise shall not engage in the development and sale of properties without a qualification classification certificate. The Ministry of Construction is in charge of monitoring the qualifications of all real estate developers within the PRC, and local real estate development authorities at or above the county level are in charge of monitoring the qualifications of local real estate developers. In accordance with the Provisions on Administration of Qualifications, real estate developers are divided into four classes.

- (i) Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and the final approval of the Ministry of Construction. A Class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.
- (ii) Class 2, 3 or 4 qualifications are regulated by the construction authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of Class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m., the detailed business scope of the developer of Class 2 or lower is determined by the construction authorities at the provincial level.

Under the Provisions on Administration of Qualifications, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by mainly considering their registered capital and financial condition, lengths of time they have conducted real estate development business, professional personnel they employ, performance and operating results from past real estate operations and their quality control systems. A real estate developer that passes the qualification examination will be issued with a qualification certificate of the relevant class by the qualification examination authority. A real estate developer shall only conduct the real estate development in compliance with the approved class of qualification.

For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year from its date of issuance and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer must apply for a formal qualification classification certificate with the real estate development authority within one month before the expiration of its provisional qualification certificate. Failure to obtain the required provisional or formal qualification certificate may result in a fine ranging from RMB50,000 to RMB100,000 and, if such failure is not rectified, revocation of the developer’s qualification certificate or business license.

Pursuant to the Provisions on Administration of Qualifications, the qualification of a real estate developer should be annually inspected. The construction authority under the State Council or the entrusted institution is responsible for carrying out the annual inspection of class 1 real estate developer’s qualification. Procedures for annual inspection of developers of class 2 or lower qualifications shall be formulated by the construction authority under the people’s government of the relevant province, autonomous region or municipality.

Foreign Investment in the PRC Real Estate Market

On July 11, 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE issued the Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資準入和管理的意見》) (the “171 Opinion”), which states that, among other things, a foreign entity or individual investing in the PRC property other than for self-use, must apply for the establishment of a Foreign Invested Real Estate Enterprise (the “FIREE”) in accordance with the applicable PRC laws and can only conduct operations within the authorized business scope. The opinion attempts to impose additional restrictions on the establishment and operation of a FIREE by measures including regulating the amount of registered capital as a percentage of total investment in certain circumstances, limiting the validity of a FIREE or the transfer of its projects and prohibiting the borrowing of money from domestic and foreign lenders where, among other things, the registered capital is not paid up, land use rights are not obtained, or the capital fund is less than 35% of the total investment amount in the intended development project. In addition, the opinion also limits the ability of certain foreign individuals to purchase residential properties in China.

The 171 Opinion has been revised by the Notice of the MOHURD, the MOFCOM, the NDRC and Other Departments on Adjusting the Policies on the Market Access and Administration of Foreign Investment in the Real Estate Market (《住房城鄉建設部、商務部、國家發展改革委等部門關於調整房地產市場外資準入和管理有關政策的通知》), issued on August 19, 2015. The requirement that foreign-funded real estate enterprises must fully pay up their registered capital to apply for domestic loans, overseas loans, and settlement of foreign exchange loans is cancelled. In addition, branch offices or representative offices (except for enterprises approved to engage in the real estate business), which are formed within China by overseas institutions and overseas individuals who work or study in China, may purchase commercial housing units for their own use according to their actual needs.

On May 23, 2007, MOFCOM and SAFE issued the Circular on Further Reinforce and Standardize the Examination and Supervision on Foreign Direct Investment in Real Estate Industry (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) (the “**May Circular**”) amended by the “Decision of the Ministry of Commerce on Amending Some Rules and Regulating Documents” issued by MOFCOM on October 28, 2015, which states that, among other things, a foreign investor must apply to establish a FIREE in accordance with PRC laws if it plans to develop or operate property business in the PRC. The May Circular states that foreign investors cannot bypass the examination and approval requirements applicable to foreign invested property businesses by changing the actual controllers of the domestic property enterprises in the PRC, and the merger of or investment in domestic real estate enterprises by way of returning investment (返程投資) (including the same actual controller) shall be placed under strict control. If foreign-invested enterprises wish to engage in property development or operation business, or FIREEs wish to engage in new project development operations, they must apply to the relevant examination and approval authorities for their expansion of scope of business or scale of business operation. In addition, local examining and approving organs shall file the approval of the establishment of foreign-funded real estate enterprises with the MOFCOM for record in a timely manner according to law.

REGULATION OF REAL ESTATE PROJECT DEVELOPMENT

Obtaining of Land Use Rights

All land in the PRC is either State-owned or collectively-owned, depending on the location of the land. All land in the urban areas of a city or town is State-owned, and all land in the rural areas and the suburban areas and all farm land is, unless otherwise specified by law, collectively-owned. The State has the right to resume its ownership of land or the land use rights in accordance with law if required for the public interest (and compensation must be paid by the State).

Although all land in the PRC is owned by the State or by collectives, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways, the two most important ones being land grants from local land authorities and land transfers from land users who have already obtained land use rights.

Grant of Land Use Rights

Under the Interim Regulations of the People’s Republic of China on Assignment and Transfer of the State-owned Land Use Rights 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》) (the “Interim Regulations on Assignment and Transfer”) promulgated and enforced by the State Council on May 19, 1990, a system of assignment and transfer of the right to use State-owned land has been adopted. A land user shall pay a premium to the State as consideration for the assignment of the land use rights within certain terms, and a land user may transfer, lease, mortgage or otherwise commercially exploit the land use rights within his terms of use. Under the Interim Regulations on Assignment and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user for an assignment of land use rights. The land user shall pay the assignment price as stipulated in the assignment contract. After paying the assignment price in full, the land user shall register with the land administration authority and obtain a Land Use Rights Certificate. The Certificate is an evidence of the acquisition of land use rights. The Development Regulations provide that the land use rights for a site intended for real estate development shall be obtained by way of an assignment except for those land use rights which may be obtained by way of allocation pursuant to the PRC laws or the stipulations of the State Council.

The grant of land use rights by way of competitive processes is subject to the Regulations on the Grant of State-owned Land Use Rights by Invitation of Tender, Auction or Listings-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 (2002 Regulations) and revised as of September 28, 2007 by Regulations on Granting State-owned Construction Land Use Right through Tenders, Auction and Putting up for Bidding (《招標拍賣掛牌出讓國有建設用地使用權規定》), or the 2007 Regulations. In addition, the Ministry of Land and Resources required that with effect from August 31, 2004, the grant of land use rights must be made pursuant to auctions or listings at a land exchange and that no land use rights for commercial uses may be granted by way of agreement. The 2007 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, must be granted by way of competitive processes. A number of measures are provided by the 2007 Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly. For instance, the local land bureau must take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to approval of the city or provincial government. The grantee shall apply for land registration and obtain the State-owned land use rights certificate upon full payment of the land premium of the granted land according to the State-owned land use right granting contract. In the event that the land premium of the granted land is not paid in full, the grantee will not receive the land use rights certificate. In addition, the announcement of tender, auction or listing-forbidding must be made 20 days prior to the date on which such competitive process begins. Further, it also stipulated that for listing at a land exchange, the time period for accepting bids must be no less than 10 days.

In the case of tender, the local land bureau granting the land use rights should examine the qualifications of the intended bidders and inform those qualified to participate in the bidding processes by sending out invitations to tender. Bidders are asked to submit sealed bids together with the payment of a security deposit. When land use rights are granted by way of tender, a tender evaluation committee consisting of not less than five members (including a representative of the grantor and other experts), formed by the land bureau is responsible for opening the tenders and deciding on the successful bidder. The successful bidder will then sign the land grant contract with the land bureau and pay the balance of the land grant fee before obtaining the State-owned land use rights certificate.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the highest bidder. The successful bidder will then be asked to sign the land grant contract with the local land bureau and pay the relevant land grant fee within a prescribed period.

Where land use rights are granted by way of listings-for-sale administered by the local government, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bids and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the local land bureau and pay the relevant land grant fee within a prescribed period.

Land use rights are granted by way of bilateral agreement is subject to the Regulation Concerning the Grant of Land Use Right Through Bilateral Agreement (《協議出讓國有土地使用權規定》) promulgated by the Ministry of Land and Resources, effective on August 1, 2003, only when the methods of tender or auction are not required by the laws, regulations and rules may land use rights be granted by bilateral agreement between the relevant land authority and the grantee party. The land grant fees carried out in agreement should not be lower than the minimum price set by the central government. For land in areas with standard land prices, the purchase price of land pursuant to any bilateral agreement should not be less than 70% of the standard land price of the relevant land category. If the price guidelines are not followed, the validity of the provision of land grant fees in the land grant contract may be deemed invalid. Only when there is only one prospective land user on the land to be granted may the land authority grant the land use rights through bilateral agreement, with the exception of land used for business, tourism, entertainment, commodity properties and others. After payment in full of the land grant fee, the land user may register with the land administration authority and obtain a Land Use Rights Certificate as evidence of the acquisition of the land use rights.

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 or a joint-develop agreement with the land user. The assignment contract or joint-develop agreement must be registered with the relevant local land bureau at the municipal or county level for land use rights title change purposes. Upon a transfer of land use rights, all rights and obligations contained in the land grant contract are deemed to be incorporated as part of the terms and conditions of such transfer.

The assignment contract or the joint-develop agreement is subject to terms and conditions specified in the land grant contract. For residential construction projects, under the Provisions on the Administration of Urban Real Estate Transfer (《城市房地產轉讓管理規定》) promulgated by the Ministry of Construction in August 1995, as amended in August 2001, and the Interim Regulations on Assignment and Transfer, at least 25% of total construction costs, excluding land grant fees, should be expended and the construction schedule and date of completion and delivery of the project have been determined before assignment can take place. All rights and obligations of the current holder under a land grant contract will be transferred contemporaneously to the assignee of the land use rights. The relevant local government has the right to acquire the land use rights to be assigned if the assignment price is significantly lower than the market price. Relevant local governments may also acquire the land use rights from a land user in the event of a change in town planning. The land user will then be compensated for the loss of his land use rights.

Pre-examination of the Construction Sites

Under the Measures for Administration of Examination and Approval for Construction Sites (《建設用地審查報批管理辦法》) promulgated by the Ministry of Land and Resources in March 1999 as amended in November 2010 and November 2016, and the Measures for Administration of Preliminary Examination of Construction Project Sites (《建設項目用地預審管理辦法》) promulgated by the Ministry of Land and Resources in July 2001, as amended on October 29, 2004, November 12, 2008 and November 25, 2016, when carrying out the feasibility study for a construction project, a real estate developer must make a preliminary application for construction to the relevant land administration authority. After receiving the preliminary application, the land administration authority will carry out a preliminary examination of various aspects of the construction project in compliance with the overall zoning plans and land supply policies of the government, and will issue a preliminary approval if its examination proves satisfactory. The opinions derived from this preliminary examination are requisite documents for the approval and notification of the construction project. The construction standards and the total scale of the land to be used are set forth in the opinions issued after the preliminary examination and shall be taken into full consideration during the initial design phase of the construction project.

Obtaining Planning Permits and Construction Commencement Permits

Under the Measures for Planning of Granting and Transfer of Right to Use Urban State-Owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) enacted by the Ministry of Construction on December 4, 1992 and effective on January 1, 1993 as amended on January 26, 2011, after signing a grant contract, a real estate developer shall apply for an Opinion on Site Selection of Construction Project and a Permit for Construction Land Planning from the city and county planning authorities. After obtaining a Permit for Construction Land Planning, the real estate developer shall organize the necessary planning and design work in accordance with planning and design requirements and a planning and design proposal in respect of the real estate project shall be submitted to the municipal planning authority following the requirements and procedures under the Urban and Rural Planning Law of the PRC (《城鄉規劃法》), which was issued on October 28, 2007 and revised on April 24, 2015 and April 23, 2019, and a construction work planning permit must be obtained from the municipal planning authority.

In addition, a real estate developer shall apply for a Construction Commencement Permit from the construction administrative authority under the local people's government above the county level pursuant to the Measures for the Administration of Construction Work Permit of Construction Projects (《建築工程施工許可管理辦法》) enacted by the Ministry of Construction on October 15, 1999 and revised on June 25, 2014 and on September 19, 2018.

Completion of a Real Estate Project

Construction projects shall be delivered for use only after passing the inspection and acceptance under the Construction Law (《中華人民共和國建築法》) which was promulgated in November 1997 and amended in 2011 and 2019. A real estate development project must comply with various laws and legal requirements concerning planning, construction quality, safety and environment and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. After construction of a project is complete, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》) promulgated and implemented by State Council on January 10, 2000 and amended on October 7, 2017 and April 23, 2019 and the Provisions on Inspection 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 by the MOHURD on December 2, 2013. The developer must also file details of the acceptance examination pursuant to the Measures for Filing 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. A real estate development project may only be occupied after passing the inspections and acceptances by the competent authorities. For a housing estate or building complex, an acceptance examination shall be conducted upon completion of the entire project. In the case of a cluster of real estate development projects, such as a residential area developed in phases, separate acceptance examinations may be carried out for each completed phase.

Sale of Commodity Properties

Under the Measures for Administration of Sale of Commodity Properties (《商品房銷售管理辦法》) promulgated by the Ministry of Construction in April 2001, the sale of commodity houses can include both sales prior to the completion of the buildings, i.e. pre-sale of commodity properties and sales after the completion of the buildings.

Pre-Sale of Commodity Properties

Any pre-sale of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Properties (《城市商品房預售管理辦法》) (the “Pre-sale Measures”) promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and July 2004. The Pre-sale Measures provide that any pre-sale of commodity properties is subject to specified procedures. The pre-sale of commodity properties shall be subject to a licensing system. Where a real estate developer intends to sell commodity properties in advance, it shall apply to the real estate administrative department to obtain a pre-sale permit (商品房預售許可證). The pre-sale of commodity properties is required to meet the following conditions:

- (i) the related land grant fee must be fully paid up and a Land Use Rights Certificate obtained;
- (ii) a Construction Project Planning Permit and a Construction Commencement Permit must have been obtained;
- (iii) the funds invested in the development of the commodity properties intended for pre-sale must represent 25% or more of the total investment in the project and the progress of construction and the completion and delivery dates must have been properly determined; and
- (iv) the pre-completion sale has been registered and a pre-sale permit has been obtained.

The proceeds of pre-sale of commodity properties must be used to develop the relevant project so pre-sold.

Pursuant to the Regulations on Urban Real Estate Development of Hunan Province (《湖南省城市房地產開發經營管理辦法》), the following conditions shall be fulfilled for pre-completion sale of commodity properties in Hunan province: (a) the “Land Use Permit for State-Owned Land”, the “Construction Work Planning Permit” and the “Permit for Construction of Work” have been obtained; (b) the progress of high-rise construction projects has reached or has exceeded one-third of the design’s progress, the progress of other construction projects has reached or has exceeded one-half of the design’s progress; and (c) the construction schedule and the date for completion and delivery have been determined.

Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinion of Such Departments as the Ministry of Construction on Stabilizing Housing Prices (《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》) promulgated by the General Office of the State Council on May 9, 2005, a purchaser of a pre-sale commodity property is prohibited from transferring such property prior to the completion of its construction. Prior to the completion and delivery of a pre-sold commodity property and the obtaining of the Property Ownership Certificate, the administrative department of real estate shall not conduct any transfer formalities for the pre-sale purchaser. Property developers are required to carry out an immediate archival filing network system for pre-sales contracts of commodity properties with the local authorities on a real name and real time basis.

On April 13, 2010, the Ministry of Housing and Urban-Rural Development issued the Notice on Further Regulating the Real Estate Market and Improving the Commodity Housing Pre-sale System (《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》), which sets forth certain measures to enhance the regulation of pre-sale of commodity property. Property developers are strictly prohibited from pre-sale commodity property without obtaining pre-sale permits. Within 10 days after obtaining the relevant pre-sale permits, property developers are required to make a public announcement on all information relating to units available for pre-sale and the price of each unit.

On March 16, 2011, NDRC promulgated the Regulation on Price of Commodity Property (《商品房銷售明碼標價規定》), which took effect on May 1, 2011. According to the regulation, property developers are required to make public the sale price of each of apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to state factors that would affect housing prices and relative charges before the property transaction, such as commission fee and property management fee. No additional charge beyond what is stated in the price tag or made public by the property developers is permitted.

Commodity buildings may be put to post-completion sale after they have passed the clearance examination and otherwise satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the Real Estate Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

Sales after the Completion of Commodity Properties

Under the Measures for the Administration of Sale of Commodity Properties (《商品房銷售管理辦法》), commodity properties may be put to post-completion sale only when the following preconditions have been satisfied:

- (i) the real estate development enterprise offering to sell the post-completion buildings shall have a enterprise legal person business license and a qualification certificate of a 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 Permit and the Construction 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, communication, etc. 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 of have been specified;
- (vii) the property management plan has been completed.

Before the post-completion sale of commodity properties, a real estate developer shall submit the real estate development project manual and other documents showing that the preconditions for post-completion sale have been fulfilled to the real estate development authority for making a record.

Lease of Properties

Under the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》) promulgated by the Standing Committee on July 5, 1994 which became effective on January 1, 1995 and as amended on August 30, 2007, August 27, 2009 and August 26, 2019 and the Administrative Measures for Commercial Housing Leases (《商品房屋租賃管理辦法》) promulgated by the MOHURD on December 1, 2010, which became effective on February 1, 2011, illegal properties cannot be leased. Further, a lease must be filed with the real estate administrative department.

Loan for Real Estate Developer

The PBOC issued the Circular on Further Strengthening the Management of Loans for Property Business (《關於進一步加強房地產信貸業務管理的通知》) in June 2003 to tighten the requirements on banks for the provision of loans for the purpose of residential development, individual home mortgage and individual commodity properties as follows:

- (i) Property development loans may be granted to property developers who are qualified for property development, are ranked high in credibility and have no overdue payment for construction. For property developers with commodity properties with a large amount of idle land and high vacancy rate and high debt ratio, strict approval procedures must be applied for their new property development loans and their activities must also be subject to close monitoring.
- (ii) Commercial banks are not allowed to grant loans to property developers to pay off land grant premium.
- (iii) Commercial banks may only provide housing loans to individual buyers when the roofing of the main structural buildings has been completed. When a borrower applies for individual housing loans for a first residential unit, the down payment by the borrower must be at least 20% of the purchase price. In respect of a loan application for the additional purchase of residential unit(s), the percentage of the down payment by the borrower is increased.
- (iv) When a borrower applies for mortgage loan for an individual commercial use building, the mortgage ratio may not be more than 60% of the purchase price of the property. In addition, the term of the loan may not be more than 10 years and the commodity property must be completed and delivery accepted after inspection.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks (《商業銀行房地產貸款風險管理指引》) issued by the CBRC in August 2004 and the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (《關於加強商業性房地產信貸管理的通知》) issued by the PBOC and CBRC on September 27, 2007, with a supplement issued on December 5, 2007, commercial banks are banned from providing loans in any form for a property development project that has not yet obtained the State-owned Land Use Rights Certificate, Construction Land Planning Permit, Construction Works Planning Permit and Construction Commencement Permit and the portion of the real estate developer's own capital among the total project investment shall be no less than 35%. In addition, a commercial bank is required to maintain a strict loan evaluation system for processing applications for property development loans for property development and are not allowed to use borrowings obtained from local banks to fund property developments outside of such bank's respective local regions. On April 7, 2017, the CBRC issued the Guiding Opinions of the China Banking Regulatory Commission on Risk Prevention and Control of the Banking Sector (《中國銀監會關於銀行業風險防控工作指導意見》), pursuant to which the regulation and control of real estate credit shall be conducted based on categories, the management and control of real estate risks shall be reinforced and the management of real estate collaterals shall be strengthened.

On December 28, 2020, the PBOC and CBRC jointly issued the Notice on Establishing the Centralization Management System for Real Estate Loans of Banking Financial Institutions (關於建立銀行業金融機構房地產貸款集中度管理制度的通知), which became effective on January 1, 2021. Pursuant to the notice, a PRC financial institution (excluding its overseas branches) are required to limit the amount of real estate loans and personal housing mortgage loans to a capped ratio of the total amount of RMB loans extended by such financial institution. The financial institution will have a transition period of two years or four years to comply with the requirements, subject to certain conditions. Pursuant to the notice, PBOC and CBRC will have the authority to take measures such as, among other things, imposing additional capital requirements on the financial institutions.

Mortgages of Real Estate

Under the Urban Real Estate Law and the Security Law of PRC (《中華人民共和國擔保法》) promulgated by the Standing Committee of the NPC in June 1995, and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》) promulgated by the Ministry of Construction in May 1997, as amended in August 2001, when a mortgage is placed on the ownership of a building, the mortgage must be simultaneously placed on the land use rights of the land on which the building is attached. After a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority within 30 days of its execution. A real estate mortgage contract becomes effective on the date of registration of the mortgage. On April 26, 2017, the CBRC issued the Guiding Opinions of the China Banking Regulatory Commission on the Collateral Management of Commercial Banks (《商業銀行押品管理指引》), upgrading risk-controlling measures and incorporating the real estate collateral management into its regulation systems.

Idle Land

According to the Measures on Disposing Idle Land (《閒置土地處置辦法》) enacted and enforced by the Ministry of Land and Resources on April 28, 1999 and amended on May 22, 2012, the land can be defined as idle land under any of the following circumstances:

- (i) development and construction of the land is not commenced after one year of the prescribed time limit in the contract of granting the land use rights; or
- (ii) the development and construction of the 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.

If the delay of commencement is caused by the activities of the government, the municipality or county-level land administrative department shall negotiate with the concerned land user and conclude a proposal on methods of disposal of the idle land for the local government's approval, including but not limited to extending the time period for development and construction (provided that the extension shall be no longer than one year), changing the use of the land, arranging for temporary use, replacing with another land and withdrawing the land with a compensation. If the delay of commencement is caused by other reasons, if the work has not been commenced after one year from the prescribed date of commencement, a surcharge on idle land equivalent to no more than 20% of the land grant premium may be levied; if the work has not been commenced after two years from the prescribed date of commencement, the land can be confiscated without any compensation.

On September 8, 2007, the MLR promulgated the Notice on Strengthening the Disposing of Idle Land (《關於加大閒置土地處置力度的通知》) providing that the surcharge on idle land shall be 20% of the land grant premium in principle and where the confiscation measure is required in accordance with the law, such measure shall be strictly implemented.

On January 3, 2008, the State Council issued the Notice on Promoting the Saving and Intensive Use of Land (《國務院關於促進節約集約用地的通知》). This notice strictly enforces the policies for dealing with idle land. If a piece of land has been idle for two years or more, it must be taken back free of charge resolutely and rearranged for other uses; if the land does not meet the statutory conditions for recovery, it must be timely dealt with and fully used through changing its uses, replacement by parity value, temporary use or incorporation into government reserves. If a piece of land has been idle for more than one year but less than two years, the idle land surcharge must be collected at 20% of the land grant premium. If the land premium has not been completely paid off according to the contract, no land certificate may be granted, and it is also prohibited to grant the land certificate by dividing the land based on the proportion of the paid land grant fee.

Measures on Stabilizing Property Prices

In March 2005, the General Office of the State Council promulgated the Circular on Effectively Stabilizing Housing Prices (《國務院辦公廳關於切實穩定住房價格的通知》), which is aimed at restraining housing prices from increasing too rapidly and promoting stable development of the real estate market. On May 9, 2005, the General Office of the State Council issued the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing Property Prices (《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》) which was followed by a series of corresponding measures which constitute a set of policies by the PRC government to tackle the perceived overheating of the PRC property market, including:

- (i) Where housing prices grow too rapidly at a time when the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, construction projects should mainly involve the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses. The construction of low-density, high-end houses should be strictly controlled.
- (ii) Where the price of land for residential use and the price of residential housing grow too rapidly, land supply for residential use as a proportion of the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high-end residential property construction should be strictly restricted.
- (iii) Idle land fee must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years must be revoked without compensation.
- (iv) Commencing from June 1, 2005, a business tax upon the transfer of a residential property by an individual within two years from his or her purchase will be levied on the gain from such transfer. If an individual transfers his or her ordinary residential property more than two years after its purchase, the business tax will be exempted. For an individual who transfers a property other than an ordinary residential house more than two years after from its purchase, the business tax will be levied on the difference between the price of such transfer and the original purchase price.
- (v) Ordinary residential houses with medium or small GFA and at medium or low prices may be granted certain preferential treatment in relation to planning permits, land supply, credit and taxation. Properties enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio of the residential development is above 1.0, the GFA of one single unit is less than 120 sq.m., and the actual transfer price is lower than 120% of the average transfer price of comparable properties at comparable locations. Local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential properties that can enjoy the preferential policies.
- (vi) Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any pre-sale contract of commodity property must also be filed with the relevant government agencies electronically immediately after its execution.

On May 24, 2006, the General Office of the State Council issued the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Adjusting the Housing Supply Structures and Stabilizing Property Prices (《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》) (“Circular No. 37”) which was jointly prepared by nine ministerial departments, including the MOHURD, the NDRC, the MLR and the SAT. Circular No. 37 was aimed at guiding and promoting sustainable and healthy development of the real estate industry through adjusting housing supply structure and curbing soaring housing prices. Circular No. 37, among other things:

- (i) requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low- to medium-cost and small- to medium-sized units or low-cost rental properties;

- (ii) requiring that at least 70% of the units in the residential projects approved or constructed on or after June 1, 2006 must be smaller than 90 sq.m. in terms of GFA and that projects which have received project development approvals prior to that date but have not obtained Construction Permits must adjust their planning in order to conform with this new requirement. However, municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the MOHURD;
- (iii) increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying residential property if the underlying property has a GFA of 90 sq.m. or more, as effective from June 1, 2006;
- (iv) prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for loans; and
- (v) imposing a business tax levy on the entire sales proceeds from the re-sales of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005. Where an individual transfers a property other than an ordinary residential property more than five years after his or her purchase, the business tax will be levied on the difference between the resale price and the original purchase price.

On July 6, 2006, the MOHURD promulgated Certain Opinions regarding the Implementation of the Ratio Requirements for the Structure of Newly Constructed Residential Units (《關於落實新建住房結構比例要求的若干意見》), which stipulates that residential units with a GFA of less than 90 sq.m. shall account for over 70% of the total area of residential units which are newly approved and constructed in each city or county after June 1, 2006. The relevant local government will have the authority to determine the configuration of newly constructed properties.

On January 7, 2010, the General Office of the State Council issued the Circular on Promoting the Stable and Sound Development of the Real Estate Market (《關於促進房地產市場平穩健康發展的通知》) to further regulate the real estate market. This circular provides for 11 measures addressing the following objectives:

- (i) effectively increasing the supply of social welfare housing and ordinary commodity residential properties;
- (ii) directing consumers to make reasonable purchases of residential properties and discouraging investment and speculation in the housing market;
- (iii) strengthening credit risk management for real estate projects and market supervision;
- (iv) speeding up the construction of social welfare housing projects; and
- (v) setting or clarifying the responsibilities of provincial and local governments.

On April 17, 2010, the State Council also issued the Notice on Strictly Control of the Escalation of Property Prices in Certain Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》), which further increased the minimum down payment in respect of mortgage loans on purchases of second residential properties by individuals to 50% of the purchase price and provides that the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate published by the PBOC. The minimum down payment in respect of mortgage loans on purchases of third or more residential properties by individuals may be substantially increased at the commercial bank's discretion and based on its risk control policies. The notice also specifies that the down payment for first owner-occupied residential properties with a GFA of more than 90 sq.m. must be at least 30% of the purchase price. Further, in those areas where property prices have escalated and property supply is tight, commercial banks may, depending on the level of risk, suspend granting mortgage loans to buyers purchasing their third or more residential properties or to those non-local residents who cannot provide documentation evidencing their payment for over one year of tax or social security in the locality.

On April 30, 2010, the Beijing Municipal Government issued the Notice on Implementation of State Counsel's Rules on Strictly Control of the Escalation of Property Prices in Certain Cities (《北京市人民政府貫徹落實國務院關於堅決遏制部分城市房價過快上漲文件的通知》), under which the commercial banks are required to stop grant loans to those households who purchase their third or more houses or those non-Beijing residents not capable of providing a local tax payment certificate or social security payment certificate for more than one year. In addition, each household is providing a local allowed to purchase only one new residential unit in Beijing since the issuance of such Notice.

On May 26, 2010, the MOHURD, PBOC, and the CBRC jointly issued the Circular on Standardizing the Assessing Criteria of the Second Home for Personal Mortgage Loans (《關於規範商業性個人住房貸款中第二套住房認定標準的通知》), under which a stricter standard will be adopted in assessing whether a house to be bought is a second home when granting mortgage loans. The new standard will be based on property ownership, not mortgage history, and the unit for the number of the houses will be determined in terms of family (including the borrower, his spouse and minor children), rather than individuals. Home buyers are required to provide a registration record from the local housing registration system when applying for mortgage loans. If it is impossible to check the purchasing record, loan applicants are required to submit a certification listing the number of homes owned by the applicant's family. The banks will examine both the number of the homes owned by the applicant's family and the applicant's previous mortgage and purchasing record in order to counter speculative activities. The banks will define a loan applicant as a second-home buyer as long as the applicant has taken out a mortgage loan previously, or his family has a home ownership record in the housing registration system, or it is confirmed that his family has owned a property based on due diligence.

On September 21, 2010, the MLR and the MOHURD jointly promulgated the Notice on Further Strengthening the Administration and Control of the Lands for Real Estates and the Construction of Real Estates (《關於進一步加強房地產用地和建設管理調控的通知》) to tighten the examination of qualifications of land bidders.

On September 29, 2010, the PBOC and the CBRC issued the Notice of the People's Bank of China and China Banking Regulatory Commission on Issues concerning the Improvement of Differential Housing Credit Policies (《中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知》), which requires commercial banks to suspend the extension of loans to individuals for the purchase of third or subsequent residential properties. All commercial banks are also required to suspend the extension of loans for the purchase of residential properties by non-residents who cannot provide certificates evidencing the payment of local taxes or social insurance for more than one year. In addition, commercial banks are prohibited from extending loans to real estate developers, which hold idle land, who have changed the land use and land status, delayed the commencement date or completion date of construction or delayed the commencement of sales of property for speculative purposes. On September 24, 2015, the PBOC and the CBRC issued the Notice on Issues Concerning the Further Improvement of the Differential Housing Credit Policies (《關於進一步完善差別化住房信貸政策有關問題的通知》), which further states that in cities where no purchase limitations are imposed, for a commercial individual housing loan provided for the household of one resident to purchase his or her first ordinary housing unit, the minimum down payment ratio shall be adjusted to not less than 25%. All local offices of the PBOC and the CBRC shall, under the principle of "providing guidance by category and implementing localized policies," guide provincial self-regulatory pricing mechanisms for market interest rates in independently setting the minimum down payment ratios for commercial individual housing loans within their respective jurisdictions based on the actual local circumstances.

On November 2, 2010, the MOF, the MOHURD, the CBRC and the PBOC jointly issued the Circular on Issues Concerning Policies on Regulation of Personal Housing Provident Fund Loan (《關於規範住房公積金個人住房貸款政策有關問題的通知》), which provides that where personal housing provident fund loan is used to buy the first ordinary self-use house and the floor area of the house is no more than 90 sq.m., the down-payment proportion shall not be lower than 20%; where the floor area of the house is more than 90 sq.m., the down-payment proportion shall not be lower than 30%. Only the housing provident fund-paying families whose floor area per capita is less than local average shall have access to personal housing provident fund loan which is used to buy the second house, and the loan shall be used to buy ordinary self-use house so as to improve dwelling conditions. Where the personal housing provident fund loan is used to buy the second house, the down-payment proportion shall not be lower than 50%, and the interest rate of such loan shall not be less than 1.1 times of the interest rate of the personal housing provident fund loan for the purchase of the first house. Personal housing provident fund loan for the purchase of a third or more houses by housing provident fund-paying families shall be suspended.

On January 26, 2011, the General Office of the State Council further issued the Notice of the State Council on Issues relating to Further Well Managing the Central Control of the Real Estate Market (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》) which specifies that:

- (i) individuals who resell a residential property within five years of purchase would be subject to a business tax on the proceeds from the resale;
- (ii) if a property developer fails to obtain the relevant construction permits and fails to commence construction within two years from the designation of land for property development, the relevant land use rights granted would be forfeited and an idle land penalty would be imposed;
- (iii) transfer of land and property development projects is prohibited if the amount of property development investment (excluding the land premium) incurred is less than 25% of the total investment amount in respect of the project;
- (iv) in the cities where the real estate market price is under rapidly growth, families holding local residency and owning two or more residential properties and families holding non-local residency and owning at least one residential property or who cannot provide a local tax payment certificate or a social security certificate are prohibited from purchasing additional residential properties in the local district;
- (v) a household that borrows a mortgage loan for the purchase of a second residential property must make a down payment of not less than 60% of the purchase price and pay a mortgage rate which is not lower than 110% of the benchmark interest rate.

On March 8, 2011, the CBRC issued the Notice of the General Office of China Banking Regulatory Commission on Doing a Good Job in Housing Financial Services and Strengthening Risk Management (《中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知》), which emphasized that banks and financial institutions shall strictly observe the Notice of the State Council on Issues relating to Further Well Managing the Central Control of the Real Estate Market when handling the individual housing loan business, strictly observe the provision that “the down payment for families that purchase a second housing unit with loans shall not be less than 60%, and the loan rate shall not be less than 1.1 times the benchmark rate,” and cooperate with the relevant departments in strictly implementing the purchase restriction policies of the local governments and do well in the communication and interpretation work.

On February 26, 2013, the General Office of the State Council issued the Notice of the State Council on Continuity to Well Manage the Central Control Work of the Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》) (the “國五條”) which stipulates to:

- (i) improve the mechanism of work responsibility of stability of the real estate price, measures including requiring the relevant departments under the State Council to strengthen the supervision and inspection of the stability of prices. The provincial people’s government shall conduct interviews if local governments in its jurisdiction fail to implement housing purchase restrictions;
- (ii) stick to suppress the investment purchasers, measures including continuing to implement and improve the purchase restriction measures; using the effect of tax to adjust the real estate price, the tax bureau and housing construction departments shall closely coordinate and shall levy individual income tax at a tax rate of 20% according to the regulations;
- (iii) increase the land supply for residential commercial properties, measures including the total land supply for residential land in 2013 in principle shall be no less than the average land supply in the past five years;
- (iv) accelerate the planning and construction of affordable housing project. Fully implement the task of basically built of 4.7 million units, new construction of 6.3 million sets of affordable housing projects in 2013; and

- (v) improve the market supervision and anticipation management. Strengthen the administration on the credibility of real estate development enterprises; to study the establishment of shared credit management system among housing and urban construction, development and reform, land and natural resources, finance, taxation, industry and commerce, statistics and other departmental, timely records, released the illegal behavior of the real estate enterprises. If real estate enterprises conduct activities or have idle land, land speculation, keep the properties out of markets, drive up prices and other illegal acts, the relevant departments shall establish a linkage mechanism and intensify punishment. The land and resources department shall prohibit the enterprise from participating in land bidding, the banking financial institutions shall not grant new loans for development projects, the securities regulatory authorities shall suspend the approval of its listing, refinancing or significant asset restructuring and the banking supervision departments shall prohibit the enterprises from financing through trust scheme, etc.

On March 30, 2015, the MOF and the SAT issued the Notice on Adjusting the Business Tax Policies on Individual Housing Transfer (《關於調整個人住房轉讓營業稅政策的通知》) pursuant to which prescribed the business tax is charged in full amount where any individual sells a residential property held for less than two years after the day of purchase; where any individual sells a non-ordinary residential property held for two years or more after the date of purchase, the business tax thereon shall be charged on the basis of the balance between the sales income and the purchase price of the house; where any individual sells an ordinary residential property held for two years or more after the day of purchase, he shall be exempt from the business tax charge thereon.

In connection with the said Notices issued by the State Council on January 26, 2011 and February 26, 2013, various municipal governments have promulgated measures to further control the property markets in their respective cities which include:

Beijing

On February 15, 2011, the Beijing Municipal Government issued the Notice on Implementation of the Spirit of the General Office of the State Counsel's Rules and Further Intense the City's Real Estate Market Control Work (《北京市人民政府辦公廳關於貫徹落實國務院辦公廳文件精神進一步加強本市房地產市場調控工作的通知》), and on February 16, 2011, the Beijing Municipal Commission of Housing and Urban-rural Development issued the Notice on Issues Relating to Implementation of the City's Property-purchase Restriction Policies (《北京市住房和城鄉建設委員會關於落實本市住房限購政策有關問題的通知》) under which the properties are not allowed to sell to the Beijing households who have already purchased two or more residential properties or non-Beijing households who have already purchased one or more residential property or non-Beijing households without a valid temporary living permit and a local tax payment certificate or social security certificate for over 5 consecutive years (including 5 years).

On March 30, 2013, Beijing Local Taxation Bureau and Beijing Municipal Commission of Housing and Rural and Urban Construction promulgated the Announcement of relevant Tax Issues on Further Conduct Real Estate Market Control Work (《北京市地方稅務局、北京市住房和城鄉建設委員會關於進一步做好房地產市場調控工作有關稅收問題的公告》) to impose further requirements on the pre-collection of Land Appreciation Tax. The announcement, which was later amended on June 15, 2018, provides that, except for social security housing, the LAT pre-collection rate shall be subject to a regime of four level progressive rates: 2% on the appreciation amount not exceeding 50% of the sum of deductible items; 3% on the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 5% on the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; 8% on the appreciation amount exceeding 200% of the sum of deductible items. If the volume rate of the real estate development projects is less than 1.0, the lowest LAT pre-collection rate is subject to 5% of sales revenue.

On the same date, Beijing Government Office issued a Notice on Implementation of Notice of the State Council on Continuity to Well Manage the Central Control Work of the Real Estate Market and Further Improve the Work of Control Beijing Real Estate Market (《北京市人民政府辦公廳貫徹落實〈國務院辦公廳關於繼續做好房地產市場調控工作的通知〉精神進一步做好本市房地產市場調控工作的通知》). Pursuant to this notice, Beijing will continue to strictly implement the restriction on real estate properties purchase measures. Starting from the next day of the issuance of this notice, each of Beijing Residents who is single is allowed to purchase one properties if he/she has not purchased any properties and is prohibited from purchasing another properties if he/she already owns properties. In addition, for the individual income tax levied on individuals, if the original

purchase price can be verified through the registration information in tax authority or house administration authority, the individual transferor shall be strictly subject to individual income at the tax rate of 20%. If original purchase price is not able to be verified, individual income tax shall be subject to the approved levy methods. For individuals transfer properties which the families lived in for more than five years and are the sole property for the whole family, the individual income tax shall continue to be exempt.

In April 2013, the Business Administration Department of the PBOC issued the Notice on Adjustment of Differential Housing Credit Policies in Beijing (《中國人民銀行營業管理部關於調整北京市差別化住房信貸政策的通知》), under which a down payment for the purchase of a second residential property has been increased from 60% of the purchase price to 70% of the purchase price.

On September 30, 2016, Beijing Municipality Commission of Housing and Urban-Rural Development, Beijing Municipality Commission of Planning and Land and Resources, Administration for Industry and Commerce of Beijing Municipality, Financial Services Bureau of Beijing Municipality, Business Administration Department of PBOC and Banking Regulatory Bureau of Beijing Municipality jointly promulgated Several Measures to Promote the Stable and Health Development of the City's Real Estate Market (《關於促進本市房地產市場平穩健康發展的若干措施》). Such Measures implement much stricter differentiated housing credit policies, under which the minimum percentage of the down payment in respect of mortgage loan has been raised to 35% for purchasing the first ordinary residential property and to 40% for purchasing the first non-ordinary residential property except for the policy-related housing (“政策性住房”). For the households who have owned one residential property, the minimum down payment with respect to the mortgage loan shall not be less than 50% of the purchase price. Moreover, the Measures further emphasized the importance of so-called “setting ceiling for property sale prices, bidding for land premiums” (“限房價、控地價”). On May 25, 2018, Beijing Municipality Commission of Housing and Urban-Rural Development issued the Notice on Tightening the Sale Management of Price-capped Housing Projects (《關於加強限房價項目銷售管理的通知》). Price-capped housing projects are development and construction projects where the land is acquired through a bidding process under the principle of “setting the ceiling for property sale prices and land premiums”. The houses sold in such projects shall be evaluated before an estimated price can be determined. Depending on the ratio of the average sale price to the estimated price, the houses may be sold in whole to a qualified household or be jointly owned by such household and the PRC government.

Taiyuan

On March 18, 2011, the General Office of Shanxi Provincial Government issued the *Notice of Further Strengthening Regulation of Real Estate Market and Promoting Healthy Development of Real Estate Market* (《山西省人民政府辦公廳關於進一步加強房地產市場調控促進房地產市場健康發展的通知》), which provided contents in relation to, among others, strictly implementing differential housing credit policies and examining qualification to enter in to the real estate market and the sources of funds.

Wuhan

On February 21, 2011, the Wuhan Municipal Government issued Notice on the Issues Relating to the Municipal Real Estate Bureau Adjusting the City's Property Purchase Restriction Polices (《武漢市住房保障和房屋管理局關於調整我市住房限購限貸政策有關問題的通知》), according to which the Wuhan resident households who have already purchased one residential property, non-Wuhan resident who are able to provide one year's tax payment and social security payment are allowed to purchase only one residential property. No properties are allowed to sell to Wuhan resident households who have already purchased two or more residential properties or non-Wuhan resident households who have already purchased one or more residential properties or who are not able to provide the one year's local tax payment or social security payment certificate.

On October 2, 2016, the Office of Wuhan Municipality Government issued the Notice on Implementation the Measures to Restrict the Purchase and Credit of the Residential Properties in Specific Areas (《關於在我市部分區域實行住房限購限貸措施的通知》), under which for the households with the registered permanent residence of Wuhan who have owned one housing, the minimum down payment in respect of mortgage loans on purchase the residential properties in the specific areas (Jiangan District, Hankou District, Qiaokou District, Hanyang District, Wuchang District, Qingshan District, Hongshan District, East Lake Wuhan New Technology Development Zone, Wuhan economic and Technological Development Zone (excluding Hannan District) and East Lake ecological tourism scenic area) in Wuhan Municipality are raised to 50% of the purchase price.

Moreover, the Notice provides that commercial bank loans are stopped to grant to the households who intend to purchase the housings in the areas mentioned above if 1) such households have no registered permanent residence of Wuhan but have owned one housing in Wuhan, or 2) such households have registered permanent residence of Wuhan but have owned two or more housings in Wuhan. Besides, the households who have owned two or more housings in Wuhan but have no registered permanent residence are forbidden to purchase the housings in such areas temporarily.

Changsha

On March 4, 2011, the General Office Changsha Municipal Government issued the Notice on Further Strengthening the Real Estate Market Administration (《長沙市人民政府辦公廳關於進一步加強房地產市場管理有關問題的通知》), under which Changsha resident households who have already purchased one residential property in the prime area of the city, non-Changsha resident households who have not purchased any residential property in the prime area of the city and can also provide city living permit are allowed to purchase only one residential property with the GFA below 90 sq.m. in the prime area of the city. No properties are allowed to sell to Changsha resident households who have already purchased two residential properties situated in downtown area (the five areas under the administration of the city) or non-Changsha resident households who have already purchased one residential properties situated in downtown area (the five areas under the administration of the city) or who are not able to provide the living permit.

Furthermore, in order to promote the stable and healthy development of real estate market in Changsha, local competent authorities issued normative documents, including but not limited to the *Notice of General Office of Changsha Municipal Government on Further Managing the Regulation of the Real Estate Market* (《長沙市人民政府辦公廳關於進一步做好房地產市場調控工作的通知》), the *Notice of General Office of Changsha Municipal Government on Further Promoting the Stable and Healthy Development of the Real Estate Market* (《長沙市人民政府辦公廳關於進一步促進房地產市場平穩健康發展的通知》), the *Notice of the Changsha Municipal Commission of Housing and Urban-Rural Development on Further Stabilizing the Real Estate Market and Promoting its Stable and Healthy Development* (《長沙市住房和城鄉建設委員會關於進一步穩定房地產市場促進健康發展的通知》), and the *Notice of Changsha Municipal Commission of Housing and Urban-Rural Development on the Detailed Rules of Implementing Differential House Purchase Measures* (《長沙市住房和城鄉建設委員會關於實施差別化購房措施操作細則的通知》), issued on May 15, 2018.

Hefei

On October 2, 2016, Real Estate Administrative Bureau of Hefei Municipality, Land and Resources Bureau of Hefei Municipality, Planning Bureau of Hefei Municipality, Administration for Industry and Commerce of Hefei Municipality, Commodity Price Bureau of Hefei Municipality, Financial Services Office of Hefei Municipality and News Services Office of Hefei Municipality jointly issued the Notice on Further Promoting the Stable and Health Development of the City's Real Estate Market (《關於進一步促進我市房地產市場平穩健康發展的若干意見》), under which the households with registered permanent residence of Hefei who have two or more housings are forbidden to purchase new residential properties in the urban district of Hefei temporarily and the households without registered permanent residence of Hefei who have owned one or more residential properties or fail to provide the certificate of the continuous monthly payment of tax or social insurance for one year within two-year periods since the purchase the residential property are forbidden to purchase new and existing residential properties in the urban district of Hefei temporarily. Besides, the commercial banks are required to stop granting loans to the households with registered permanent residence of Hefei who have owned two or more housings or the households fail to provide the certificate of the continuous monthly payment of tax or social insurance for one year within two-year periods since the purchasing the housing. The minimum down payment on purchase of first residential properties are increased to 30% of the purchase price and the minimum down payment on purchase the residential properties are increased to 40% of purchase price for the following three categories of households: 1) the households without housing loan records who have owned one housing; 2) the households who have owned one housing and have paid off the housing loan; 3) the households without the residential property but with one housing loan record. For the households who have one housing and have not paid off the housing loan, the minimum down payment on purchase the residential properties are increased to 50% of the purchase price. Furthermore, the application for housing fund loan are tightened up.

Suzhou

On October 3, 2016, the Suzhou Municipal Government promulgated the Opinions on Further Strengthening the Regulation of the Real Estate Market (《關於進一步加強全市房地產市場調控的意見的通知》). The Opinions provides that for the purpose of purchasing first housing in Suzhou, the households without the registered permanent residence of Suzhou shall provide the certificate of payment of individual income tax or social insurance for one year consecutively in urban district of Suzhou, Kunshan or Taicang. The purchase of new or existing residential properties are stopped for the households without the registered permanent residence of Suzhou who has owned one housing or households with the registered permanent residence of Suzhou who have owned three or more housings in Suzhou. Besides, the differentiated housing credit policies has been detailed in the Opinions, under which 1) the minimum down payment in respect of mortgage loan on purchase the housings are raised to 50% of purchase price for the households with housing loan records but without housings at the time of purchase and households who has owned one housing and has paid off the housing loan; 2) the minimum down payment in respect of mortgage loan on purchase the housings are raised to 80% of purchase price for the households who have owned one housing but have not paid off the housing loan; 3) the commercial bank loans are stopped to grant to the households who have owned two or more housings in Suzhou. Furthermore, the quota of housing fund loan are decreased relatively for the households applying housing fund loan not for the first time.

Foshan

On October 7, 2016, the Foshan Municipal Government issued the Notice on Further Promoting the Stable and Healthy Development of the City's Real Estate Market (《關於進一步促進我市房地產市場平穩健康發展若干措施的通知》). The Notice provides that housing purchase restriction and differentiated housing credit policies shall be implemented with respect to the housings in the specific areas in Foshan Municipality (Chancheng District, Guicheng Street of Nanhai District, Dali Town, Lishui Town, Daliang Street of Shunde District, Chencun Town, Beijiao Town and Lecong Town). Specifically, the households with the registered permanent residence of Foshan who has owned two or more housings in Foshan are forbidden to purchase new residential properties in the areas mentioned above. For the households without the registered permanent residence of Foshan, the purchase policy for the housing located in such areas shall be as followed: 1) the households who have owned no housing in Foshan may purchase one residential property in such areas; 2) the households who have owned one housing in Foshan and intend to purchase new residential property in such areas shall provide the certificate of the payment of individual income tax or social insurance for one year consecutively within two years since the purchase the housing; 3) the households who have two or more housings in Foshan are forbidden to purchase the housings in such areas temporarily. Besides, the differentiated housing credit policies has also been detailed in the Notice, under which 1) the minimum down payment in respect of mortgage loan on purchase the housings in such areas shall not be less than 30% of purchase price for the households with housing loan records but without housings at the time of purchase and households who have owned one housing and have paid off the housing loan; 2) the minimum down payment in respect of mortgage loan on purchase the housings in such areas are raised to 40% of purchase price for the households who have owned one housing but have not paid off the housing loan; 3) the commercial bank loan are stopped to grant to the households who intend to purchase the housings in such areas and have owned two or more housings in Foshan.

On March 24, 2017, the Foshan Municipal Government issued the Notice of Further Improving the Policies of Housing Purchase Restriction for Newly-Built Residential Properties (《關於進一步完善我市新建商品住房限購政策的通知》), which adjusts the policies in relation to the newly-built residential properties as provided in the Notice on Further Promoting the Stable and Healthy Development of the City's Real Estate Market, for the purpose of further improving the policies and promoting the stable and health development of real estate market within the Foshan.

REGULATIONS ON TAXATION

EIT

Under the EIT Law, which was effective from January 1, 2008 and was revised on February 24, 2017 and December 29, 2018, and its Implementation Rules, domestic enterprises and foreign owned enterprises are subject to the same EIT rate of 25%.

Moreover, under the new EIT Law, enterprises organized under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered PRC resident enterprises and therefore subject to PRC EIT at the rate of 25% on their worldwide income. The Implementing Rules define the term “de facto management body” as the management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise.

Dividend Withholding Tax

Pursuant to the new EIT Law and its Implementing Rules which are effective as of January 1, 2008, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise to its foreign investors will be subject to a 10% withholding tax if the foreign investors are considered as non-resident enterprises without any establishment or place within China or if the dividends payable have no connection with the establishment or place of the foreign investors within China, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement.

According to the Arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, or the Mainland and the Hong Kong Taxation Arrangement (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), dividends paid by a foreign-invested enterprise in China to its direct holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% interest in the foreign-invested enterprise). On October 14, 2019, the State Administration of Taxation issued the Administrative Measures on Entitlement of Non-resident Taxpayers to Tax Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》), which took effect on issued on January 1, 2020. Under the Measures, our Hong Kong Subsidiaries need to submit an “Information Statement for Entitlement of Non-residents to Tax Treaty Benefits” at the time of declaration, and compile and retain the relevant materials for future inspection as required, in order to enjoy the preferential withholding tax rate of 5% in accordance with the Mainland and the Hong Kong Taxation Arrangement. In addition, the State Administration of Taxation promulgated the Notice of the State Administration of Taxation on the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) which becomes effective on April 1, 2018 and provides that a case-by-case analysis approach should be adopted and sets forth the relevant factors to be taken into account when determining a beneficial owner.

We have complied and will continue to comply with all relevant withholding tax regulations in the PRC.

Deed Tax

Under the PRC Provisional Regulations on Deed Tax (《中華人民共和國契稅暫行條例》) of 1997 amended on March 2, 2019, a deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of China. The deed tax rate is between 3% to 5% subject to determination by local governments at the provincial level in light of local conditions.

VAT

The *Interim Regulation on Value Added Tax* (《中華人民共和國增值稅暫行條例》), which was adopted by the State Council of the PRC on December 13, 1993, and revised on November 10, 2008, February 6, 2016 and November 19, 2017 respectively, provided detailed rules for the application of VAT.

The MOF and the SAT promulgated the Pilot Proposals for Levying the Value-added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點方案》) on November 16, 2011, and issued Notice of the MOF and the SAT on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《關於全面推開營業稅改徵增值稅試點的通知》) on March 23, 2016, amended in July 2017 and March 2019, the pilot program of replacing business tax with Value-Added Tax (VAT) shall be implemented across the nation. All business tax taxpayers in the construction industry, the real estate industry, the financial industry and the living service industry shall be included in the scope of the pilot program and the payment of business tax shall be replaced by the payment of VAT. On June 18, 2016, the MOF and SAT issued the Notice of the Ministry of Finance and the State Administration of Taxation on Further Clarifying the Policies regarding Reinsurance, Immovable Property Leasing and Non-Academic Education in the Comprehensive Promotion of the Pilot Program of Replacing Business Tax with Value-Added Tax (《關於進一步明確全面推開營改增試點有關再保險、不動產租賃和非學歷教育等政策的通知》), pursuant to which leasing of the properties where construction commences before May 1, 2016 has been granted transitional relief and is subject to VAT at the rate of 5%.

On December 21, 2016, the MOF and SAT issued the Notice of the Ministry of Finance and the State Administration of Taxation on Specifying the Value-added Tax Policies for Finance, Real Estate Development, Educational Support Services, etc. (《財政部、國家稅務總局關於明確金融房地產開發教育輔助服務等增值稅政策的通知》), pursuant to which, when calculating sales revenue, general taxpayers among real estate development enterprises are allowed to deduct the demolition compensations paid to other entities or individuals when acquiring land parcels from their respective revenue from selling real estate projects developed thereby (excluding existing real estate projects for which the said taxpayers have chosen the method of simplified VAT taxation). Also, where a real estate development enterprise (including a consortium composed of several real estate development enterprises) sets up a project company to develop a land parcel transferred thereto after paying land prices to the relevant government department for acquiring the land, the project company may deduct the land prices paid to the government department by the real estate development enterprise pursuant to relevant provisions as long as certain conditions are satisfied.

The MOF, the SAT and the General Administration of Customs issued Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019, pursuant to which no input VAT on the immovable properties or the immovable properties under construction in progress obtained by taxpayers may be credited any longer in two years from April 1, 2019. However, the input VAT to be credited that has not been fully credited yet according to aforesaid provisions may be credited against the output tax in the tax period from April 2019.

Land Appreciation Tax

Under the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) of 1994 as amended in 2011 and its implementing rules of 1995, the LAT applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting certain “deductible items” that include the following:

- (i) payment made to acquire land use rights;
- (ii) costs and charges incurred in connection with land development;
- (iii) construction costs and charges in the case of newly constructed buildings and facilities;
- (iv) assessed value in the case of old buildings and facilities;
- (v) taxes paid or payable in connection with the transfer of land use rights, buildings or other facilities on such land; and
- (vi) other items allowed by the Ministry of Finance.

LAT shall be subject to a regime of four level progressive rates: 30% on the appreciation amount not exceeding 50% of the sum of deductible items; 40% on the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on the appreciation amount exceeding 200% of the sum of deductible items.

On December 28, 2006, the State Bureau of Taxation promulgated the Notice of the State Administration of Taxation on the relevant Issues Concerning the Settlement Management of Land Appreciation Tax on Real Estate Enterprises (《關於房地產開發企業土地增值稅清算管理有關問題的通知》), effective beginning February 1, 2007 and revised in June 2018. According to the Notice, the LAT assessment amount shall be derived from the entire value of the real estate development project if the project was approved by the relevant authority as a unit; and for a project developed in stages, the LAT assessment amount shall be derived from the value of each individual stage of the project.

A taxpayer should pay the LAT if one of the following circumstances occurs:

- (i) a construction project has been completed and its commodity houses sold;
- (ii) an uncompleted real estate development project is transferred; or
- (iii) a direct transfer a land use right.

The tax authority may require the taxpayer to pay the LAT in one of the following circumstances:

- (i) the floor area of the real estate sold is in excess of 85% of the saleable GFA of the entire project or, if the proportion is less than 85%, the residual saleable floor area has been leased out or is held for self-use;
- (ii) the pre-sale permit has been held for three years, but the commodity houses of the project still have not been sold;
- (iii) the taxpayer applies for cancellation of tax registration but has yet to carry out the procedures for the LAT settlement; or
- (iv) others circumstances provided by tax authorities at the provincial level.

On May 25, 2010, the SAT promulgated the Notice on Strengthening the Levy and Administration of Land Appreciation Tax (《關於加強土地增值稅徵管工作的通知》) to impose further requirements on the collection of LAT. This notice provides that, except for social security housing, the minimum LAT prepayment rate shall be no less than 2% for properties in East China, no less than 1.5% for properties in Central or Northeast China and no less than 1% for properties in West China. The LAT prepayment rate shall be determined by the local authorities based on different property types in the locality.

Urban Land Use Tax

Pursuant to the Provisional Regulations of the PRC on Urban Land Use Tax (《中華人民共和國城鎮土地使用稅暫行條例》) promulgated by the State Council in September 1988, urban land use tax is levied according to the area of the urban land plot and the annual tax rate on urban land was set at between RMB0.2 and RMB10 per sq.m.. On December 31, 2006, the Provisional Regulations of the PRC on Urban Land Use Tax were amended by the State Council. As of January 1, 2007, on the basis of the amended regulations, the urban land use tax is charged at a rate three times higher than the previous rate and foreign invested enterprises are no longer exempt. On December 7, 2013, the Article 7 of Provisional Regulations of the PRC on Urban Land Use Tax was amended by State Council. As of July 12, 2013, taxpayers really have difficulties in paying land use tax and need to be granted regular tax reductions or exemptions, the matter concerned shall be subject to the approval of the local tax authorities at the county level or above. As of March 2, 2019, the term of “local tax authority” in the Article 7 of Provisional Regulations of the PRC on Urban Land Use Tax was revised to “tax authority”.

Building Tax

Under the Provisional Regulations of the PRC on Buildings Tax (《中華人民共和國房產稅暫行條例》) promulgated by the State Council in September 1986 and amended in January 2011, building tax applicable to domestic enterprises is 1.2% if it is calculated on the basis of the residual value of a building and 12% if it is calculated on the basis of the value of a rental lease.

Stamp Duty

Under the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated by the State Council in August 1988 and amended in January 2011 applying to building property transfer instruments, including property ownership transfer instruments, the duty rate is 0.05% of the amount stated therein. For permits and certificates relating to rights, including Property Ownership Certificates and Land Use Rights Certificates, stamp duty is levied on an item-by-item basis at a rate of RMB5 per item.

Municipal Maintenance Tax

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) enacted by the State Council on February 8, 1985 and amended in January 2011, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) enacted by the State Council on April 28, 1986 and revised on June 7, 1990 and August 20, 2005 and January 8, 2011, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (《國務院關於籌措農村學校辦學經費的通知》).

Regulations on Offshore Investment by PRC Residents

Pursuant to the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), generally known in China as SAFE Circular No. 37, issued on July 4, 2014, (i) a PRC citizen residing in the PRC shall register with the local branch of the State Administration of Foreign Exchange before it contributes its domestic or overseas assets or equity interests to an overseas special purpose company, for the purpose of overseas investment or equity financing (including convertible debts financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic or overseas enterprise into an overseas special purpose company, or engages in overseas financing or investment after contributing assets or equity interests into a special purpose company, such PRC resident shall register his or her interest in the special purpose company and the change thereof with the local branch of the State Administration of Foreign Exchange; and (iii) when the special purpose company undergoes a material event outside of China, such as change in the basic information, capital increase or decrease, equity transfer or merger and acquisition of the domestic resident shareholder, the PRC resident shall register such change with the local branch of the State Administration of Foreign Exchange.

Regulations on Environment Protection

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law (《環境保護法》), the Environmental Impact Assessment Law (《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》). On November 20, 2017, the Ministry of Environmental Protection issued the Interim Measures on Acceptance Inspections for Environmental Protection Purposes over Completed Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), pursuant to which certain procedures and standards are set for acceptance inspections for environmental protection purposes that are independently conducted by construction units upon completion of construction projects. 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 must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

REGULATION OF LABOR

Labor Laws

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) promulgated on July 5, 1994 and amended on August 27, 2009 and December 29, 2018 and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on June 29, 2007 and effective on January 1, 2008 and amended on December 28, 2012 and effective on July 1, 2013, if an employment relationship is established between an entity and its employees, written labor contracts shall be signed. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wages. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the State on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Social Security Laws

Under applicable PRC laws, rules and regulations, including the Interim Measures Concerning the Maternity Insurance of Enterprises Employees (《企業職工生育保險試行辦法》) which became effective on January 1, 1995, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》) promulgated and became effective on January 22, 1999 and was amended on March 24, 2019, the Regulation on Work-Related Injury Insurance (《工傷保險條例》), which was promulgated on April 27, 2003 and amended on December 20, 2010, and the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers are required to make contributions to the basic pension insurance fund, unemployment insurance, basic medical insurance fund, work-related injury insurance fund, maternity leave insurance fund and housing accumulation funds for their employees.

On October 28, 2010, the Social Security Law of the People's Republic of China (《中華人民共和國社會保險法》) (the "Social Security Law") was passed during the 11th session of the Standing Committee of the National People's Congress of China and took effect as of July 1, 2011 and was amended on December 29, 2018. The Social Security Law is the first comprehensive law in China to address social securities and related administrative issues. In addition to consolidating various existing social security rules and regulations, the Social Security Law also introduces some new provisions and policies. Key provisions of the Social Security Law are as follows:

- (i) The Social Security Law allows for an employee to transfer his or her pension, basic medical and unemployment insurance relationships with him or her when the individual decides to move to another city to take up new employment, which was not possible in the past.
- (ii) If the employer fails to make social security registration and refuses to rectify within the ordered time limits, in addition to a standard penalty of anywhere between RMB500 to RMB3,000 imposed directly on the responsible persons which are directly in charge and involved, the employer will also be subject to a penalty which is calculated based on one to three times of the outstanding social security contributions.

On December 25, 2016, the Standing Committee of the National People's Congress of China adopted the Decision of the Authorizing on the State Council to Temporarily Adjust the Application of the Relevant Provisions of the Social Security Law of the People's Republic of China in the Administrative Regions of Handan City of Hebei Province and Other 11 Cities Participating in the Pilot Program (《全國人民代表大會常務委員會關於授權國務院在河北省邯鄲市等12個試點城市行政區域暫時調整適用〈中華人民共和國社會保險法〉有關規定的決定》), which provided that, for purposes of further strengthening the security function of maternity insurance, enhancing the mutual aid ability of social insurance funds, and promoting the reform of combined implementation of maternity insurance and basic medical insurance, the State Council is authorized to temporarily adjust the application of Articles 64 and 66 of the Social Security Law on the establishment of separate accounts, accounting and preparation of budgets for the maternity insurance fund, and include the maternity insurance fund in the basic medical insurance fund of employees for collection and administration in the administrative regions of Handan City of Hebei Province, Jinzhong City of Shanxi Province, Shenyang City of Liaoning Province, Taizhou City of Jiangsu Province, Hefei City of Anhui Province, Weihai City of Shandong

Province, Zhengzhou City of Henan Province, Yueyang City of Hunan Province, Zhuhai City of Guangdong Province, Chongqing Municipality, Neijiang City of Sichuan Province, and Kunming City of Yunnan Province. In addition, pursuant to the aforementioned Decision, the pilot program shall be arranged by the State Council and submitted to the Standing Committee of the National People's Congress for record, and such Decision will be implemented for two years.

LAWS AND REGULATIONS PERTAINING TO REAL PROPERTY LOCATED IN THE U.S.

We are subject to numerous local, state, federal and other laws, statutes, ordinances, rules and regulations concerning various matters which may affect our business including, but not limited to, zoning, development, building design, construction and similar matters which impose restrictive zoning, density or other development requirements. Specifically, principal current land use regulations that apply in the jurisdictions in which our property is located (Pearland, Texas and situated partially in Harris County and Brazoria County, Texas) are set out below.

Zoning

Our property is subject to the zoning ordinances of the City of Pearland, Texas. Our property is currently zoned according to the Water Lights District Planned Development created under City Ordinance No. 2000M-47 which has become inactive due to the prior owner's failure to submit a site development plan for approval by the City of Pearland within two years from the effective date of the establishment of the planned development district. Prior to commencing any development on our property, we would need to apply to the City of Pearland to have our property rezoned so that it may be developed for its ultimate intended purpose. There is no assurance that the City of Pearland would approve the intended use, and the process can be costly and lengthy, and may be opposed by community groups or members of the public. Nevertheless, we currently do not expect any major difficulty in obtaining necessary approval for rezoning and the intended use of the land in the U.S.

Subdivision

Our property is also subject to state and local laws and regulations that require separately owned parcels of land to be subdivided as platted lots and comply with various development regulations to ensure that each lot is properly configured and has the proper street access, drainage, utility connections and other infrastructure.

Utilities

There are laws and regulations regarding the availability and delivery of water, wastewater, electricity, gas, telecommunications and other utility service to the property.

Development impact

Certain laws and regulations may require the owner of real property to pay impact fees or provide public improvements to mitigate the adverse effects of new development on the existing streets, parks, schools and other public facilities.

Minerals

In Texas, the mineral estate can be severed from the surface estate to create two separate estates that each has its own rights of use and disposition. If severed, the mineral estate owners' rights are dominant to the rights of the surface estate absent a waiver of surface rights in the conveyance document. The mineral estate has been severed from the surface estate for our property in Pearland, Texas. Although we own the surface of the property, we do not own any rights to minerals beneath the property. Our ability to develop the surface of the property is not affected by the fact that the surface estate has been severed from the mineral estate because the conveyance documents all contain a waiver of surface rights. Accordingly, the third party mineral interest owners are not entitled to access the surface of the property; however, such third parties may extract minerals under the property from locations adjacent to the property.

Fire and safety requirements

We will also be subject to certain state and local fire and safety requirements. We must obtain licenses, permits and approvals from various governmental agencies for any development activities.

Ad valorem and other taxes

Currently, our U.S. Property will be subject to ad valorem taxes which include taxes on the fair market value of the property as determined by a special appraisal district, payable annually and which are applicable to both real property and personal property owned by and used in connection with the business. Ad valorem taxes may increase or decrease as tax rates change and as our U.S. Property is assessed and reassessed by the applicable taxing authorities. Until disposition of the property or the occurrence of any other taxable event, there is currently no additional annual tax associated with the appreciation in value of the property. Our property may also be subject to fees and taxes payable to city, county, local or other quasi-governmental entities including certain Municipal Utility Districts in the State of Texas which provide infrastructure services to the property. As the owner of this property, we will be ultimately responsible for the payment of all taxes and fees to the applicable government authorities. Upon disposition or sale of the property we may be subject to U.S. income taxation to the extent we have an overall gain in relation to all other income or loss from taxable events during the year of disposition. The Foreign Investment in Real Property Tax Act of 1980 (FIRPTA) imposes a withholding requirement on purchasers who acquire U.S. property from foreign sellers. If we are determined to be a foreign seller (as defined under FIRPTA) the purchaser of our property must withhold a statutorily determined dollar amount from the purchase price for the payment of U.S. income taxes. We may also be subject to an annual franchise tax imposed on each taxable entity organized or doing business in the state of Texas. However, all taxes are subject to change from year to year depending on changes in federal and state tax laws.

Health and environment

We are also subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment. We must comply with laws regulating the release of hazardous substances and other emissions into the air, soil and water including, among other things, air emissions, wastewater discharges and the handling and disposal of wastes. We must also comply with laws governing the protection of endangered or threatened species and other environmental laws that may limit or prevent development in certain environmentally sensitive areas. We must comply with any flood plain restrictions, native plant regulations, protection of endangered species, cultural resource protections and view restrictions. We may be subject to environmentally sensitive land ordinances that mandate open space areas with public elements in any development and prevent development on hillsides, wetlands or other protected areas.

Contamination and damage

Pursuant to federal, state and local environmental laws and regulations, we may be required to investigate, remove and/or remediate a release of hazardous substances or other regulated materials at, or emanating from, our property. Under certain circumstances, we may be held liable for property damage, personal injury and/or natural resource damage resulting from or arising in connection with such releases. Certain of these laws have been interpreted to lead to joint and several liability unless the harm is divisible and there is a reasonable basis for allocation of responsibility. We may also be liable under certain laws for contamination and damage that occurred prior to our ownership of our property. Such laws often impose liability regardless of whether we knew, or were responsible for, the presence of the hazardous materials or toxic substances that caused the contamination.

Energy efficiency standards

Additionally, there are a variety of new legal requirements being enacted, or considered for enactment, at the federal, state and local levels relating to energy and climate change. These requirements relate to items such as carbon dioxide emissions control and building codes that impose energy efficiency standards. New building code requirements that impose stricter energy efficiency standards could significantly increase our cost to develop our property.

Americans with Disabilities Act

We are also required to comply with the provisions of the Americans with Disabilities Act. This act requires places of public accommodation to meet certain federal requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants.

Fair Housing Amendment Act of 1988

We are also subject to the Fair Housing Amendment Act of 1988. This law, its state law counterparts and regulations promulgated by the U.S. Department of Housing and Urban Development and various state agencies prohibit the discrimination in housing on the basis of race or color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women and people securing custody of children under the age of 18) or disability and, in some states, financial capability.

Housing programs offered by federal and state government agencies

We may also be subject to additional federal and state laws and regulations administered by numerous federal and state government agencies. These include eligibility and other requirements for participation in programs offered by the Federal Housing Administration, the Department of Veteran Affairs, Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac) and the United States Department of Agriculture (USDA). These laws and regulations require compliance with consumer lending laws and other regulations governing disclosure requirements, prohibitions against discrimination and real estate settlement provisions. These laws would subject our operations to examination by the applicable agencies.

Laws regarding shareholder and member liability

We have formed a number of subsidiaries in the United States in connection with our existing and possible future operations there. Some of our United States subsidiaries are a form of business organization known as a “limited liability company,” and others are a form of business organization known as a “corporation.” These limited liability company and corporation subsidiaries are organized under the laws of the State of Delaware or the State of Texas. Generally, the owner of an equity interest in a limited liability company or a corporation is not directly personally liable for the liabilities of the limited liability company or corporation beyond the value of the owner’s investment in such limited liability company or corporation. However, in certain circumstances, the owner may be held directly personally liable. These include instances of fraudulent or reckless behavior by the owner, the undercapitalization or flagrant disregard for the operations and governance formalities of the limited liability company or the corporation, or a violation of law by the owner or limited liability company or corporation, in connection with the business or operations of the limited liability company or corporation.

REGULATIONS ON REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. In July 2009, the PRC government promulgated Measures for the Administration of the Pilot Program of Renminbi Settlement of Cross-Border Trades (《跨境貿易人民幣結算試點管理辦法》) (the “Measures”) and its implementation rules pursuant to which Renminbi may be used to settle imports and exports of goods between approved enterprises in five designated cities in the PRC, namely Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai, and enterprises in designated offshore jurisdictions such as Hong Kong and Macau. On June 17, 2010, the PRC government promulgated the Notice on Matters Relating to the Expansion of Pilot Areas for RMB Settlement for Cross-border Trade (Yin Fa [2010] No. 186) (《關於擴大跨境貿易人民幣結算試點有關問題的通知》(銀發[2010] 186號) (“186 Circular”). According to the 186 Circular, (i) imports and exports of goods and services and other current account items might be settled in Renminbi, (ii) the pilot scheme was expanded to cover 20 provinces and regions including Beijing, Hubei, Shandong, Liaoning, Tianjin and Inner Mongolia, and (iii) there was no longer any restriction on the offshore jurisdictions that may participate in the pilot scheme. Accordingly, any enterprises in the designated regions and any offshore enterprises may use Renminbi to settle any current account items between them (except, in the case of payments for exports of goods from the PRC, only approved enterprises in the designated PRC regions may remit Renminbi).

On July 27, 2011, the PRC government promulgated the Circular on the Expansion of the Regions of Renminbi Settlement of Cross-Border Trades (《關於擴大跨境貿易人民幣結算地區的通知》), pursuant to which the list of designated pilot districts was expanded to the whole country. On February 3, 2012, the PRC government promulgated the Circular on the Relevant Issues Pertaining to Administration over Enterprises Engaging in RMB Settlement of Export of Goods (《關於出口貨物貿易人民幣結算企業管理有關問題的通知》), pursuant to which any enterprises in China which are qualified to engage in import and export trade are allowed to settle their goods export trade in Renminbi.

The Measures and the subsequent circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Measures and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital account item payments including proceeds from liquidation, transfer of shares, reduction of capital and principal repayment under foreign debt to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On October 12, 2011, the MOFCOM promulgated the MOFCOM Circular. The MOFCOM Circular states that if a foreign investor intends to make direct investments in the PRC with Renminbi that it has generated from cross-border trade settlement, that is lawfully obtained by it outside the PRC, or that it has generated from other sources as stipulated in the MOFCOM Circular, the competent commerce departments' prior written consent is required. While the MOFCOM Circular expressly sets out the requirement of obtaining the competent commerce departments' written prior consent for remittance of Renminbi back to the PRC by a foreign investor, the foreign investor will also be required to obtain approvals from other PRC regulatory authorities, such as the PBOC and SAFE, for transactions under capital account items.

On June 3, 2011, the PBOC promulgated the Circular on Clarifying Issues concerning Cross-border Renminbi Settlement (《中國人民銀行關於明確跨境人民幣業務相關問題的通知》) (the "PBOC Circular"). The PBOC Circular provides instructions to local PBOC authorities on procedures for the approval of settlement activities for non-financial Renminbi foreign direct investment into the PRC. The PBOC Circular applies to all non-financial Renminbi foreign direct investment into the PRC, and includes investment by way of establishing a new enterprise, acquiring an onshore enterprise, transferring the shares, increasing the registered capital of an existing enterprise, or providing loan facilities in Renminbi. The domestic settlement banks of foreign investors or foreign invested enterprises in the PRC are required to submit written applications to the relevant local PBOC authorities which include, inter alia, requisite approval letters issued by the relevant MOFCOM authorities. The PBOC Circular only applies to cases where the receiving onshore enterprise is not a financial institution. On October 13, 2011, the PBOC issued the PBOC Measures, to commence the PBOC's detailed RMB FDI administration system, which covers almost all aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as RMB denominated cross-border loans. Under the PBOC Measures, special approval for RMB FDI and shareholder loans from the PBOC which was previously required by the PBOC Circular is no longer necessary.

On June 14, 2012, the PBOC issued the Notice on Clarifying the implementation of Settlement of Cross-Border Renminbi Direct Investment (《中國人民銀行關於明確外商直接投資人民幣結算業務操作細則的通知》銀發 [2012] 165 號), which provide more detailed rules for cross-border Renminbi direct investments and settlements. The Notice has been revised by "Announcements of the People's Bank of China [2015] No. 12" on June 5, 2015.

Furthermore, SAFE issued the *Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) on February 13, 2015, which specified that the convertibility of foreign exchange in respect of capital account items, such as direct investment and capital contribution, is no longer subject to prior approval from SAFE or its relevant branches and shall be examined and handled by banks in accordance with such Notice and its Annex – *Operating Guidelines for Foreign Exchange Business in Direct Investment* (《直接投資外匯業務操作指引》). In addition, SAFE issued the *Notice on Reforming the Mode of Management of Settlement of Foreign Exchange Capital of Foreign-Funded Enterprises* (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) on March 30, 2015, which reiterated that foreign-invested enterprises are now allowed to convert their registered capital from foreign exchange to RMB on their own discretion and such conversion shall be conducted without approval by SAFE.

On June 9, 2016, SAFE issued the *Notice on Reforming and Regulating the Policies for the Administration of Settlement of Foreign Exchange under Capital Accounts* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), which provided, among others, all the foreign exchange funds of external debts of domestic enterprises (including Chinese-funded enterprises and foreign-funded enterprises, but excluding financial institutions) shall be settled on their own discretion.

MANAGEMENT

DIRECTORS

As of the date of this offering memorandum, our Board consists of 10 directors, comprising three executive directors, three non-executive directors and four independent non-executive directors. The table below shows certain information in respect of our Directors.

Name	Age	Position
Mr. Zhang Lei (張雷)	57	Executive director and chairman
Mr. Zhang Peng (張鵬)	44	Executive director and president
Mr. Chen Yin (陳音)	64	Executive director
Mr. Fan Qingguo (范慶國)	48	Non-executive director
Mr. Chen Zhiwei (陳志偉)	35	Non-executive director
Mr. Zeng Qiang (曾強)	35	Non-executive director
Mr. Qin Youguo (秦佑國)	76	Independent non-executive director
Mr. Cui Jian (崔健)	50	Independent non-executive director
Mr. Hui Chun Ho, Eric (許俊浩)	45	Independent non-executive director
Mr. Gao Zhikai (高志凱)	58	Independent non-executive director

Executive Directors

Mr. Zhang Lei (張雷先生), aged 57, is an executive Director and the founder of the Group and the Chairman of the Board. He is responsible for strategic planning, board management and overall management of the Group. Mr. Zhang is a director of Modern Green Development Co., Ltd (“Modern Green Development”) and New Power (Beijing) Architectural Technology Co., Ltd. (“Beijing New Power”), both being indirect wholly-owned subsidiaries of the Company. He is also a director of certain subsidiaries and project companies of the Group in China, Hong Kong and North America.

Mr. Zhang has over 18 years of experience in the real estate business in the PRC. From July 1985 to February 1995, he worked as a department manager in the aspect of talents information management and exchange at China International Talent Exchange Center (中國國際人才交流中心), which is a State-owned enterprise. From February 1995 to July 2000, he worked for his controlled entity, Zhongji Real Estate Development Co., Ltd. (中際房地產開發有限公司), as the general manager. Mr. Zhang founded our Group in 2000. In January 2005, Mr. Zhang received an Executive Master of Business Administration degree from Tsinghua University (清華大學).

Mr. Zhang Peng (張鵬先生), aged 44, is an executive Director and Executive President. He graduated from Beifang University of Nationalities (北方民族大學) in 1997 with a bachelor’s degree in Law. Mr. Zhang is a director and president of Modern Green Development and a director of Beijing New Power. He is also a director and supervisor of certain subsidiaries and project companies of the Group. Mr. Zhang is a director of First Estate (Beijing) Co., Ltd., First Moma Renju Environmental Technology (Beijing) Company Limited and First Moma Sports Cultural Development (Beijing) Company Limited. First Estate (Beijing) Co., Ltd. has been quoted on the National Equities Exchange and Quotations System since 18 May 2016. First Moma Renju Environmental Technology (Beijing) Company Limited and First Moma Sports Cultural Development (Beijing) Company Limited have been quoted on the National Equities Exchange and Quotations System since 17 August 2017 and 6 March 2018 respectively.

Mr. Zhang joined the Company in November 2001. He was the chief human resources officer, vice president and chief operating officer of Modern Green Development, a subsidiary of the Company. Mr. Zhang is familiar with real estate project management and property development based on green technologies. He is also a representative of the National People’s Congress of Beijing Dongcheng, the vice chairman of China Real Estate Chamber of Commerce (全聯房地產商會) and the chairman of Refined Decoration Branch of China Real Estate Chamber of Commerce.

Mr. Chen Yin (陳音先生), aged 64, is an executive Director and the chief technology officer and general engineer of the Group. Mr. Chen is responsible for R&D and project management in our Group. He is also a director of Modern Green Development and Beijing New Power.

Mr. Chen graduated from Beijing University of Civil Engineering and Architecture (北京建築工程學院) in July 1982 with a bachelor's degree in Heat Energy Engineering. In January 2007, Mr. Chen received a master's degree in Business Administration from Renmin University of China (中國人民大學).

From 1982 to 1987, Mr. Chen taught in Beijing University of Civil Engineering and Architecture (北京建築工程學院). From July 1987 to May 2001, Mr. Chen worked for Sinotrans Limited (中國外運集團) as a deputy general manager of Sinotrans Real Estate Development Company, where he was mainly responsible for management of infrastructure projects and development of real estate projects. Meanwhile, Mr. Chen served as a member of the expert committee at the Center for Housing Industrialisation of the Ministry of Housing and Urban-Rural Development, a member of China Green Building Council at Chinese Society for Urban Studies and a member of the expert committee on Real Estate Technology Policy of China Property Association. Mr. Chen joined us in May 2001. Mr. Chen Yin is a well-known expert in the architectural energy-saving field. He is a member of the Committee on Green Architectures of Architectural Society of China and Renewable Energy Resource Society of China. Mr. Chen has over 28 years of experience in the real estate business in the PRC.

Non-executive directors

Mr. Fan Qingguo (范慶國先生), aged 48, is a non-executive Director. He graduated from Renmin University of China (中國人民大學) in July 1998 with a graduation certificate in Accounting. In January 1999, he received a bachelor's degree in Accounting from Renmin University of China (中國人民大學). In June 2006, he graduated from Renmin University of China (中國人民大學) with a graduate degree in Finance.

Mr. Fan joined the Company since our inception in December 2000. He served as an executive Director and the chief financial officer of the Company, and was re-designated as a non-executive Director in August 2014. Before joining the Company, he worked for Beijing Huayuan Property Company (北京華遠房地產公司), Beijing Fazheng Group (北京法政集團) and Beijing KFC Limited Company (北京肯德基有限公司) as an accountant, respectively. Mr. Fan has over 18 years of experience in the real estate business in the PRC.

Mr. Chen Zhiwei (陳志偉先生), aged 35, is a non-executive Director and was appointed to our Board on 30 December 2016. He graduated from Tsinghua University (清華大學) with a bachelor's degree in Economics in 2004. He then graduated from the National University of Singapore with a master's degree in Science (Estate Management) in 2009.

Mr. Chen has over 10 years of investment and research experience in finance industry. He joined Cinda HK in 2010 and is currently the investment director and managing director of its investment business department, responsible for managing Cinda HK's investment and financing businesses. Prior to joining Cinda HK, Mr. Chen was the executive assistant to the chairman of TIG Group in Singapore between 2007 and 2010, responsible for TIG Group's private equity investment business in the Greater China region. Between 2005 and 2007, Mr. Chen was a research scholar at the National University of Singapore.

Mr. Zeng Qiang (曾強), aged 35, is a non-executive Director and was appointed to our Board on September 16, 2020. Mr. Zeng joined Great Wall International in 2017 and currently holds the position of vice president. Mr. Zeng is mainly responsible for investment, financing and project management. Prior to joining Great Wall International, Mr. Zeng served as the investment supervisor of the investment development department of a real estate company listed in Hong Kong, responsible for acquiring new projects directly from government land auctions, market acquisitions and other channels, and taking part in investor relations and government relations. He also served as a senior manager of the international business department of the same company, responsible for the acquisition of real estate projects in overseas countries including South Africa and New Zealand, as well as offshore financing. He has over 13 years of experience in oversea real estate investments, mergers and acquisitions and restructuring and disposal of non-performing assets and other fields.

Independent non-executive directors

Mr. Qin Youguo (秦佑國先生), aged 76, is an independent non-executive Director and was appointed to our Board on 14 June 2013. He has been appointed as an independent non-executive director to provide independent advice since March 2008. Mr. Qin is currently a professor of the School of Architecture at Tsinghua University (清華大學). Mr. Qin graduated from Tsinghua University with bachelor's degree in Architecture in July 1967, and completed his postgraduate study in Building Science at Tsinghua University and received a master's degree in Engineering in April 1981, and thereafter taught in Tsinghua University. Mr. Qin was the vice-dean of the School of Architecture, Tsinghua University from March 1990 to November 1997, and was the dean of School of Architecture, Tsinghua University from December 1997 to December 2004. He was a visiting scholar at Harvard University from September 1996 to March 1997.

Mr. Qin has won several awards, including the Second Prize for Technology Improvement (科技進步獎二等獎) issued by The Chinese People's Liberation Army Headquarters of the Central Staff (中國人民解放軍總參謀部) in 1990, the First Prize for Outstanding Design (優秀設計一等獎) issued by Ministry of Education of the PRC (中華人民共和國教育部) in 1995, the First Prize for Outstanding Design (優秀設計一等獎) issued by PLA General Armament Department of the PRC (中國人民解放軍總裝備部) in 2000, the Gold Prize of Technology for High-end Residential Building (精瑞住宅科學技術獎金獎) issued by China Real Estate Chamber of Commerce (全國工商聯住宅產業商會) in 2004, the First Prize for Technology (科技獎一等獎) issued by Beijing municipal government (北京市政府) in 2005, Outstanding Contributor of Green Buildings (綠色建築傑出貢獻人物) by International House Association (國際住宅協會) in 2007. He was awarded with a special subsidy by the State Council for his contributions in the tertiary education of the PRC.

Mr. Cui Jian (崔健先生), aged 50, is an independent non-executive Director and was appointed to our Board on 14 June 2013. Mr. Cui is currently the chairman of Beijing Zhixing Chuangxin Investment Management Co., Ltd. (北京知行創新投資有限公司). From January 2008 to December 2011, Mr. Cui worked as the general manager of Navi Capital (Beijing) Co., Ltd. (領航藍海投資諮詢(北京)有限公司). Before that, Mr. Cui worked for China Mobile Communications Corporation (中國移動通信集團公司) as the director in the Products and Marketing Department from March 1997 to December 2007 and China International Telecommunication Construction Corporation (中國通信建設總公司) as an engineer from July 1992 to March 1997. In December 2002, Mr. Cui obtained the senior engineer qualification certificate from China Mobile Communications Corporation (中國移動通信集團公司). Mr. Cui received his bachelor's degree in Communications Engineering from Changchun Institute of Posts and Telecommunications (長春郵電學院) in July 1992. In April 2001, he received his master's degree in International Management from The Australian National University. He also received an Executive Master of Business Administration degree from Peking University (北京大學) in July 2006.

Mr. Hui Chun Ho, Eric (許俊浩先生), aged 45, is an independent non-executive Director and was appointed to our Board on 14 June 2013. In addition, Mr. Hui is currently the financial controller and company secretary of Hong Kong Finance Group Limited (stock code: 1273) and an independent non-executive director of ECI Technology Holdings Limited (stock code: 8013). Before joining the above companies, Mr. Hui worked for an international accounting firm and hold several senior positions in other listed companies in Hong Kong. Mr. Hui is a fellow member of both Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, and an associate member of The Taxation Institute of Hong Kong. In 1998, Mr. Hui received his bachelor's degree in Accounting from The Hong Kong Polytechnic University and was awarded a master's degree in Business Administration with distinction by The University of Manchester, United Kingdom in 2013. Mr. Hui has extensive professional experience in auditing, financial accounting and reporting, company secretarial matters and corporate finance.

Mr. Gao Zhikai (高志凱), aged 58, is an independent non-executive Director and was appointed to our Board on November 24, 2020. Mr. Gao is currently an independent non-executive director of E-Commodities Holdings Limited (Stock Code: 1733). Mr. Gao is also the chairman of China Energy Security Institute, a vice president of Center for China and Globalization and a consultant of Saudi Aramco. Mr. Gao graduated from Yale Law School with a Juris Doctor degree in 1993. He also holds a master of arts degree in political science from the Graduate School of Yale University, a master's degree in English literature from Beijing Foreign Studies University and a bachelor's degree in English literature from Soochow University. Mr. Gao is a licensed attorney-at-law in the State of New York of the United States of America. Over the past two decades, Mr. Gao has accumulated extensive experience by acting as a director or holding senior positions in various major corporations, both in China and internationally.

SENIOR MANAGEMENT

Mr. Wang Qiang (王強先生), aged 47, joined the Group in March 2002. He worked successively as the vice president of the financial planning centre of Modern Green Development, the general manager and the director of information operation centre of Hubei Wanxing Real Estate Co., Ltd. Mr. Wang is currently the vice president of the Group and is responsible for the Company's financial capital lines and the Group's specialised process of financial plans and operations. Mr. Wang graduated from Tianjin University of Commerce (天津商學院) and obtained a diploma in Accounting in July 1996. He has 14-year experience in the real estate business in the PRC.

Mr. Deng Ren Yu (鄧任雨), aged 39, joined the Group in April 2019. Mr. Deng was the financial controller & Company Secretary of Central China Real Estate Limited (Stock code: 832) and was also the deputy financial controller of Zhuguang Holdings Group Co. Ltd. (Stock code: 1176). He has over 10 years' experience in auditing, accounting and financial management.

Mr. Deng graduated from The University of Sydney with a bachelor's degree of science. He further obtained two master's degrees in professional accounting from The University of New South Wales and in corporate governance from The Hong Kong Polytechnic University, respectively. He is a member of both the Hong Kong Institute of Certified Public Accountants and the Certified Practising Accountant in Australia. He is also a member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

AUDIT COMMITTEE

An audit committee was established by our Company on June 14, 2013 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and monitor the Group's financial reporting and internal control principles. The members of the audit committee are our independent non-executive directors, Mr. Hui Chun Ho, Eric, Mr. Cui Jian, Mr. Qin Youguo and Mr. Gao Zhikai. Mr. Hui Chun Ho, Eric is the chairman of the audit committee.

REMUNERATION COMMITTEE

A remuneration committee was established by our Company on June 14, 2013 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on the Company's policy and structure with regard to the directors and senior management of our Group and on the establishment of a formal and transparent procedure for the development of remuneration policy and to review and approve management's remuneration proposals. The members of the remuneration committee are Mr. Qin Youguo, Mr. Cui Jian and Mr. Zhang Lei. Mr. Qin Youguo is the chairman of the remuneration committee.

NOMINATION COMMITTEE

A nomination committee was established by our Company on June 14, 2013 with written terms of reference. The primary duties of the nomination committee are to review the composition of the Board and to make recommendations to the Board on the appointment or re-appointment of directors. The members of the nomination committee are Mr. Cui Jian, Mr. Hui Chun Ho, Eric, Mr. Zhang Lei and Mr. Gao Zhikai. Mr. Cui Jian is the chairman of the nomination committee.

DIRECTORS' REMUNERATION

The remuneration received by our directors (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind) for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, was approximately RMB9.7 million, RMB12.2 million, RMB13.2 million (US\$1.9 million) and RMB6.1 million (US\$0.9 million), respectively.

We have not paid any remuneration to our directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. Further, none of our directors had waived any remuneration during the same years.

Except as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, by our Group to our directors.

PRINCIPAL SHAREHOLDERS

As of June 30, 2020, the following persons or institutions have beneficial interests or short positions in any of our shares or underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong (the “SFO”), or are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our other members:

<u>Name of interested party</u>	<u>Capacity/Nature of interest</u>	<u>Total number of shares</u>	<u>Approximate percentage of interest in the share capital of our Company</u>
Mr. Zhang Lei	Beneficiary of a trust ⁽¹⁾	1,827,293,270	65.38%
	Beneficial owner ⁽⁶⁾⁽⁷⁾	16,017,890	0.57%
Super Land Holdings Limited ⁽¹⁾	Registered holder	1,827,293,270	65.38%
Fantastic Energy Ltd.	Interest in a controlled corporation	1,827,293,270	65.38%
TMF (Cayman) Limited ⁽²⁾	Trustee	1,827,293,270	65.38%
Mr. Salum Zheng Lee ⁽³⁾	Settlor of a discretionary trust ⁽⁴⁾	1,827,293,270	65.38%
Ms. Zhang Degui ⁽⁵⁾	Interest of a spouse	1,827,293,270	65.38%

Notes:

- (1) Super Land Holdings Limited is wholly owned by Fantastic Energy Ltd., which is wholly owned by TMF (Cayman) Limited acting as the trustee of the Family Trust. The Family Trust is a discretionary trust established by Mr. Salum Zheng Lee as the settlor and the capital and income beneficiaries of whom are family members of Mr. Salum Zheng Lee, Mr. Zhang Lei and their respective daughters. Mr. Salum Zheng Lee is deemed to be interested in 1,827,293,270 shares held by the Family Trust. Mr. Zhang Lei is deemed to have the same interest in the Company.
- (2) TMF (Cayman) Limited, the trustee of the Family Trust.
- (3) Mr. Salum Zheng Lee is the younger brother of our executive director and chairman, Mr. Zhang Lei.
- (4) Referring to the family trust in respect of the entire issued share capital of Super Land set up by Mr. Salum Zheng Lee as the settlor and TMF (Cayman) Limited acting as the trustee pursuant to a trust deed dated September 7, 2012. The beneficiaries of the Family Trust include Mr. Salum Zheng Lee, Mr. Zhang Lei and their respective daughters.
- (5) Ms. Zhang Degui is the spouse of Mr. Salum Zheng Lee.
- (6) 11,727,890 Shares out of the 16,017,890 shares are beneficially held by Mr. Zhang Lei in his own capacity while the remaining 4,290,000 shares are held pursuant to the share options granted under the share option scheme.

Save as disclosed above, as of June 30, 2020, no other person had interest or short position in our shares and underlying shares which were required, pursuant to Section 336 of the SFO, to be recorded into the register referred to therein.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material transactions between us and our related parties in the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020.

BALANCES WITH RELATED PARTIES

The following tables summarize balances with our related parties as of December 31, 2017, 2018 and 2019 and June 30, 2020.

Balances Due from Related Parties

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	US\$'000
Amounts due from companies controlled by Mr. Zhang Lei	29,223	7,703	8,812	1,247	8,869	1,255
Amounts due from joint ventures and their subsidiaries	162,101	317,018	345,383	48,886	343,195	48,576
Total non-trade balance ⁽¹⁾	191,324	324,721	354,195	50,133	352,064	49,831
Amounts due from companies controlled by Mr. Zhang Lei	1,784	16,391	68,666	9,719	63,307	8,961
Amount due from an associate	4,478	-	-	-	-	-
Amounts due from joint ventures and their subsidiaries	29,805	12,429	342,022	48,410	273,399	38,697
Total trade balance ⁽²⁾	36,067	28,820	410,688	58,129	336,706	47,658
	227,391	353,541	764,883	108,262	688,770	97,489
Loans to joint ventures	3,190,116	5,455,094	5,161,445	730,555	5,413,098	766,174
Total	3,417,507	5,808,635	5,926,328	838,817	6,101,868	863,663

Notes:

- (1) Balances are of non-trade nature, unsecured, interest free and repayable on demand.
(2) Balances are of trade nature, unsecured, interest free and repayable on demand.

Balances Due to Related Parties

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	US\$'000
Amounts due to companies controlled by Mr. Zhang Lei	-	-	-	-	20,502	2,902
Amounts due to an associate	-	-	24,594	3,481	-	-
Amounts due to joint ventures and their subsidiaries	2,542,734	1,552,351	3,436,740	486,439	3,835,529	542,884
Total non-trade balance	2,542,734	1,552,351	3,461,334	489,920	3,856,031	545,786
Amounts due to companies controlled by Mr. Zhang Lei	7,492	11,721	53,603	7,587	52,060	7,369
Amounts due to joint ventures and their subsidiaries	-	-	1,972	279	4,078	5,779
Total trade balance	7,492	11,721	55,575	7,866	56,138	7,946
Total	2,550,226	1,564,072	3,516,909	497,786	3,912,169	553,732

KEY MANAGEMENT PERSONNEL REMUNERATION

The following table summarizes our key management personnel's remuneration for the periods indicated.

Remuneration type	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	RMB'000	US\$'000
Short-term benefits.....	21,065	19,586	25,566	3,672	9,053	1,281
Post-employment benefits	532	369	521	75	178	25
Share-based payment.....	6,391	1,336	426	61	120	17
Total	27,988	21,291	26,513	3,808	9,351	1,324

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS AND OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing agreements with various financial institutions. As of June 30, 2020 our total borrowings (including senior notes and corporate bond) amounted to RMB21,554.0 million (US\$3,050.8 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with local branches of various PRC banks and financial institutions, including, China Minsheng Bank, Bank of China, Ping An Bank, Shanghai Pudong Development Bank, Huaxia Bank, Xiamen International Bank, Xiamen Bank, China Minsheng Trust Co., Ltd., Hangzhou Industrial & Commercial Trust Co., Ltd., China Construction Investment Trust Co., Ltd., Tianjin Trust Co., Ltd., and Bohai International Trust Co., Ltd. These loans are mainly used to finance the construction of our projects and our working capital requirements. They have terms ranging from 12 months to 36 months, which generally correspond to the construction periods of the particular projects. As of June 30, 2020, the aggregate outstanding amount under these loans totaled approximately RMB344,582.4 million (US\$48,772.5 million), of which RMB106,211.9 million (US\$15,033.3 million) was due within one year, and RMB233,420.5 million (US\$33,038.5 million) was mainly due between one and five years, RMB4,950 million (US\$700.6 million) which has a term for more than five years. Our PRC loans are typically secured by land use rights and properties as well as guaranteed by certain of our other PRC subsidiaries.

Interest

The principal amounts outstanding under our PRC loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual or quarterly review by the lending banks. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of June 30, 2020, the weighted average effective interest rate on the aggregate outstanding amount of our PRC loans was 8.98% per annum.

Covenants

Under these PRC loans, many of our subsidiary borrowers have agreed, among other things, not to take some of the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect their ability to repay their loans;
- granting guarantees to any third parties that may adversely affect their ability to repay their loans;
- making any major changes to their corporate structures, such as entering into joint ventures, mergers, acquisitions and reorganizations;
- altering the nature or scope of their business operations in any material respect;
- transferring part or all of their liabilities under the loans to a third party;
- prepaying the loans;
- declaring or paying dividends;
- selling or disposing of assets that may adversely affect their ability to repay their loans; and
- incurring other indebtedness that may adversely affect their ability to repay their loans.

Events of Default

The PRC loan agreements contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval and material breach of the terms of the loan agreement. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with PRC banks and financial institutions in connection with some of the PRC loans, pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Further, as of June 30, 2020, RMB8,401.4 million (US\$1,189.1 million) of the PRC loans were secured by land use rights and properties held by the subsidiary borrowers and/or our other PRC subsidiaries.

DOMESTIC CORPORATE BONDS

On July 30, 2019, Modern Green Development Co., Ltd. (當代節能置業股份有限公司), an indirect subsidiary of us, issued domestic corporate bonds in an aggregate principal amount of not more than RMB880,000,000 (the "Domestic Corporate Bonds"). The Domestic Corporate Bonds are listed on the Shanghai Stock Exchange. The interest rate of the Domestic Corporate Bonds is 7.8% per annum. The Domestic Corporate Bonds have a term of three years.

MARCH 2018 NOTES

On March 5, 2018, we entered into an indenture (as amended or supplemented from time to time) (the "March 2018 Indenture") pursuant to which we issued US\$350,000,000 principal amount of 7.95% Senior Notes due March 2021. As of the date of this offering memorandum, US\$219,995,000 of the March 2018 Notes remains outstanding.

Guarantee

Our obligation under the March 2018 Notes is guaranteed by certain of our existing subsidiaries (the "March 2018 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the March 2018 Indenture. Under certain circumstances and subject to certain conditions, a guarantee required to be provided by our subsidiary may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the March 2018 Indenture. Each of the March 2018 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, if any, and interest on, and all other amounts payable under, the March 2018 Notes.

Collateral

On the issue date of the March 2018 Notes, we entered into the Intercreditor Agreement with, among others, the trustee for the March 2018 Notes and the collateral agent as named therein pursuant to which the March 2018 Notes are secured by the Collateral.

The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, we and each subsidiary guarantor pledger may, subject to certain conditions, in the future incur additional indebtedness which would be secured by the Collateral on a *pari passu* basis with the April 2019, the February 2020 Notes, the March 2020 Notes, the July 2020 Notes and the related subsidiary guarantees.

Interest

The March 2018 Notes bear interest at the rate of 7.95% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the March 2018 Indenture contains certain covenants, restricting us and each of the related subsidiaries from, among other things:

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

Events of Default

The March 2018 Indenture contains certain customary events of default, including default in the payment of principal (or premium, if any) on the March 2018 Notes, when such payments become due, default in payment of interest which continues for 30 consecutive days, breaches of covenants for 30 consecutive days, insolvency and other events of default specified in the March 2018 Indenture. If an event of default occurs and is continuing, the trustee under the March 2018 Indenture or the holders of at least 25% in aggregate principal amount of the March 2018 Notes then outstanding may declare the principal of the March 2018 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding March 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

APRIL 2019 NOTES

On April 25, 2019, we entered into an indenture (as amended or supplemented from time to time) (the “April 2019 Indenture”) pursuant to which we issued US\$300,000,000 principal amount of 12.85% Senior Notes due October 25, 2021. As of the date of this offering memorandum, the entire principal amount of the April 2019 Notes remains outstanding.

Guarantee

Our obligation under the April 2019 Notes is guaranteed by certain of our existing subsidiaries (the “April 2019 Notes Subsidiary Guarantors”) other than those organized under the laws of the PRC and certain other subsidiaries specified in the April 2019 Indenture. Under certain circumstances and subject to certain conditions, a guarantee required to be provided by our subsidiary may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the April 2019 Indenture. Each of the April 2019 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, if any, and interest on, and all other amounts payable under, the April 2019 Notes.

Collateral

On the issue date of the April 2019 Notes, we entered into the Intercreditor Agreement with, among others, the trustee for the April 2019 Notes and the collateral agent as named therein pursuant to which the April 2019 Notes are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, we and each subsidiary guarantor pledger may, subject to certain conditions, in the future incur additional indebtedness which would be secured by the Collateral on a *pari passu* basis with the March 2018 Notes, the February 2020 Notes, the March 2020 Notes, the July 2020 Notes and the related subsidiary guarantees.

Interest

The April 2019 Notes bear interest at the rate of 12.85% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the April 2019 Indenture contains certain covenants, restricting us and each of the related subsidiaries from, among other things:

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

Events of Default

The April 2019 Indenture contains certain customary events of default, including default in the payment of principal (or premium, if any) on the April 2019 Notes, when such payments become due, default in payment of interest which continues for 30 consecutive days, breaches of covenants for 30 consecutive days, insolvency and other events of default specified in the April 2019 Indenture. If an event of default occurs and is continuing, the trustee under the April 2019 Indenture or the holders of at least 25% in aggregate principal amount of the April 2019 Notes then outstanding may declare the principal of the April 2019 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding April 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

FEBRUARY 2020 NOTES

On February 26, 2020, we entered into an indenture (as amended or supplemented from time to time) (the “February 2020 Indenture”) pursuant to which we issued US\$200,000,000 principal amount of 11.8% Senior Notes due February 26, 2022. As of the date of this offering memorandum, the entire principal amount of the February 2020 Notes remains outstanding.

Guarantee

Our obligation under the February 2020 Notes is guaranteed by certain of our existing subsidiaries (the “February 2020 Notes Subsidiary Guarantors”) other than those organized under the laws of the PRC and certain other subsidiaries specified in the February 2020 Indenture. Under certain circumstances and subject to certain conditions, a guarantee required to be provided by our subsidiary may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the February 2020 Indenture. Each of the February 2020 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, if any, and interest on, and all other amounts payable under, the February 2020 Notes.

Collateral

On the issue date of the February 2020 Notes, we entered into the Intercreditor Agreement with, among others, the trustee for the February 2020 Notes and the collateral agent as named therein pursuant to which the February 2020 Notes are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, we and each subsidiary guarantor pledger may, subject to certain conditions, in the future incur additional indebtedness which would be secured by the Collateral on a pari passu basis with the March 2018 Notes, the April 2019 Notes, the March 2020 Notes, the July 2020 Notes and the related subsidiary guarantees.

Interest

The February 2020 Notes bear interest at the rate of 11.8% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the February 2020 Indenture contains certain covenants, restricting us and each of the related subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;

- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends;
- transfer assets or make intercompany loans;
- entering into transactions with equity holders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The February 2020 Indenture contains certain customary events of default, including default in the payment of principal (or premium, if any) on the February 2020 Notes, when such payments become due, default in payment of interest which continues for 30 consecutive days, breaches of covenants for 30 consecutive days, insolvency and other events of default specified in the February 2020 Indenture. If an event of default occurs and is continuing, the trustee under the February 2020 Indenture or the holders of at least 25% in aggregate principal amount of the February 2020 Notes then outstanding may declare the principal of the February 2020 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding February 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

MARCH 2020 NOTES

On March 4, 2020, we entered into an indenture (as amended or supplemented from time to time) (the "March 2020 Indenture") pursuant to which we issued US\$200,000,000 principal amount of 11.95% Senior Notes due March 4, 2024. As of the date of this offering memorandum, the entire principal amount of the March 2020 Notes remains outstanding.

Guarantee

Our obligation under the March 2020 Notes is guaranteed by certain of our existing subsidiaries (the "March 2020 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the March 2020 Indenture. Under certain circumstances and subject to certain conditions, a guarantee required to be provided by our subsidiary may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the March 2020 Indenture. Each of the March 2020 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, if any, and interest on, and all other amounts payable under, the March 2020 Notes.

Collateral

On the issue date of the March 2020 Notes, we entered into the Intercreditor Agreement with, among others, the trustee for the March 2020 Notes and the collateral agent as named therein pursuant to which the March 2020 Notes are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, we and each subsidiary guarantor pledger may, subject to certain conditions, in the future incur additional indebtedness which would be secured by the Collateral on a pari passu basis with the March 2018 Notes, the April 2019 Notes, the March 2020 Notes, the July 2020 Notes and the related subsidiary guarantees.

Interest

The March 2020 Notes bear interest at the rate of 11.95% per annum, payable semi-annually in arrears.

Covenants

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

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

Events of Default

The Indenture contains certain customary events of default, including default in the payment of principal (or premium, if any) on the March 2020 Notes, when such payments become due, default in payment of interest which continues for 30 consecutive days, breaches of covenants for 30 consecutive days, insolvency and other events of default specified in the Indenture. If an event of default occurs and is continuing, the trustee under the Indenture or the holders of at least 25% in aggregate principal amount of the March 2020 Notes then outstanding may declare the principal of the March 2020 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding March 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

JULY 2020 NOTES

On July 13, 2020, we entered into an indenture (as amended or supplemented from time to time) (the "July 2020 Indenture") pursuant to which we issued US\$300,000,000 principal amount of 11.5% Senior Notes due November 13, 2022. As of the date of this offering memorandum, the entire principal amount of the July 2020 Notes remains outstanding.

Guarantee

Our obligation under the July 2020 Notes is guaranteed by certain of our existing subsidiaries (the “July 2020 Notes Subsidiary Guarantors”) other than those organized under the laws of the PRC and certain other subsidiaries specified in the July 2020 Indenture. Under certain circumstances and subject to certain conditions, a guarantee required to be provided by our subsidiary may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the July 2020 Indenture. Each of the July 2020 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, if any, and interest on, and all other amounts payable under, the July 2020 Notes.

Collateral

On the issue date of the July 2020 Notes, we entered into the Intercreditor Agreement with, among others, the trustee for the July 2020 Notes and the collateral agent as named therein pursuant to which the July 2020 Notes are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, we and each subsidiary guarantor pledger may, subject to certain conditions, in the future incur additional indebtedness which would be secured by the Collateral on a pari passu basis with the March 2018 Notes, the April 2019 Notes, the March 2020 Notes, the July 2020 Notes and the related subsidiary guarantees.

Interest

The July 2020 Notes bear interest at the rate of 11.5% per annum, payable semi-annually in arrears.

Covenants

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

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

Events of Default

The Indenture contains certain customary events of default, including default in the payment of principal (or premium, if any) on the July 2020 Notes, when such payments become due, default in payment of interest which continues for 30 consecutive days, breaches of covenants for 30 consecutive days, insolvency and other events of default specified in the Indenture. If an event of default occurs and is continuing, the trustee under the Indenture or the holders of at least 25% in aggregate principal amount of the July 2020 Notes then outstanding may declare the principal of the July 2020 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding July 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

OFFSHORE BILATERAL AGREEMENTS SECURITIZED BY SBLC

We have entered into offshore loan facility agreements with various banks, including Hang Seng Bank Limited, China Minsheng Bank, Shengjing Bank, Bank of Shanghai (Hong Kong) Limited, Chiyu Banking Corporation Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch and China Merchants Bank. Of these loan facilities, the terms are generally of approximately 12 months starting from the date of the first drawdown of each loans. The proceeds of the facilities are generally to be used for general working capital requirements, refinancing the acquisition of property project and repaying of interest and principal of existing indebtedness with other banks and/or the bonds we held. As of the date of this offering memorandum, the outstanding amount under our offshore loan facility agreements total approximately US\$195.7 million.

Guarantees and Securities

The loans are generally secured by Standby Letters of Credit in form.

Interest

The outstanding principal amount under these loans generally bear interest at floating rates calculated with reference to a fixed rate ranging from 1.0% to 1.5% above the London Interbank Offered Rate or Hong Kong Interbank Offered Rate.

Events of Default

The offshore loan facility agreements contain certain customary events of default, including insolvency and breaches of the terms of the agreements. If an event of default occurs, the lenders are entitled to charge us with the outstanding principal a default interest/margin ranging from 5% to 10% per annum.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Modern Land (China) Co., Limited, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which Guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such Guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the “Trustee”).

The following is a summary of certain material provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Intercreditor Agreement. 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, the JV Subsidiary Guarantees and the Intercreditor Agreement. 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 on or after the Original Issue Date at the corporate trust office of the Trustee at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, 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 March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, the July 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 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, the JV Subsidiary Guarantees and the Collateral;”
- effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

In addition, on the Original Issue Date, subject to the limitations described in “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral”, the Notes will be secured by a pledge of the Collateral as described below under the caption “—Security” and will:

- be entitled to a first priority lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement (as defined below)) shared on a *pari passu* basis with (i) the holders of the March 2018 Notes; (ii) the holders of the April 2019 Notes; (iii) the holders of the February 2020 Notes; (iv) the holders of the March 2020 Notes; (v) the holders of the July 2020 Notes; and (vi) holders of other Permitted *Pari Passu* Secured Indebtedness; and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on April 11, 2023, unless earlier redeemed pursuant to the terms thereof and the Indenture. 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 bear interest at 9.8% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on January 11 and July 11 of each year, except that the last interest payment will be made on April 11, 2023 with respect to the period from and including January 11, 2023 to but excluding April 11, 2023 (each an “Interest Payment Date”), commencing July 11, 2021. Interest on the Notes will be paid to Holders of record at the close of business on June 26 or December 27 immediately preceding an Interest Payment Date, except for April 11, 2023 in respect of which interest on the Notes will be paid to Holders of record at the close of business on March 27, 2023 (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. So long as the Notes are held in global form, each payment in respect of the Global Note 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.

In any case in which the date of the payment of principal of, premium, if any, or interest on the Notes is not a Business Day in the relevant place of payment, or in the place of business of the Paying and Transfer Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment by the Holders 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 and Transfer Agent currently located at Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Ireland) and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, if the Notes are in definitive form and the Company acts as its own paying agent, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants 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 be Great Trade Technology Ltd., Jiu Yun Development Co., Limited, Modern Land (HKNo. 1) Co., Limited, Modern Land (HKNo. 2) Co., Limited, Modern Land (HKNo. 3) Co., Limited, Modern Land (HKNo. 4) Co., Limited, Modern Land (HKNo. 5) Co., Limited, Modern Land (HKNo. 6) Co., Limited, Modern Land (HKNo. 7) Co., Limited, Modern Land (HKNo. 8) Co., Limited, Modern Land (HKNo. 9) Co., Limited, Modern Land (HKNo. 10) Co., Limited, Modern Land (HKNo. 11) Co., Limited and Modern Land (HKNo. 12) Co., Limited. These Subsidiary Guarantors consist of all of the Company’s Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). Except for the initial Subsidiary Guarantors, none of the Restricted Subsidiaries organized outside the PRC on the Original Issue Date (collectively, the “Initial Other Non-Guarantor Subsidiaries”) and Restricted Subsidiaries organized under the laws of the PRC (collectively, the “PRC Non-Guarantor Subsidiaries,” and together with the Other Non-Guarantor Subsidiaries (as defined below), the “Non-Guarantor Subsidiaries”) will be a Subsidiary Guarantor on the Original Issue Date.

No future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before they will be able to distribute any of its assets to the Company.

In the case of a Restricted Subsidiary (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase no less than 50.1% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale, issuance or purchase, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, 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 any of the Restricted Subsidiaries that would have the effect of (i) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (ii) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company, provided, however, that no such appraisal is required if the sale, issuance or purchase of Capital Stock is made within 180 days after land use rights are acquired by such JV Subsidiary Guarantor or any Restricted Subsidiary of such JV Subsidiary Guarantor;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor or on a basis more favorable to the Company;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the “JV Subsidiary Guarantee”) and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Holders and the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the applicable JV Entitlement Amount;

- (ii) a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
- (iii) 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
- (iv) 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).

As of June 30, 2020,

- the Company and its consolidated subsidiaries had total consolidated bank and other borrowings (excluding corporate bond and senior notes) of approximately RMB13,712.3 million (US\$1,940.9 million), including short-term indebtedness of RMB5,349.1 million (US\$757.1 million);
- the Company and the Subsidiary Guarantors (on an unconsolidated basis) had total secured bank and other borrowings of RMB1,511.8 million (US\$214.0 million); and
- the Non-Guarantor Subsidiaries had bank and other borrowings in the amount of RMB12,200.5 million (US\$1,726.9 million).

In addition, as of June 30, 2020, the Non-Guarantor Subsidiaries had capital and other commitments and outstanding guarantees of approximately RMB14,366.4 million (US\$2,033.4 million) and RMB15,364.3 million (US\$2,174.7 million), respectively.

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

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

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

The Company will cause each of its future Restricted Subsidiaries (other than Subsidiaries organized under the laws of the PRC) as soon as practicable (but in any event within 30 days) after it becomes a Restricted Subsidiary to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Company may elect to have any existing or future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee (each a “New Non-Guarantor Subsidiary,” together with the Initial Other Non-Guarantor Subsidiaries, the “Other Non-Guarantor Subsidiaries”), provided that, after giving effect to the consolidated assets of such Restricted Subsidiary and its Subsidiaries (other than any Unrestricted Subsidiaries), 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 25% of Total Assets.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries 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 the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes) and (b) instruct the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in each such New Non-Guarantor Subsidiary (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), provided that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the New Non-Guarantor Subsidiaries) do not account for more than 25% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

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.”

In addition, subject to the limitations described in “Risk Factors—Risks Related to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption “—Security” shared on a *pari passu* basis pursuant to the Intercreditor Agreement with (i) the holders of the March 2018 Notes; (ii) the holders of the April 2019 Notes; (iii) the holders of the February 2020 Notes; (iv) the holders of the March 2020 Notes; (v) the holders of the July 2020 Notes; and (vi) holders of any other Permitted *Pari Passu* Secured Indebtedness; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and 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 provided by any JV Subsidiary Guarantor will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be limited to the applicable JV Entitlement Amount. The Subsidiary Guarantors and 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 is rescinded or must otherwise be 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, will be made in U.S. dollars.

Under the Indenture, and any supplemental indenture thereto, 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 insolvency, fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee provided by any JV Subsidiary Guarantor will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be limited to an amount which is the lower of (i) the applicable JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered void or voidable, it could be rendered ineffective or 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 respective Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgor may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. The guarantee of a Subsidiary Guarantor or a JV Subsidiary Guarantor may be voided or subject to review under applicable insolvency or fraudulent transfer laws, or subject to a lawsuit by or on behalf of creditors of such Subsidiary Guarantor or JV Subsidiary Guarantor. See “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral—The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees.”

Release of the Subsidiary Guarantees and 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;”
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the captions “—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “—Certain Covenants—Limitation on Asset Sales” and “—Consolidation, Merger and Sale of Assets”) resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture;
- upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20.0% and no more than 49.9% 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 any of the Restricted Subsidiaries that would have the effect of (i) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (ii) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (iii) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company, provided, however, that no such appraisal is required if the sale or issuance of Capital Stock is made within 180 days after land use rights are acquired by such JV Subsidiary Guarantor or any Restricted Subsidiary of such Subsidiary Guarantor;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor or on a basis more favorable to the Company;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Holders and the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the applicable JV Entitlement Amount;
 - (ii) a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
 - (iii) 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
 - (iv) 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 "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee, as the case may be, shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release under the Indenture have been complied with and that such release is authorized and permitted by the Indenture.

SECURITY

The Company has pledged or caused each of the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors held directly by the Company or such initial Subsidiary Guarantor Pledgor (the “Collateral”) on a first priority basis (subject to Permitted Liens and the Intercreditor Agreement) in order to secure the obligations of (a) the Company under the March 2018 Notes and of the relevant Subsidiary Guarantor Pledgor under its subsidiary guarantee thereunder, (b) the Company under the April 2019 Notes and of the relevant Subsidiary Guarantor Pledgor under its subsidiary guarantee thereunder, (c) the Company under the February 2020 Notes and of the relevant Subsidiary Guarantor Pledgor under its subsidiary guarantee thereunder, (d) the Company under the March 2020 Notes and of the relevant Subsidiary Guarantor Pledgor under its subsidiary guarantee thereunder, (e) the Company under the July 2020 Notes and of the relevant Subsidiary Guarantor Pledgor under its subsidiary guarantee thereunder and (f) the Company and the relevant Subsidiary Guarantor Pledgor under any other Permitted Pari Passu Secured Indebtedness.

The Company has agreed to extend, or cause each of the initial Subsidiary Guarantor Pledgors to extend, as the case may be, the benefit of the security interests created over the Collateral to the Holders on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee. Upon the Trustee acceding to the Intercreditor Agreement in the manner described under “-Intercreditor Agreement,” such security interests will be so extended.

The initial Subsidiary Guarantor Pledgors will be Great Trade Technology Ltd. and Modern Land (HKNo. 5) Co., Limited.

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security to secure any obligations under the Notes, the Indenture or any Subsidiary Guarantee or JV Subsidiary Guarantee.

The Company has also agreed, for the benefit of the Holders of the Notes, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any), including each Future Subsidiary Guarantor, to pledge, the Capital Stock directly owned by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC or Other Non-Guarantor Subsidiaries) after the Original Issue Date, as soon as practicable (but in any event within 30 days) after such Person becomes a Restricted Subsidiary, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

The Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement among the holders of the Notes, the holders of the March 2018 Notes, the holders of the April 2019 Notes, the holders of the February 2020 Notes, the holders of the March 2020 Notes, the holders of the July 2020 Notes and the holders of other permitted *pari passu* secured indebtedness. Accordingly, in the event of a default on the Notes, the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, the July 2020 Notes or such other permitted *pari passu* secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by such holders of secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness in accordance with the Intercreditor Agreement.

The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgor (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantors' obligations under the Notes, and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgor, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted *Pari Passu* Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See “—Release of Security” and “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral. The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes, the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, the July 2020 Notes and other *pari passu* secured indebtedness.”

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgor, as the case may be, will be entitled to exercise any and all voting rights and to receive and retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted *Pari Passu* Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) and any *Pari Passu* Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company and any such *Pari Passu* Subsidiary Guarantee, “Permitted *Pari Passu* Secured Indebtedness”); provided that (i) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant under the caption “Limitation on Indebtedness and Preferred Stock;” (ii) the holders (or their representative, trustee or agent) of such Indebtedness (other than Additional Notes) become party to an Intercreditor Agreement referred to below; (iii) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such *Pari Passu* Subsidiary Guarantee substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents; and (iv) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Opinion of Counsel and Officers' Certificate with respect to corporate and collateral matters in connection with the Security Documents, stating that either (x) all necessary actions have been taken with respect to the recording, registering and filing of the Security Documents, financing statements or other instruments necessary to make effective the Liens intended to be created by the Security Documents, and reciting the details of such action or (y) no such action is necessary to make such Lien effective. The Trustee and the Collateral Agent are permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents, the Intercreditor Agreement referred to below or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness in accordance with this paragraph and the terms of the Indenture (including, without limitation, the appointment of any collateral agent under an Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders, the holders of the March 2018 Notes, the holders of the April 2019 Notes, the holders of the February 2020 Notes, the holders of the March 2020 Notes, the holders of the July 2020 Notes and the holders of other Permitted *Pari Passu* Secured Indebtedness).

Except for certain Permitted Liens and the Permitted *Pari Passu* Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

The Company, the Subsidiary Guarantor Pledgors, Citicorp International Limited as the collateral agent (the “Collateral Agent”), the January 2014 Notes Trustee and the 2013 Notes Trustee entered into an intercreditor agreement on January 22, 2014, as supplemented by (a) a first supplement to intercreditor agreement among the July 2014 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated July 31, 2014, (b) an addendum to intercreditor agreement dated November 6, 2015, (c) a second supplement to intercreditor agreement among the 2016 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated October 20, 2016, (d) an addendum to intercreditor agreement dated March 24, 2017, (e) a third supplement to intercreditor agreement among the 2017 Private Placement Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated June 1, 2017, (f) a fourth supplement to intercreditor agreement among the 2017 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated July 5, 2017, (g) a fifth supplement to intercreditor agreement among the March 2018 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated March 5, 2018, (h) a sixth supplement to intercreditor agreement among the January 2019 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated January 2, 2019, (i) a seventh supplement to intercreditor agreement among the April 2019 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated April 25, 2019, (j) an eighth supplement to intercreditor agreement among the February 2020 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated February 26, 2020, (k) a ninth supplement to intercreditor agreement among the March 2020 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated March 4, 2020, (l) a tenth supplement to intercreditor agreement amount the July 2020 Notes Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors dated July 13, 2020, and (m) an eleventh supplement to intercreditor agreement amount the Trustee, the Collateral Agent, the Company and the Subsidiary Guarantor Pledgors to be dated on the Original Issue Date (together with the intercreditor agreement dated January 22, 2014, as may be amended, restated or supplemented from time to time, the “Intercreditor Agreement”), pursuant to which they agreed to (1) share the Collateral on an equal and ratable basis (the secured parties thereto and any future Permitted Pari Passu Secured Indebtedness sharing equal priority and pro rata entitlement in and to the Collateral); (2) the conditions that are applicable to the release of or granting of any Lien on such Collateral; and (3) the conditions under which their rights with respect to such Collateral and the Indebtedness secured thereby will be enforced.

The Trustee, as representative of the Holders, will, without requiring any instruction or consent from the Holders, accede to the Intercreditor Agreement by entering into a supplement to the Intercreditor Agreement on or about the Original Issue Date.

The Intercreditor Agreement provides, among other things, that upon the occurrence of an Event of Default (as defined below) that is continuing, any Secured Party (as defined in the Intercreditor Agreement) may instruct the Collateral Agent to enforce the Collateral and to deliver a notice of enforcement to the Company and the applicable Subsidiary Guarantor Pledgor (such instructions, the “Enforcement Instructions”). Upon receipt of an Enforcement Instruction from any Secured Party, the Collateral Agent will provide a copy of such Enforcement Instruction and notice of enforcement to the Company and the other Secured Parties. If (a) the Collateral Agent identifies a conflict (i) between Secured Parties’ interests in connection with any Enforcement Instruction or (ii) in the event that at least two Secured Parties issues Enforcement Instructions, between those Enforcement Instructions, and (b) the Collateral Agent believes in its sole and absolute discretion that the interests of the Secured Parties would be in conflict upon the exercise of those Enforcement Instructions, or that compliance with an Enforcement Instruction would cause the Collateral Agent to contravene another Enforcement Instruction, the Collateral Agent shall notify each Secured Party in writing not more than five Business Days after it becomes aware of such conflict. In such circumstances, the Collateral Agent is not obligated to take any action if it identifies such conflict and shall incur no liability for doing so.

In connection with the Incurrence of any future Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representative) will accede to the Intercreditor Agreement to include the holders (or their representative or agents) of such Permitted Pari Passu Secured Indebtedness as parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution of a second supplemental intercreditor agreement to the Intercreditor Agreement and any amendments or modifications thereto required or permitted under the Indenture.

Enforcement of Security

The first priority Lien securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgor have been granted to the Collateral Agent for itself and for the benefit of the Trustee, the March 2018 Notes Trustee, the April 2019 Notes Trustee, the February 2020 Notes Trustee, the March 2020 Notes Trustee, the July 2020 Notes Trustee and the holders of any future Permitted Pari Passu Secured Indebtedness (together the “Secured Parties”). The Collateral Agent, subject to the Intercreditor Agreement, will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the Trustee (acting upon written instruction of the Holders) to exercise remedies under the Security Documents. The Trustee will act as secured party on behalf of the Holders under the applicable Security Documents, to follow, or cause to be followed, the instructions provided to it under the Indenture, the Intercreditor Agreement and the Security Documents and to carry out certain other duties.

The Indenture and/or the Security Documents will principally provide that, at any time while the Notes are outstanding, the Collateral Agent will have the exclusive right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture.

The Collateral Agent, subject to the Intercreditor Agreement, will hold such Liens over the Collateral granted pursuant to the Security Documents and the Intercreditor Agreement with sole authority as directed by the written instruction of the Trustee and holders of any future Permitted Pari Passu Secured Indebtedness (or their trustees or agents) that become a party to the Intercreditor Agreement (together, the “Secured Party Representatives”) to exercise remedies under the Security Documents.

The Trustee will give instructions to the Collateral Agent by itself or in accordance with instructions it will receive from the Holders under the Indenture. The Intercreditor Agreement will provide that the Collateral Agent will enforce the Collateral in accordance with a written instruction by any Secured Party Representative if it does not receive any conflicting instruction, and in the case of conflicting instructions delivered by two or more Secured Party Representatives, the Collateral Agent will only enforce the Collateral upon receiving written instructions from the Secured Party Representatives on behalf of Secured Parties representing a majority of the outstanding aggregate principal amount of the Indebtedness secured by the Collateral under the Secured Party Documents.

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, applied as follows:

first, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any fees, costs and expenses properly incurred in connection with the collection, distribution or enforcement of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Security Documents and the Intercreditor Agreement and preserving the Collateral and all amounts for which the Collateral Agent is entitled to indemnification under the Security Documents and the Intercreditor Agreement;

second, to the extent not reimbursed under the above paragraph, pro rata to the March 2018 Notes Trustee, the April 2019 Notes Trustee, the February 2020 Notes Trustee, the March 2020 Notes Trustee, the July 2020 Notes Trustee, the Trustee and the trustee or agent of holders of any Permitted Pari Passu Secured Indebtedness (if any), to the extent necessary to reimburse such persons for any unpaid fees, costs and reasonable expenses (including fees and expenses of any paying agents, transfer agents, registrars or other agents appointed in connection with the foregoing and reasonable expenses of counsel) incurred under the Security Documents, the agreements governing the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, the July 2020 Notes, the Notes or any Permitted Pari Passu Secured Indebtedness (or any other document in connection with the foregoing that such paying agents, transfer agents, registrars or other agents are party to) in connection with the performance of its duties under the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, the July 2020 Notes, the Notes, the agreements governing the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, the July 2020 Notes, the Notes or any Permitted Pari Passu Secured Indebtedness, the Security Documents and the Intercreditor Agreement, the collection or distribution of such amounts held or realized or in connection with expenses reasonably incurred

in enforcing all available remedies under the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, the July 2020 Notes, the Notes, the agreements governing the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, the July 2020 Notes, the Notes or any Permitted Pari Passu Secured Indebtedness, the Intercreditor Agreement, the Security Documents and preserving the Collateral and all indemnification payments for which such persons are entitled to under the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, the July 2020 Notes, the Notes, the agreements governing the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes, the July 2020 Notes, the Notes or any Permitted Pari Passu Secured Indebtedness, the Intercreditor Agreement and the Security Documents, as applicable;

third, pro rata, to the March 2018 Notes Trustee for the benefit of holders of the March 2018 Notes, to the April 2019 Notes Trustee for the benefit of holders of the April 2019 Notes, to the February 2020 Notes Trustee for the benefit of holders of the February 2020 Notes, to the March 2020 Notes Trustee for the benefit of holders of the March 2020 Notes, to the July 2020 Notes Trustee for the benefit of holders of the July 2020 Notes, to the Trustee for the benefit of Holders and, to the extent applicable, to holders of Permitted Pari Passu Indebtedness (or their representative); and

fourth, any surplus remaining after such payments will be paid to the Company or the Subsidiary Guarantor Pledgor or to whomever may be lawfully entitled thereto.

The Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. Neither the Trustee nor the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value, title or protection of any Collateral securing the Notes, for the legality, adequacy, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents will provide that the Company and the Subsidiary Guarantor Pledgor will indemnify and/or secure the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Collateral Agent arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the fraud, gross negligence or willful misconduct of the Collateral Agent.

This section, "—Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "—Permitted Pari Passu Secured Indebtedness" above.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "—Defeasance—Defeasance and Discharge;"
- upon certain dispositions of the Collateral in compliance with the covenants under the captions "—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "—Limitation on Asset Sales" or in accordance with the provision under the caption "—Consolidation, Merger and Sale of Assets;"
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;

- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Subsidiary;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the release of the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor in compliance with the terms of the Indenture; or
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of (i) such Subsidiary Guarantor or JV Subsidiary Guarantor, or (ii) the Subsidiary Guarantor Pledgor pledging the Capital Stock of such Subsidiary Guarantor or JV Subsidiary Guarantor, as an Unrestricted Subsidiary in compliance with the terms of the Indenture.

No release of the Collateral shall be effective against the Collateral Agent, the Trustee or the Holders until the Company and the relevant Subsidiary Guarantor Pledgor have delivered to the Collateral Agent and the Trustee an Officers' Certificate and an Opinion of Counsel stating that all requirements relating to such release have been complied with and that such release has been authorized by, permitted by and made in accordance with the provisions of the Indenture, the Security Documents and the Intercreditor Agreement.

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) in all respects (or in all respects except for 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 "Limitation on Indebtedness and Preferred Stock" covenant described below.

OPTIONAL REDEMPTION

At any time prior to April 11, 2023, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents will be responsible for calculating or verifying the Applicable Premium.

At any time prior to April 11, 2023, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of its Common Stock in an Equity Offering at a redemption price of 109.8% of the principal amount of the Notes, 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.

Any redemption of Notes and notice of redemption may, at the Company's discretion, be subject to the satisfaction (or waiver by the Company in its sole discretion) of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering and in the case of a Change of Control, the occurrence of such Change of Control).

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes will be selected for redemption as follows:

- (1) if the Notes are listed on any recognized securities exchange and/or are held through a clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed (if any) and/or the requirements of the clearing system; or
- (2) if the Notes are not listed on any recognized securities exchange and/or are not held through a clearing system, on a pro rata basis, by lot or by such method as the Trustee in its sole and absolute discretion deems fair and appropriate, unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. 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 Notes or portions of them called for redemption.

DELISTING PUT RIGHT

In the event the Company's shares cease to be listed or admitted to trading or have been suspended for a period equal to or exceeding 30 or more consecutive Trading Days on The Stock Exchange of Hong Kong Limited (or, if applicable, the Alternative Stock Exchange) (a "Delisting"), each Holder of the Notes shall have the right (the "Delisting Put Right"), at such Holder's option, to require the Company to redeem all or some of such Holder's Notes on the 45th business day after notice has been given to Holders of the Notes regarding the Delisting referred to under the paragraph below or, if such notice is not given, the 45th business day after the Delisting (the "Delisting Put Date") at 101% of their principal amount together with accrued interest (calculated up to but excluding the date of redemption) (the "Delisting Put Price").

Promptly after becoming aware of a Delisting, the Company shall procure that notice regarding the Delisting Put Right shall be given to Holders of the Notes (in accordance with the provisions under "—Notices") stating:

- (i) the Delisting Put Date;
- (ii) the occurrence of a Delisting and the date of such Delisting;
- (iii) the date by which the Purchase Notice (as defined below) must be given;
- (iv) the Delisting Put Price and the method by which such amount will be paid;
- (v) the name and address of the Paying and Transfer Agent;
- (vi) the procedures that the Holders of the Notes must follow and the requirements that Holders must satisfy in order to exercise the Delisting Put Right; and
- (vii) that a Purchase Notice, once validly given, may not be withdrawn.

To exercise its rights to require the Company to redeem or purchase (subject to applicable laws) its Notes, a Holder of the Notes must deliver a written irrevocable notice of the exercise of such right (a "Purchase Notice"), in the then current form obtainable from the specified office of any Agent, to the Paying and Transfer Agent on any business day prior to the close of business at the location of the Paying and Transfer Agent on such day and which day is not less than 10 business days prior to the Delisting Put Date.

A Purchase Notice, once delivered, shall be irrevocable and the Company shall redeem the Notes which form the subject of the Delisting Notices delivered as aforesaid on the Delisting Put Date.

The Trustee shall not be required to take any steps to ascertain whether a Delisting or any event which could lead to the occurrence of a Delisting has occurred.

Upon the exercise of the Delisting Put Right, payment of the applicable redemption amount (including accrued interest) shall be conditional upon (i) the Company obtaining all approvals required by law and (ii) in the case of certificated note, delivery of the Holder's certificated note (together with any necessary endorsements) to the Paying and Transfer Agent on any business day together with the delivery of any other document(s) required, and will be made promptly following the later of the date set for redemption and, in the case of certificated note, the time of delivery of such certificated note. If the Paying and Transfer Agent holds on the Delisting Put Date money sufficient to pay the applicable redemption monies of Notes for which notices have been delivered in accordance with the provisions hereof upon exercise of such right, then, whether or not such certificated note is delivered to the Paying and Transfer Agent, on and after such Delisting Put Date, (a) such Note will cease to be outstanding; (b) such Note will be deemed paid; and (c) all other rights of the Holder shall terminate (other than the right to receive the applicable redemption monies).

The Company has agreed in the Indenture that upon Delisting, it will timely repay all Indebtedness governed by, or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit the Company from redeeming the Notes which form the subject of the Delisting Notices delivered as aforesaid on the Delisting Put Date. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the Company from redeeming the Notes which form the subject of the Delisting Notices, or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit the Company from redeeming the Notes which form the subject of the Delisting Notices, it would continue to be prohibited from redeeming such Notes. In that case, the Company's failure to redeem tendered Notes would constitute an Event of Default under the Indenture.

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.

Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain 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, the March 2018 Notes, the April 2019 Notes, the February 2020 Notes, the March 2020 Notes and the July 2020 Notes upon a change of control triggering event, and we may have the right to purchase all Notes in connection with a change of control offer."

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Although there is a limited body of case law interpreting the phrase "substantially all," no precise definition of the phrase has been established. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group is uncertain and will be dependent upon particular facts and circumstances and the relevant jurisdiction or jurisdictions in which this phrase is interpreted.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner within the same time frame and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Notwithstanding the foregoing, in connection with a Change of Control Offer, if Holders of not less than 90% in the aggregate principal amount of the outstanding Notes validly tender and do not validly withdraw such Notes in such Change of Control Offer and the Company, or any other party making such Change of Control Offer in lieu of the Company, purchases all of the Notes validly tendered and not validly withdrawn by such Holders, the Company or such third party will have the right, upon not less than 10 nor more than 60 days' prior notice, to redeem all of the Notes that remain outstanding following such purchase at a price in cash equal to the price paid to each other Holder in such Change of Control Offer (other than any incentive payment for early tenders), plus, to the extent not included in the Change of Control Offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but not including the redemption date. In determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Notes have validly tendered and not withdrawn Notes in a Change of Control Offer, Notes owned by an Affiliate of the Company or by funds controlled or managed by any Affiliate of the Company, or any successor thereof, shall be deemed to be outstanding for the purposes of such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require the Company to repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

NO MANDATORY REDEMPTION OR SINKING FUND

There will be no mandatory redemption or sinking fund payments for the Notes.

ADDITIONAL AMOUNTS

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees or the JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, collected, withheld, assessed or levied by any jurisdiction in which the Company, a Surviving Person (as defined under the caption “—Consolidation, Merger and Sale of Assets”) or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note, the Subsidiary Guarantees or the JV Subsidiary Guarantees, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(a) for or on account of:

(i) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(A) the existence of any present or former connection between the Holder or beneficial owner of such Note, Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, and the Relevant Jurisdiction, other than merely holding such Note, Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

- (B) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30 day period;
 - (C) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner; or
 - (D) the presentation of such Note (where presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (ii) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
 - (iii) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA;
 - (iv) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (i), (ii) and (iii); or
- (b) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of the Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor, with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, person 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.

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, at any time, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying and Transfer Agent, 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, 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, or the application or interpretation of such laws or regulations 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, amendment, application or interpretation becomes effective (a) in the case of the Company, Surviving Person and any initial Subsidiary Guarantor on or after the Original Issue Date, or (b) in the case of a 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, 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 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: (a) an Officer's Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and (b) an Opinion of Counsel or an opinion of a tax consultant of recognized standing with respect to tax matters in the Relevant Jurisdiction to the effect that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph exists. The Trustee shall be entitled to conclusively rely upon and shall accept such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed pursuant to the provisions under the caption "—Redemption for Taxation Reasons" will be cancelled.

CERTAIN COVENANTS

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (a) 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 may Incur Indebtedness (including Acquired Indebtedness) and any Restricted 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 2.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (b) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):
- (1) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and each JV Subsidiary Guarantee;
 - (2) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor or any JV Subsidiary Guarantor;
 - (3) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (b)(4) of this “—Limitation on Indebtedness and Preferred Stock” covenant; provided that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (1) and (2) above and clauses (4), (6), (7) and (13) below);
 - (4) Indebtedness of the Company or any Restricted Subsidiary or Preferred Stock of any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; provided that (x) any event which results in any such Restricted Subsidiary to whom such Indebtedness is owed ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (4), (y) if the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is the obligor and none of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be unsecured and be expressly subordinated in right of payment to the Notes, in the case of the Company being the obligor, or the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor being the obligor and (z) if the Indebtedness is owed to the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, such Indebtedness must be evidenced in and reflected on the unconsolidated financial statements (which may be internal financial statements) of the Company, the Subsidiary Guarantor or the JV Subsidiary Guarantor, as the case may be;
 - (5) 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 (a) or clauses (1), (2), (3), (8), (15), (16), (17), (18), (19), (21) and (22) of this paragraph (b) and any refinancings thereof in an amount not to exceed the

amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); provided that (i) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (5) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued and remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (y) 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, 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 or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded; (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause (5) 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 (provided that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);

- (6) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (7) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (8) 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 property 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 pursuant to this clause (8) (together with refinancings thereof and the aggregate principal amount outstanding of such Indebtedness Incurred pursuant to clauses (16), (17), (18), (19), (21) and (22) below, but excluding any Contractor Guarantee or Guarantee Incurred under any such clauses and this clause (8) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (9) 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);

- (10) 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;
- (11) 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 sale of such business, assets or Restricted Subsidiary;
- (12) 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, however, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (13) 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 "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant;
- (14) 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 (b)(14) at any time outstanding does not exceed US\$40.0 million (or the Dollar Equivalent thereof);
- (15) 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\$40.0 million (or the Dollar Equivalent thereof);
- (16) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries; 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 (16) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness Incurred pursuant to clause (8) above and clauses (17), (18), (19), (21) and (22) below, but excluding any Contractor Guarantee or Guarantee Incurred under any such clauses and this clause (16) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (17) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in any PRC Restricted Subsidiary or by a Senior Residence Investor in any Restricted Subsidiary, and Indebtedness of the Company or a Restricted Subsidiary constituting a Guarantee by, or grant of a Lien on the assets of (x) the Company or any PRC Restricted Subsidiary in favor of a Trust Company Investor or (y) the Company or any Restricted Subsidiary in favor of a Senior Residence Investor with respect to the obligation to pay a guaranteed or preferred return to such Trust Company Investor or Senior Residence Investor on Capital Stock of such Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness or Preferred Stock and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred pursuant to this clause (17) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness Incurred pursuant to clauses (8) and

- (16) above and clauses (18), (19), (21) and (22) below, but excluding any Contractor Guarantee or Guarantee Incurred under any such clauses and this clause (17) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (18) Indebtedness Incurred by any PRC Restricted Subsidiary which is secured by Investment Properties, and Guarantees thereof by the Company or any such 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 (18) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness Incurred pursuant to clauses (8), (16) and (17) above and clauses (19), (21) and (22) below, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (18) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (19) 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 or Preferred Stock issued and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred or Preferred Stock issued pursuant to this clause (19) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness Incurred pursuant to clauses (8), (16), (17) and (18) above and clauses (21) and (22) below, but excluding any Contractor Guarantee or Guarantee Incurred under any such clauses and this clause (19) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (20) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;
- (21) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary) by the Company or such Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness or Preferred Stock issued and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred or Preferred Stock issued pursuant to this clause (21) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness Incurred pursuant to clauses (8), (16), (17), (18) and (19) above and clause (22) below, but excluding any Contractor Guarantee or Guarantee Incurred under any such clauses and this clause (21) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets; and
- (22) any Indebtedness owed by any Restricted Subsidiary to any holder of its Capital Stock resulting from a reduction of its share capital; provided that on the date of the Incurrence of such Indebtedness or Preferred Stock issued and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred or Preferred Stock issued pursuant to this clause (22) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness Incurred pursuant to clauses (8), (16), (17), (18), (19) and (21) above, but excluding any Contractor Guarantee or Guarantee Incurred under any such clauses and this clause (22) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets.

- (c) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in paragraph (a) of this covenant, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.
- (d) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, provided that such Indebtedness was permitted to be Incurred at the time of such Incurrence.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary, other than (i) the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement or (ii) the purchase of Capital Stock of a Restricted Subsidiary held by any Trust Company Investor or Senior Residence Investor;
- (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 of its Restricted Subsidiaries); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (A) a Default shall have 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 part (a) of the covenant under the caption “—Limitation on Indebtedness and Preferred Stock;” or
- (C) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date (including Restricted Payment permitted by clause (1) the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), shall exceed the sum of:
 - (1) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the semi-annual period during which the 2013 Notes were first issued 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 best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

- (2) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (x) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (y) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case after deducting 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
- (3) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
- (4) 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 (w) 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, (x) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (y) 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 (A) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (B) the initial amount of such Investment, or (z) 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 Unrestricted Subsidiary; plus
- (5) US\$30.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination).

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 Restricted Subsidiary (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a substantially concurrent sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any 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)(2) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (C)(2) 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 the 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)(2) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (C)(2) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);
- (5) 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, at least a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;
- (6) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary in connection with an employee benefit plan or the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing), provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed US\$10.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);
- (7) dividends paid to, or the purchase of the Capital Stock of any Restricted Subsidiary (as the case may be) held by, any Trust Company Investor or Senior Residence Investor in respect of any Indebtedness outstanding on the Original Issue Date or permitted to be Incurred under paragraph (b)(17) of the "Limitation on Indebtedness and Preferred Stock" covenant;
- (8) the declaration and payment of dividends on the Company's Common Stock by the Company with respect to the Company's fiscal year ended December 31, 2013 in the aggregate amount that does not exceed US\$20.0 million (or the Dollar Equivalent thereof);
- (9) the declaration and payment of dividends by the Company and/or the repurchase of the Company's Common Stock with respect to any financial year, provided that such declaration and payment of dividends by the Company, together with such repurchase of the Company's Common Stock, shall not in the aggregate exceed 30.0% of the consolidated profit for the year of the Company calculated in accordance with GAAP; or
- (10) any purchase, redemption, retirement or acquisition of any shares of Capital Stock of any Restricted Subsidiary in an arm's length transaction, provided that any such purchase, redemption, retirement or acquisition shall be deemed to be an arm's length transaction if the consideration paid by the Company or the relevant Restricted Subsidiary, as the case may be, is not more than the Fair Market Value of the shares of Capital Stock so purchased, redeemed, retired or acquired,

provided that, in the case of clause (2), (3) or (4) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment made pursuant to clause (1) of the preceding paragraph shall be included in calculating whether the conditions of clause (C) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an Independent Financial Advisor 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 an amount in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (10) 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 under the caption "-Limitation on Restricted Payments" were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

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 obligations 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.
- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or JV Subsidiary Guarantor, and any extensions, refinancings, renewals, supplements, amendments or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal, supplement, amendment 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) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture, or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “Limitation on Indebtedness and Preferred Stock” and “Limitation on Asset Sales” covenants;
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or Preferred Stock of the type described under clause (b)(8), (b)(14), (b)(16), (b)(17), (b)(18), (b)(19), (b)(21) or (b)(22) or permitted under clause (a), (b)(15) or (b)(20) of the “Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, with respect to Indebtedness of the type described under (b)(8), (b)(15), (b)(16), (b)(17), (b)(18), (b)(19) and (b)(20) or permitted under clause (a) of the “Limitation on Indebtedness and Preferred Stock” covenant, 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’ agreements, joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a shareholders, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and provided that the Company complies with the "Limitation on Asset Sales" covenant; or
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); provided that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or 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 clauses (b)(3), (b)(4) or (b)(16) (in the case of clause (b)(16), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through Liens over one or more bank accounts or bank deposits, Investment Properties or fixed assets to secure (or the use of any Guarantee or letter of credit or similar instruments to Guarantee) any Bank Deposit Secured Indebtedness), under the caption "Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (A) 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 (B) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the applicable JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the applicable JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% 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 issued by an Independent Financial Advisor.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under the caption "Limitation on Restricted Payments" if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) the acquisition by the Company or any Restricted Subsidiary from Mr. Zhang Lei or its Affiliates of any direct or indirect interest in America Pearland Crown LLC or Crown Point Regional Center, LLC in compliance with the listing rules of The Stock Exchange of Hong Kong Limited;
- (7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Qualified Spin-off Group entered into in connection with a proposed restructuring in preparation for a Qualified Spin-off IPO, including but not limited to transactions entered into for purposes of any reorganization in connection with such proposed restructuring and Qualified Spin-off IPO and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with such proposed restructuring and Qualified Spin-off IPO;

- (8) any transaction or arrangement between or among the Company or any Restricted Subsidiary and any entity in the Qualified Spin-off Group or any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or any Affiliate of the Company entered into in connection with a Qualified Spin-off IPO to enable or assist holders of the Company's Capital Stock to participate in such Qualified Spin-off IPO, through a distribution, as a dividend or otherwise, or in a preferential offering or otherwise, in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other relevant Qualified Exchange; and
- (9) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Qualified Spin-off Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with a proposed Qualified Spin-off IPO, or any amendment or modification or extension 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 transaction described in the offering document issued in connection with such proposed Qualified Spin-off IPO and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are then listed for trading.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "Limitation on Restricted Payments" covenant and any Investment in any corporation, association or other business entity made in compliance with clause (18) of the definition of "Permitted Investment," (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 or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries, or (B) between or among the Company or a Restricted Subsidiary on the one hand and any Unrestricted Subsidiary, Minority Joint Venture or Senior Residence Investor on the other hand; 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 minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or by reasons of being a Subsidiary of the Company) and (c) in the case of a Unrestricted Subsidiary, Minority Joint Venture or Senior Residence Investor, none of the shareholders or partners which beneficially owns more than 10.0% of the Capital Stock of or in such Unrestricted Subsidiary, Minority Joint Venture or Senior Residence Investor is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such entity or by reason of being a Subsidiary, Unrestricted Subsidiary, Minority Joint Venture of the Company or a Senior Residence Investor), 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 on the Collateral (other than Permitted 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 (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

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 may enter into a Sale and Leaseback Transaction if:

- (1) the Company could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “—Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company 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;
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; provided that in case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving an aggregate consideration with a Fair Market Value 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 Independent Financial Advisor. 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, set-off 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 JV Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor or JV Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

- (2) acquire Replacement Assets; or
- (3) make an Investment in cash or Temporary Cash Investments pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above.

Any Net Cash Proceeds from an Asset Sale that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute “Excess Proceeds.” Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When the aggregate amount of Excess Proceeds exceeds US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase (an “Asset Sale Offer”) 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 plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis will be selected in the manner set out under “—Optional Redemption”. 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 a Permitted Business; 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.”

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 Guarantees otherwise in compliance with paragraph (6) below) 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; (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), (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture 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”, and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged to the extent required under “—Security.”

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (i) 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, (ii) 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 (iii) 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.

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.

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 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.

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;” and
- (8) “—Certain Covenants—Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “—Certain Covenants—Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

PROVISION OF FINANCIAL STATEMENTS AND REPORTS

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s common 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, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the most recent fiscal year and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, provided that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and
 - (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, 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:

- (a) 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;
- (b) 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;
- (c) 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 "—Limitation on Asset Sales," or the failure by the Company to create, or cause its Restricted Subsidiaries to create a first priority Lien on the Collateral (subject to any Permitted Liens) in accordance with the covenant described under the caption "—Security;"
- (d) 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 (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (e) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$20.0 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 payment when due;
- (f) 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\$20.0 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;

- (g) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted 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 Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted 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 Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (h) the Company or any Restricted Subsidiary (i) 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, (ii) other than in connection with a solvent liquidation or reorganization, consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (iii) effects any general assignment for the benefit of creditors;
- (i) 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;
- (j) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or
- (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Collateral Agent ceases to have a first priority security interest in the Collateral (subject to any Permitted Liens).

If an Event of Default (other than an Event of Default specified in clause (g) or (h) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders shall, subject to receiving indemnity and/or security to its satisfaction, declare the principal of, premium, if any, 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 (g) or (h) above occurs with respect to the Company or any Restricted 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 aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if (x) 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 (y) 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 with respect to the Notes occurs and is continuing, the Trustee may but will not be obliged to, and upon written request of Holders of at least 25% in aggregate principal amount of the Notes then outstanding and subject to receiving indemnity and/or security to its satisfaction, shall 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. 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 being indemnified and/or secured to its satisfaction), deliver an enforcement notice to the Collateral Agent instructing the Collateral Agent to foreclose on the Collateral in accordance with the terms of the Security Documents or the Intercreditor Agreement and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See “—Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that is unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. Neither the Trustee nor the Collateral Agent shall be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security is assured to it.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security satisfactory to it; and
- (5) during such 60 day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the 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, 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 the Security Documents and that the Company has fulfilled all obligations hereunder and 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 of any default or defaults in the performance of any covenants or agreements under the Indenture. See “Provision of Financial Statements and Reports.”

None of the Trustee, Collateral Agent 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. Each of the Trustee, the Collateral Agent and the Agents may assume that no such event has occurred and that the Company and the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) are performing all of their obligations under the Indenture, the Intercreditor Agreement, the Security Documents and the Notes unless the Trustee, the Collateral Agent or the Agent, as the case may be, has received written notice of the occurrence of such event or facts establishing that a Default or an Event of Default has occurred or that the Company and the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) are not performing all of their obligations under the Indenture, the Intercreditor Agreement, the Security Documents and/or the Notes.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or 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, Bermuda 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, the Notes and the Security Documents, 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, and the Indenture, the Notes and the Security Documents, 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, (i) could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption "—Limitation on Indebtedness and Preferred Stock" or (ii) would have a Fixed Charge Coverage Ratio no less than the actual Fixed Charge Coverage Ratio immediately prior to such transaction;
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption "—Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture 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, the Notes and the Security Documents, 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, and the Indenture, the Notes and the Security Documents, 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 (i) could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “—Limitation on Indebtedness and Preferred Stock” or (ii) would have a Fixed Charge Coverage Ratio no less than the actual Fixed Charge Coverage Ratio immediately prior to such transaction;
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) 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 herein relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the “Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “—The Subsidiary Guarantees—Release of the Subsidiary Guarantees and 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 of the Notes protection in the event of highly leveraged or other transactions involving the Company that may adversely affect holders of the Notes.

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 of any Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders of the Notes that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial

owners of the Notes that are not institutional “accredited investors” as defined in Rule 501 under the Securities Act, (ii) Holders or beneficial owners of the Notes that are located in the U.S. or are “U.S. Persons” as defined in Regulation S under the Securities Act, and (iii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

DEFEASANCE

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (A) the Company has (a) deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations or any combination thereof that through the payment of interest, premium, if any, and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) 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 of such payment in accordance with the terms of the Indenture;
- (B) 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
- (C) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “—Consolidation, Merger and Sale of Assets” and all the covenants described herein under “—Certain Covenants,” other than as described under “—Certain Covenants—Government Approvals and Licenses; Compliance with Law” and “—Certain Covenants—Anti-Layering,” clause (c) under “—Events of Default” with respect to such clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “—Consolidation, Merger and Sale of Assets,” and with respect to the other events set forth in such clause, clause (d) under “—Events of Default” with respect to such other covenants and clauses (e) and (f) under “—Events of Default” shall be deemed not to be Events of Default upon, among

other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest, premium, if any, and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and the satisfaction of the provisions described in clause (B) 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 with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee (or its agent) will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

AMENDMENTS AND WAIVER

Amendments Without Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under “—Consolidation, Merger and Sale of Assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee or successor Collateral Agent;
- (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 any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (9) effect any change to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable clearing system;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Collateral Agent to enter into any amendments or supplements to the Intercreditor Agreement, the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);

- (11) make any other change that does not materially and adversely affect the rights of any Holder; or
- (12) conform the text of the Indenture, the Notes, the Subsidiary Guarantees 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, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement and any Security Document may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company with any provision of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement or any Security Document; provided, however, that no such modification, amendment or waiver may, without the consent of not less than 90% in aggregate principal amount of the outstanding Notes:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (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, or premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Indenture, the Security Documents and the Intercreditor Agreement;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (11) amend, change or modify any provision of any Security Document, the Intercreditor Agreement, or any provision of the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (12) reduce the Delisting Put Price or 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 the Delisting Put Right, a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale must be exercised or made, as the case may be, or by which the Notes may be repurchased pursuant to the Delisting Put Right, a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (13) change the redemption date or the redemption price of the Notes from that stated under the captions “Optional Redemption” or “Redemption for Taxation Reasons;”

- (14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

NO PERSONAL LIABILITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS, DIRECTORS OR EMPLOYEES

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under U.S. federal securities laws.

CONCERNING THE TRUSTEE AND THE AGENTS

Citicorp International Limited is to be appointed as Trustee under the Indenture and as Collateral Agent with respect to the Collateral under the Security Documents and the Intercreditor Agreement and Citibank, N.A., London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability, is to be appointed as registrar (the "Registrar") and as the paying agent and transfer agent (the "Paying and Transfer Agent", together with the Registrar, the "Agents") with regard to the Notes. Except during the continuance of an Event of Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates; 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 instructed the Trustee in writing and offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense.

Citicorp International Limited will initially act as the Collateral Agent under the Security Documents in respect of the Security over the Collateral. The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents, subject to the Intercreditor Agreement. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Trustee and the Holders. Neither the Trustee nor the Collateral Agent will be under obligation to exercise any rights or powers conferred under the Indenture, the

Intercreditor Agreement or any of the Security Documents for the benefit of the Holders unless such Holders have instructed the Trustee in writing and have offered to the Trustee and/or the Collateral Agent indemnity and/or security satisfactory to the Trustee and/or the Collateral Agent against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee and the Collateral Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee or the Collateral Agent in respect of such risks.

The Collateral Agent or the Trustee, as the case may be, 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 Collateral Agent or the Trustee, as the case may be, shall not be responsible for the value of the Collateral nor any liability for the validity, sufficiency or enforceability thereof. The Collateral Agent and the Trustee, as the case may be, shall not be liable to any Holders or any other person for any action taken by the Holders, the Collateral Agent or the Trustee, as the case may be, in accordance with the instructions of the Holders. The Collateral Agent or Trustee, as the case may be, shall be entitled to rely on any written direction of the Holders which has been duly given by the Holders of the requisite principal amount of the Notes outstanding.

Neither the Trustee nor the Collateral Agent shall be deemed to have knowledge of an Event of Default or Default unless it has been notified in writing of such an Event of Default or Default thereof.

BOOK ENTRY; DELIVERY AND FORM

The Notes will be represented by a global note in registered form without interest coupons attached (the “Initial Global Note”). On the Original Issue Date, the Initial Global Note will be deposited with a common depository and registered in the name of a nominee of the common depository 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 “—Certificated Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee, the Agents or any of their respective 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 and Transfer Agent in US dollars. The Paying and Transfer Agent will, in turn, make such payments to the common depositary for Euroclear and/or Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “—Additional Amounts.”

Under the terms of the Indenture, the Company, 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, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- any action or failure to take action by Euroclear, Clearstream or any participant or indirect participant. Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

REDEMPTION OF GLOBAL NOTES

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

ACTION BY OWNERS OF BOOK-ENTRY INTERESTS

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

TRANSFERS

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of certificated notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under “Transfer Restrictions” in 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 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, the Agents or any of their respective 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.

CERTIFICATED NOTES

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed 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 certificated notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depository, Euroclear, Clearstream or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Notes for certificated notes and cause the requested certificated notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Trustee or the Registrar for delivery to Holders. Persons exchanging interests in a Global Notes for certificated notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information

required by the Company and the Registrar to complete, execute and deliver such certificated notes. In all cases, certificated notes delivered in exchange for any Global Notes or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Certificated 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 by being deposited, first class postage prepaid, in the mails of the relevant jurisdiction (if intended for the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor) addressed to the Company, such Subsidiary Guarantor or JV Subsidiary Guarantor, if intended for the Trustee, as the case may be, 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 and the JV Subsidiary Guarantors (if any) will irrevocably (i) 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 (if any), the Indenture or any transaction contemplated thereby and (ii) 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 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.

"2013 Notes" means the Company's 13.875% Senior Notes due 2018 issued on November 4, 2013 and redeemed in full on December 2, 2016.

"2013 Notes Trustee" means Citicorp International Limited as the trustee with respect to the 2013 Notes.

"2016 Notes" means the Company's 6.875% Senior Notes due 2019 issued on October 20, 2016 and redeemed in full on October 20, 2019.

"2016 Notes Trustee" means Citicorp International Limited as the trustee with respect to the 2016 Notes.

"2017 Notes" means the Company's 6.5% Senior Notes due 2018 issued on July 5, 2017 and redeemed in full on July 3, 2018.

"2017 Notes Trustee" means Citicorp International Limited as the trustee with respect to the 2017 Notes.

"2017 Private Placement Notes" means the Company's 6.5% Senior Notes due 2018 issued on June 1, 2017 and redeemed in full on May 31, 2018.

“2017 Private Placement Notes Trustee” means Citicorp International Limited as the trustee with respect to the 2017 Private Placement Notes.

“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.

“Acquisition Revaluation Gain” means any fair value gain arising from the revaluation of properties under development and completed properties held for sale in connection with a purchase, redemption, retirement or acquisition of Capital Stock of any Restricted Subsidiary.

“Acquisition Revaluation Loss” means any fair value loss arising from the revaluation of properties under development and completed properties held for sale in connection with a purchase, redemption, retirement or acquisition of Capital Stock of any Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield in 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.

“Affiliate” means, with respect to any Person, any other Person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, (ii) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (i) of this definition or (iii) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (i) or (ii). 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.

“Alternative Stock Exchange” means at any time, in the case of the Company’s shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Company’s shares are then listed or quoted or dealt in.

“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 the principal amount of such Note, plus all required remaining scheduled interest payments due on such Note through the maturity date of the Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“April 2019 Notes” means any and all outstanding notes of the Company’s 12.85% Senior Notes due 2021 issued on April 25, 2019.

“April 2019 Notes Trustee” means Citicorp International Limited as the trustee with respect to the April 2019 Notes.

“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 and its Restricted Subsidiaries taken as a whole.

“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 or issuance of Capital Stock of a Restricted Subsidiary or sale of Capital Stock of any other Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; provided, however, that “Asset Sale” shall not include:

- (a) 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;
- (b) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “Limitation on Restricted Payments” covenant;
- (c) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (d) 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;
- (e) any, transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (f) a transaction covered by the covenant under the caption “—Consolidation, Merger and Sale of Assets;”
- (g) sales or other dispositions of cash or Temporary Cash Investments; and
- (h) 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, including any period for which such lease has been extended.

“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 a pledge of one or more bank accounts or deposits, Investment Properties or fixed 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 U.S. dollars or Hong Kong dollars into Renminbi or vice versa or to in effect remit Renminbi or foreign currencies outside the PRC or vice versa.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York or in London or in Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock but excluding debt securities convertible or exchangeable into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation, or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;
- (2) the Permitted Holders are collectively the beneficial owners of less than 51% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of the total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose nomination to 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 nomination was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, pursuant to the Security Documents, and initially consists of the Capital Stock of the initial Subsidiary Guarantors.

“Collateral Agent” means Citicorp International Limited or its successors or assigns.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against 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 April 11, 2023 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to April 11, 2023.

“Comparable Treasury Price” means, with respect to any redemption date:

- (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated “Composite 3:30 p.m. Quotations for U.S. Government Securities;” or
- (2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period (including, for purposes of calculating the Fixed Charge Coverage Ratio on any Transaction Date, the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements for the Company are available), Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense (including, for the avoidance of doubt, any capitalized interest included in cost of sale in conformity with GAAP),
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), 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 and Acquisition Revaluation Losses), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP and Acquisition Revaluation Gains),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP, provided that (i) 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 (ii) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (i) Consolidated Interest Expense for such period and (ii) 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 net interest expense (interest expense net of interest income) on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such net interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (i) interest expense attributable to Capitalized Lease Obligations, (ii) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) 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, (v) the net costs associated with Hedging Obligations (including the amortization of fees), (vi) interest accruing on Indebtedness of any other 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) provided that, in the case of Indebtedness secured by a Lien on assets, the amount of such Indebtedness will be the lesser of (a) the fair market value of such assets at such date of determination, and (b) the amount of such Indebtedness of such other Person, provided further that, in each case of indebtedness so Guaranteed or secured, interest accruing shall be included only to extent that such interest is paid by the Company or any Restricted Subsidiary, and (vii) 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 of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (A) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (B) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;

- (5) any net after-tax gains realized on the sale or other disposition of (A) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (B) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains (other than Acquisition Revaluation Gain),

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.

“Core Businesses” means the acquisition and development of residential property in the PRC.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries prepared in accordance with GAAP (which the Company shall use its reasonable best efforts to compile in a timely manner), 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 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.

“Currency Agreement” means any foreign exchange contract, currency swap agreement, currency option agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or

“change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “Limitation on Asset Sales” and “Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “Limitation on Asset Sales” and “Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, provided that, such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any bona fide underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any bona fide 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, as operator of the Euroclear System.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Fair Market Value” means the price that would be paid in an arm’s length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

“February 2020 Notes” means any and all outstanding notes of the Company’s 11.8% Senior Notes due 2022 issued on February 26, 2020.

“February 2020 Notes Trustee” means Citicorp International Limited as the trustee with respect to the February 2020 Notes.

“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 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 sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means International Financial Reporting Standards, formulated by the International Accounting Standards Board or generally accepted accounting principles in Hong Kong, as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“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.

“Hong Kong Stock Exchange” means The Stock Exchange of Hong Kong Limited or its successors.

“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 (i) any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business, or Entrusted Loans; provided that such item is not reflected on the consolidated balance sheet of the Company as borrowings or indebtedness (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings or indebtedness on the balance sheet will not be deemed to be reflected on such balance sheet), and (ii) any loans or advances from holders of Capital Stock of any Restricted Subsidiary to the extent such loans or advances are interest-free and do not provide for a fixed maturity date.

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

- (A) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (B) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and

(C) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to (a) zero if Incurred pursuant to paragraph (b)(6) under the “Limitation on Indebtedness and Preferred Stock” covenant, or (b) the net amount payable by such Person if such Hedging Obligation terminated at that time, if not Incurred under such covenant.

“Independent Financial Advisor” means a licensed financial advisor, investment bank, appraisal firm or accounting firm of national standing, provided that such advisor or firm is not an Affiliate of the Company.

“Independent Third Party” means any Person that is not an Affiliate of the Company. “Intercreditor Agreement” has the meaning set forth under “—Security.”

“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 protect against fluctuations in interest rates.

“Investment” means:

- (i) any direct or indirect advance, loan or other extension of credit to another Person,
- (ii) 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),
- (iii) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person, or
- (iv) any Guarantee of any obligation of another Person to the extent guaranteed by such Person. “Invest,” “Investing” and “Invested” shall have corresponding meanings.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (i) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of the Company’s proportional interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (ii) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody’s, or any of its successors or assigns, or a rating of “AAA”, “AA”, “A”, “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 Moody’s or Fitch or both, as the case may be.

“Investment Property” means any property that is owned and held by any Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“January 2014 Notes” means the Company’s 11% Senior Notes due 2017 issued on January 22, 2014 and redeemed in full on December 2, 2016.

“January 2014 Notes Trustee” means Citicorp International Limited as the trustee with respect to the January 2014 Notes.

“January 2019 Notes” means the Company’s 15.5% Senior Notes due 2020 issued on January 2, 2019 and February 27, 2019 and redeemed in full on July 2, 2020.

“January 2019 Notes Trustee” means Citicorp International Limited as the trustee with respect to the January 2019 Notes.

“July 2014 Notes” means the Company’s 12.75% Senior Notes due 2019 issued on July 31, 2014 and redeemed in full on June 15, 2017.

“July 2014 Notes Trustee” means Citicorp International Limited as the trustee with respect to the July 2014 Notes.

“July 2020 Notes” means any and all outstanding notes of the Company’s 11.5% Senior Notes due 2022 issued on July 13, 2020 and September 8, 2020.

“July 2020 Notes Trustee” means Citicorp International Limited as the trustee with respect to the July 2020 Notes.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor which is not a Subsidiary of another JV Subsidiary Guarantor, together with 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).

“March 2018 Notes” means any and all outstanding notes of the Company’s 7.95% Senior Notes due 2021 issued on March 5, 2018.

“March 2018 Notes Trustee” means Citicorp International Limited as the trustee with respect to the March 2018 Notes.

“March 2020 Notes” means any and all outstanding notes of the Company’s 11.95% Senior Notes due 2024 issued on March 4, 2020 and September 8, 2020.

“March 2020 Notes Trustee” means Citicorp International Limited as the trustee with respect to the March 2020 Notes.

“Measurement Date” means November 4, 2013.

“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 and its affiliates and successors.

“Net Cash Proceeds” means:

- (a) 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:
 - (1) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
 - (2) 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;
 - (3) 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;
 - (4) 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
- (b) 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 attorney’s fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Core Businesses” means any business other than the Core Businesses.

“Non-Core Entity” means any Restricted Subsidiary which is primarily engaged, directly or indirectly, in a Non-Core Business.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying and Transfer Agent, the Registrar 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 and Transfer 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 and Transfer 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.

The Company shall (a) one Business Day prior to the Offer to Purchase Payment Date accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) one Business Day prior to the Offer to Purchase Payment Date deposit with the Paying and Transfer Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) on the Offer to Purchase Payment Date, 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 and Transfer Agent shall promptly mail to the Holders so accepted payment in an amount equal to the purchase price, and the Trustee or the Registrar shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 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 or JV Subsidiary Guarantor (if any) under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) 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. The counsel may be a counsel to the Company.

"Original Issue Date" means the date on which the Notes are originally issued under the Indenture.

“Pari Passu Subsidiary Guarantee” means a guarantee by any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor (including Additional Notes); provided that (i) the Company was permitted to Incur such Indebtedness under the covenant under the caption “Limitation on Indebtedness and Preferred Stock” and (ii) such guarantee ranks *pari passu* 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 Triggering Event,” or an Offer to Purchase in the manner described under the caption “—Limitation on Asset Sales,” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Business” 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. Zhang Lei, any immediate family member of Mr. Zhang Lei and any trust established by Mr. Zhang Lei for his own benefit or for the benefit of any of his family members;
- (2) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) of the definition of Affiliate) of any Person specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

“Permitted Investment” means any of the following:

- (1) any Investment in the Company or a Restricted Subsidiary, directly or indirectly through one or more 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 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 Restricted Subsidiaries, in a Permitted Business;
- (2) any Investment in cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances made in the ordinary course of business 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 not for speculation and designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “—Limitation on Asset Sales;”
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “—Limitation on Liens;”
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims, unemployment insurance or other types of social security and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance or obligations to provide indemnity, compensation, reimbursement or warranty of the Company or any of its Restricted Subsidiaries in connection with the acquisition, construction, development, sale and delivery of, or prepayments made in connection with the acquisition of, real property or land use rights or personal property (including but not limited to 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;
- (16) advances or prepayments to, or advances, prepayments or expenses made or incurred for or on behalf of, government authorities or bodies or government-affiliated entities or land use rights owners in the PRC in connection with the financing of primary land development or land resettlement in the ordinary course of business that are recorded as assets in the Company’s balance sheet;
- (17) Investments arising from advances, payments or expenses made or incurred in relation to a Management Project or Senior Residence Project that are recorded as assets on the Company’s consolidated balance sheet or arising from agreements providing for indemnity, compensation, reimbursement or warranty obligations arising in the ordinary course of business in relation to a Management Project or Senior Residence Project;
- (18) any Investment (including without limitation any deemed Investment upon the sale of Capital Stock of a Restricted Subsidiary or the designation of a Restricted Subsidiary as an Unregistered Subsidiary) by the Company or any Restricted Subsidiary in any Person; provided that:
 - (i) the aggregate of all Investments made under this clause (18) since the Original Issue Date shall not exceed in aggregate an amount equal to 30% of Total Assets, provided that such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (18) since the Original Issue Date resulting from:
 - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (18), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

- (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person, or
- (C) to the extent that an Investment made after the Original Issue Date under this clause (18) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (18). For purposes of this clause (C), 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 investment pursuant to a customary assumption, assignment novation, set off 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 the closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;
- (ii) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;
- (iii) none of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (18) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption “—Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Company or a Restricted Subsidiary or by reason of being a Restricted Subsidiary, Unrestricted Subsidiary or Minority Joint Venture);
- (iv) no Default has occurred and is continuing or would occur as a result of such Investment; and
- (v) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (a) of the covenant under the caption “—Limitation of Indebtedness and Preferred Stock”;

provided that, sub-clauses (ii) and (v) above shall not apply if such Investment would otherwise have been permitted under this clause (18) and such Investment (together with the aggregate amount of all Investments made after the Original Issue Date in reliance on this proviso, less the aggregate amount of net reduction in Investments after the Original Issue Date in reliance on this proviso resulting from circumstances described in sub-clauses (A) to (C) above) shall not exceed 20% of Total Assets.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (18) shall be valued at the time such Investment is made.

- (19) Guarantees permitted under clause (b)(21) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;” and
- (20) any Investment deemed to have been made by the Company or any Restricted Subsidiary in any Non-Core Entity of a Qualified Spin-off Group upon the designation of such Non-Core Entity as an Unrestricted Subsidiary.

“Permitted Liens” means any of the following:

- (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, utility services, developer’s or other obligations to make on site or off-site improvements 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, and rights of purchasers or lessees with respect to security deposits, escrow funds and other amounts held by a US Restricted Subsidiary in the ordinary course of business;
- (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) any interest or title of a lessor in the property subject to any operating lease;
- (7) 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;
- (8) Liens in favor of the Company or any Restricted Subsidiary;
- (9) Liens arising from the attachment or rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (10) 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;
- (11) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (b)(6) of the covenant under the caption “Limitation on Indebtedness and Preferred Stock;”
- (12) Liens existing on the Original Issue Date;
- (13) Liens under the Security Documents;
- (14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under “—Security—Permitted Pari Passu Secured Indebtedness;”

- (15) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (b)(5) of the covenant described under the caption entitled “Limitation on Indebtedness and Preferred Stock;” provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (16) Deposits made or liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (b)(7) of the covenant under the caption “Limitation on Indebtedness and Preferred Stock;”
- (17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (18) Liens (including extensions and renewals thereof) upon assets, real or personal property; provided that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (b)(8) of the covenant under the caption entitled “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 (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens on deposits made in order to secure the performance or obligations to provide indemnity, compensation, reimbursement or warranty of the Company or any of its Restricted Subsidiaries in connection with the acquisition, construction, development, sale and delivery of real property or land use rights or personal property (including but not limited to 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;
- (21) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers’ compensation claims, unemployment insurance or other types of social security and other purposes specified by statute or regulations in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (b)(14) of the covenant described under the caption entitled “Limitation on Indebtedness and Preferred Stock;”
- (23) Liens Incurred on deposits made to secure Bank Deposit Secured Indebtedness permitted to be Incurred under clause (b)(16) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;”

- (24) Liens on the Capital Stock of a PRC Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of any Trust Company Investor or liens on any assets of a Restricted Subsidiary granted by such Restricted Subsidiary in favor of any Senior Residence Investor in respect of, and to secure, the Indebtedness permitted to be Incurred under clause (b)(17) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;”
- (25) Liens Incurred on deposits made to secure Entrusted Loans;
- (26) Liens on Investment Properties securing Indebtedness of the Company or Restricted Subsidiary incorporated under the laws of the PRC permitted to be Incurred under clause (b)(18) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;”
- (27) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (b)(20) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;”
- (28) Liens securing Indebtedness permitted to be Incurred by the Company or any Restricted Subsidiary under clause (b)(15) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;”
- (29) Liens on deposits securing the obligations of the Company or a Restricted Subsidiary to return or refund, or arising from any pledge, charge of or encumbrance on the use, application, transfer or disposition of, all or part of the membership fee, entrance fee, application fee, debenture or other payments of a similar nature paid by a customer purchasing, renting or otherwise obtaining a right to use any property in a Senior Residence Project;
- (30) Liens incurred by any US Restricted Subsidiary primarily engaged in a Permitted Business in its ordinary course of business to secure cash management services or to implement cash pooling arrangements or for homeowner, property owner, condominium and similar association fees, assessments and other related payments; and
- (31) Liens securing Guarantees permitted under clause (b)(21) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” or the Indebtedness guaranteed by such Guarantees.

provided that, with respect to the Collateral, “Permitted Liens” shall only refer to the Liens described in clauses (1), (7), (13) and (14).

“Permitted Pari Passu Secured Indebtedness” has the meaning set forth under “—Security—Permitted Pari Passu Secured Indebtedness.”

“Permitted Subsidiary Indebtedness” means Indebtedness of, and all Preferred Stock issued by, the Restricted Subsidiaries, taken as a whole; provided that, on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock, as the case may be, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock (excluding any Public Indebtedness and the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses (b)(1), (b)(2), (b)(4), (b)(6), (b)(7), (b)(13) and (b)(19) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 30% 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 the Hong Kong Special Administrative Region, the 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 October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“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.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of (i) 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, or (ii) a guarantee or deposit made for housing provident fund loans provided to customers in favor of, or representing amounts placed with, Housing Provident Fund Management Center or another organization responsible for the operation and management of housing provident fund, to secure the housing provident fund loans provided to customers; 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.

“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 Nasdaq Stock market, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, Singapore Exchange Securities Trading Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Taiwan Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Qualified IPO” means a listing (or a deemed new listing pursuant to the rules of the relevant stock exchange or governing body) of the Voting Stock of a company on a Qualified Exchange; provided that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

“Qualified Spin-off Group” means, collectively, (i) any Non-Core Entity the Voting Stock of which is, or is expected to be pursuant to a definitive plan, listed on a Qualified Exchange in a Qualified Spin-off IPO, and (ii) the Subsidiaries of such Non-Core Entity.

“Qualified Spin-off IPO” means any Qualified IPO of a Non-Core Entity; provided that the Board of Directors of the Company has determined in good faith that the designation of such Non-Core Entity and its Subsidiaries as Unrestricted Subsidiaries is desirable to obtain approval from a Qualified Exchange for such Qualified IPO.

“Rating Agencies” means (i) Moody’s and (ii) Fitch and (iii) if Moody’s or Fitch or both shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Moody’s or Fitch or both, as the case may be.

“Rating Category” means (i) with respect to Moody’s, any of the following categories: “Ba”, “B”, “Caa”, “Ca”, “C” and “D” (or equivalent successor categories); (ii) with respect to Fitch, any of the following categories: “BB”, “B”, “CCC”, “CC”, “C” and “D” (or equivalent successor categories); and (iii) the equivalent of any such category of Moody’s or Fitch used by another Rating Agency. In determining whether the rating of

the Notes has decreased by one or more gradations, gradations within Rating Categories (“1”, “2” and “3” for Moody’s and “+” and “-” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Fitch, 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 (i) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control, or (ii) 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 (i) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any member or members of management of the Company to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (ii) 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 Moody’s and Fitch on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency 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).

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Renminbi,” “RMB” or “CNY” means the lawful currency of the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purposes of the Indenture.

“Replacement Assets” means, on any date, property or assets of a nature or type or that are used in a Permitted Business, including the Capital Stock of any Person holding such property or assets, which is primarily engaged in a Permitted Business and is or will become upon the acquisition by the Company or any of its Restricted Subsidiaries of such Capital Stock, a Restricted Subsidiary.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, and its affiliates and successors.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Collateral Agent on behalf of the Secured Parties, the Trustee and/or any Holders in any or all of the Collateral.

“Secured Party Documents” mean, collectively, the Indenture and the documents evidencing any Permitted Pari Passu Secured Indebtedness.

“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 (i) any obligation to the Company or any Restricted Subsidiary, (ii) trade payables or (iii) Indebtedness Incurred in violation of the Indenture.

“Senior Residence Investor” means a government, government authority or body, government-affiliated entity, any fund, trust or partnership, or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary primarily for purposes of developing, financing or investing in a Senior Residence Project.

“Senior Residence Project” means a project in the PRC or the United States carried out in accordance with applicable laws and regulations which primarily involves the acquisition, development, leasing, operation or management of a residential or mixed-use real estate development designed to provide, inter alia, property and/or services targeted or tailored for the needs of middle-aged to senior people and members of their families, or younger people who are interested in purchasing or leasing property in or around such a community to provide for their future residential needs when they become older.

“Significant Restricted 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.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (1) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person; or (2) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (2) the occurrence of any event as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity, which shall be made in compliance with the covenant under the caption “—Limitation on Restricted Payments.”

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any 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.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; provided that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the United Kingdom, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the United Kingdom, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, and any financial products consisting of such direct obligations;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area, the United Kingdom or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof, or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s, “A-1” (or higher) according to S&P or “F1” (or higher) according to Fitch;
- (5) securities maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) (i) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any banks or financial institutions organized under the laws of the PRC, or (ii) any financial products for which any such bank or financial institution guarantees or undertakes for the return of at least 100% of the principal amount thereof, provided that in the case of (ii) such products do not exceed US\$10.0 million (or the Dollar Equivalent thereof) with any single bank or US\$50.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination thereafter.

“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 reasonable best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); provided that only with respect to clause (b)(8) of the “—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 in each case as of such date, 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, provided further that only with respect to clause (b)(19) of “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors, factors and assignees created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Trading Day” means a day when the Hong Kong Stock Exchange or, as applicable, an Alternative Stock Exchange is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a financial institution, including but not limited to a bank, trust company, fund management company and asset management company, or an insurance company organized under the laws of the PRC, or an Affiliate thereof, that Invests in any Capital Stock of a PRC Restricted Subsidiary.

“Trustee” means Citicorp International Limited or its successors or assigns.

“Unrestricted Subsidiary” means (1) subject to any redesignation under the caption “—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries,” Great Credit (HK) Co., Limited (鴻譽(香港)有限公司), Qing Dao Modern Renewal Technology Co., Limited (青島當代煥新科技有限公司), Shan Dong Modern Original Green Real Estate Co., Limited (山東當代原綠置業有限公司) and Qingdao Modern Original Green Enterprise Management Co. Ltd (青島當代原綠企業管理有限公司); (2) 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 herein; and (3) 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.

TAXATION

The following summary of certain Cayman Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

CAYMAN ISLANDS

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 and principal on the Notes will not be subject to taxation and no withholding will be required on the payment of interest and 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.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

We have been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, have obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law of the Cayman Islands. In accordance with the provision of section 6 of The Tax Concessions Law of the Cayman Islands, the Governor in Cabinet undertakes with us:

- That no law which is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations;
- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of 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 of the Cayman Islands; and
- These concessions shall be for a period of 20 years from August 9, 2011.

BRITISH VIRGIN ISLANDS

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the 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. Under the EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% (or lower treaty rate, if any) must be withheld from interest payable to investors that are “non-resident enterprises” and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, if we are deemed to be a PRC “resident enterprise” and the interest is deemed as PRC-source income. Any gain realized on the transfer of the Notes by such investors would be subject to a 10% (or lower treaty rate, if any) PRC income tax if such gain is regarded as income derived from sources within the PRC in the case that we are treated as a PRC “resident enterprise.” As advised

by JunHe LLP, our PRC legal advisers, 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 treated as a PRC “resident enterprise,” the interest we pay in respect of the Notes, and the gain any investor may realize from the transfer of the Notes, might be treated as income derived from sources within the PRC and may be subject to PRC tax (including withholding tax in the case of interest payments), as described in “Risk Factors—We may be deemed to be a PRC tax “resident enterprise” under the EIT law and be subject to PRC taxation on our worldwide income; interest payments on the Notes and gains from their disposition may be subject to PRC tax.”

Value-added Tax. According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (Circular 36), which was promulgated on March 23, 2016 and became effective on May 1, 2016, business tax has been replaced by VAT from May 1, 2016 and the income derived from the provision of financial services which attracted business tax is now subject to VAT. According to Circular 36, the entities and individuals providing the services within PRC shall be subject to VAT. The services are treated as being provided within PRC where either the service provider or the service recipient is located in PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Notes may be treated as the holders of the Notes providing loans to the Issuer, which thus may be regarded as financial services subject to VAT. There is uncertainty whether the holders of the Notes would be regarded as providing the financial services within PRC and consequently, the holders of the Notes may be subject to VAT at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12% of the VAT payment. Consequently, the combined rate of VAT and local levies would be around 6.72%. Given that the Issuer pays interest income to Note holders who are located outside of the PRC, the Issuer may be regarded as the obligatory withholder in accordance with applicable law and shall withhold VAT and local levies from the payment of interest income to Note holders who are located outside of the PRC.

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, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold VAT or the local levies.

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. There is uncertainty as to the application of Circular 36.

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside the PRC) of a Note.

PLAN OF DISTRIBUTION

Deutsche Bank AG, Singapore Branch, Guotai Junan Securities (Hong Kong) Limited, Morgan Stanley & Co. International plc, Credit Suisse (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, Haitong International Securities Company Limited, Merrill Lynch (Asia Pacific) Limited, Nomura International (Hong Kong) Limited and HeungKong Securities Limited are acting as joint bookrunners of the offering and as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated January 5, 2021, each Initial Purchaser named below has agreed to purchase from us, and we have agreed to sell to each Initial Purchaser, the principal amount of the Notes set forth opposite such Initial Purchaser's name.

Initial Purchasers	Principal Amount of the Notes
Deutsche Bank AG, Singapore Branch.....	US\$25,000,000
Guotai Junan Securities (Hong Kong) Limited	US\$25,000,000
Morgan Stanley & Co. International plc	US\$25,000,000
Credit Suisse (Hong Kong) Limited	US\$25,000,000
The Hongkong and Shanghai Banking Corporation Limited	US\$25,000,000
UBS AG Hong Kong Branch	US\$25,000,000
Haitong International Securities Company Limited	US\$25,000,000
Merrill Lynch (Asia Pacific) Limited.....	US\$25,000,000
Nomura International (Hong Kong) Limited.....	US\$25,000,000
HeungKong Securities Limited	US\$25,000,000
Total	US\$250,000,000

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 other conditions. The purchase agreement may be terminated by the Initial Purchasers in certain circumstances prior to the delivery and payment of the Notes.

In addition, we have agreed with the Initial Purchasers that private banks will receive a commission in connection with the purchase of the Notes by their private bank clients which commission may be deducted from the gross proceeds 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 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. We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

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. 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. In addition, one or a limited number of investors may purchase a significant portion of the Notes offered. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

In connection with the offering, the Stabilizing Manager may purchase and sell Notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the Initial Purchaser of a greater number of Notes than it is required to purchase in the offering.
- Covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions.
- Stabilizing transactions involve bids to purchase Notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Initial Purchasers for their own account, may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, they may discontinue them at any time.

The Company expects that delivery of the Notes will be made to investors on or about the closing date specified on the cover page of this offering memorandum, which will be the fourth business day following the date of this offering memorandum. Under Rule 15c6-1 of the U.S. Securities Exchange Act of 1934, as amended, 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+4, 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 advisors.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“Banking Services or Transactions”). The Initial Purchasers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with us for which they have received, or will receive, fees and expenses.

In connection with the offering of the Notes, the Initial Purchasers and/or their respective affiliates, or our affiliates, may place orders, receive allocations and purchase Notes for their own account (without a view to distributing such Notes) and such orders and/or allocations of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other of our securities, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with this offering. 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 respective affiliates, or our affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained (see “Risk Factors—Risk Relating to the Notes—The liquidity and price of the Notes following the offering may be volatile”). We and the Initial Purchasers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the account of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments issued by us or our affiliates, including the Notes and could adversely affect the trading prices of the Notes. The Initial Purchasers and their respective affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of us or our affiliates, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments. The Initial Purchasers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

No action has been taken or will be taken in any country or jurisdiction that would permit a public offering of the Notes or the possession or distribution of the offering memorandum or any other offering material relating to the Notes in any jurisdiction where action for any such purpose may be required.

Notice to Prospective Investors in the United States

The Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and subject to certain exceptions, may not be offered or sold within the United States.

The Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees (if any) are being offered and sold only outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees (if any), an offer or sale of the Notes, the Guarantees or the JV Subsidiary Guarantees (if any) within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Notice to Prospective Investors in the European Economic Area

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 Notes which are the subject of the offering contemplated by this offering memorandum in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression “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.

Notice to Prospective Investors in the 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 the 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.
- (c) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom.

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**”);
- (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; or
- (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Notice to Prospective Investors in Hong Kong

Each Initial Purchaser has represented and agreed that:

- it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Notice to Prospective Investors in Japan

The Notes have not been and will not be registered -under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “Financial Instruments and Exchange Act”). Accordingly, the Initial Purchasers have represented and agreed that they have not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Notice to Prospective Investors in Singapore

Each Initial Purchaser has acknowledged that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance of an exemption under Section 274 or 275 of the SFA, the Notes shall not be sold within the period of six months from the date of the initial acquisition of the Notes, except to any of the following persons:

- (i) an institutional investor (as defined in Section 4A of the SFA);
- (ii) a relevant person (as defined in Section 275(2) of the SFA); or
- (iii) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person as defined in section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore, and a reference to any term as defined in the SFA or any provision of the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notice to Prospective Investors in PRC

This offering memorandum does not constitute a public offer of the Notes, whether by sale of by subscription, in the PRC. The Notes will not be offered or sold within the PRC by means of this offering memorandum or any other document.

Notice to Prospective Investors in the Cayman Islands

No invitation will be made to the public in the Cayman Islands to subscribe for any of the Notes.

Notice to Prospective Investors in the British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes.

TRANSFER RESTRICTIONS

By purchasing the Notes, you will be deemed to have represented, agreed and acknowledged that:

1. You are, or at the time the Notes are purchased will be, the beneficial owner of such Notes and (a) you are located outside the United States (within the meaning of Regulation S) and (b) you are not an affiliate of ours or a person acting on behalf of such an affiliate.
2. You understand that the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantee (if any) have not been and will not be registered under the Securities Act and that you will not offer, sell, pledge or otherwise transfer such securities except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or pursuant to another exemption from registration, or a transaction not requiring registration, under the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States.
3. We, the Initial Purchasers and their affiliates, the Trustee, the Paying and Transfer Agent and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

LEGAL MATTERS

Certain legal matters with respect to the 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, JunHe LLP as to matters of PRC law, Conyers Dill & Pearman as to matters of Cayman Islands law and matters of British Virgin Islands law.

Certain legal matters will be passed upon for the Initial Purchasers by Linklaters as to matters of United States federal and New York law and by King & Wood Mallesons as to matters of PRC law.

INDEPENDENT AUDITORS

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 KPMG, Certified Public Accountants, as stated in their reports appearing herein. The condensed consolidated financial statements as of and for the six months ended June 30, 2020 have been reviewed by KPMG, Certified Public Accountants. Such unaudited condensed consolidated financial information is not audited and accordingly the degree of reliance on such information should be restricted in light of the limited nature of the review procedure applied.

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 minutes of a meeting of our board of directors dated January 4, 2021 and the giving of the Subsidiary Guarantees has been authorized by resolutions of the board of directors of each Subsidiary Guarantor on January 4, 2021.

Litigation

There are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or giving of the Subsidiary Guarantees.

No Material Adverse Change

There has been no adverse change or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 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 corporate trust office of the Trustee.

For so long as any of the Notes is outstanding, copies of the published financial statements, if any, including the public financial statement set out in the section entitled “Index to Consolidated Financial Statements” in this offering memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the principal office of the Company.

Clearing Systems and Settlement

The 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:

	<u>ISIN</u>	<u>Common Code</u>
Notes	XS2277613423	227761342

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

Listing of the Notes

Application will be made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this offering memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum. The Securities will be traded on the Hong Kong Stock Exchange subject to a minimum board lot size requirement of the equivalent of HK\$500,000 for so long the Securities and listed on the Hong Kong Stock Exchange and the rules of the Hong Kong Stock Exchange so require.

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Audited financial statements as of and for the year ended December 31, 2019⁽²⁾

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Audited financial statements as of and for the year ended December 31, 2018⁽²⁾

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Note:

- (1) The attached unaudited condensed consolidated interim financial statements as of and for the six months ended June 30, 2020 is a reproduction of the Company's 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 consolidated financial statements as of and for the years ended December 31, 2018 and 2019 are reproduced from the Company's annual report for the years ended December 31, 2018 and 2019 respectively. The page references are references to pages set forth in such annual reports.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

REVIEW REPORT TO THE BOARD OF DIRECTORS OF MODERN LAND (CHINA) CO., LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 29 to 60 which comprises the consolidated statement of financial position of Modern Land (China) Co., Limited (“the Company”) as of 30 June 2020 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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.

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 the interim financial report consists of making enquiries, 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

17 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 — unaudited

	Note	For the six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	3	8,710,301	7,026,870
Cost of sales		(6,589,204)	(5,166,137)
Gross profit		2,121,097	1,860,733
Other income, gains and losses	4	(149,321)	97,281
Recognition of changes in fair value of completed properties held for sale and properties under development for sale upon transfer to investment properties	10	67,925	241,022
Changes in fair value of investment properties, net	10	47,685	32,520
Selling and distribution expenses		(206,600)	(259,263)
Administrative expenses		(268,826)	(306,334)
Finance costs	5	(166,573)	(212,048)
Share of profits less losses of joint ventures		(18,028)	(29,088)
Share of profits less losses of associates		(223)	(591)
Profit before taxation		1,427,136	1,424,232
Income tax expense	6	(870,712)	(893,209)
Profit for the period	7	556,424	531,023

The notes on pages 39 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 — unaudited (continued)

	Note	For the six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Other comprehensive income for the period:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations, net of nil tax		(10,648)	6,444
Total comprehensive income for the period		545,776	537,467
Profit for the period attributable to:			
Owners of the Company		398,136	459,311
Non-controlling interests		158,288	71,712
		556,424	531,023
Total comprehensive income attributable to:			
Owners of the Company		387,488	465,755
Non-controlling interests		158,288	71,712
		545,776	537,467
Earnings per share, in Renminbi cents:			
Basic	9	14.2	16.5
Diluted	9	14.2	16.4

The notes on pages 39 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 — unaudited

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Investment properties	10	2,851,045	2,656,360
Property, plant and equipment	11	446,526	453,554
Intangible assets		10,991	8,149
Freehold land held for future development		32,988	32,507
Interests in associates		42,607	33,003
Interests in joint ventures	12	2,341,159	2,449,415
Loans to joint ventures	12	5,413,098	5,161,445
Equity investments at fair value through other comprehensive income		44,641	44,641
Deferred tax assets		1,251,363	980,251
		12,434,418	11,819,325
Current assets			
Properties under development for sale		31,178,718	33,242,482
Completed properties held for sale		5,673,580	3,293,758
Other inventories and contract costs		230,746	158,579
Trade and other receivables, deposits and prepayments	13	10,109,873	7,875,236
Amounts due from related parties	23	688,770	764,883
Restricted cash		3,856,746	3,523,971
Bank balances and cash		7,840,824	7,858,655
		59,579,257	56,717,564
Current liabilities			
Trade and other payables and accrued charges	14	15,902,080	13,398,451
Contract liabilities		16,703,306	20,724,982
Amounts due to related parties	23	3,912,169	3,516,909
Taxation payable		3,971,343	3,232,194
Bank and other borrowings — due within one year	15	5,349,149	7,087,864
Corporate bonds — due within one year	16	130,473	—
Senior notes — due within one year	17	2,319,893	2,379,120
		48,288,413	50,339,520
Net current assets		11,290,844	6,378,044
Total assets less current liabilities		23,725,262	18,197,369

The notes on pages 39 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 — unaudited (continued)

	<i>Note</i>	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Capital and reserves			
Share capital	18	175,693	175,693
Reserves		6,283,141	5,983,938
Equity attributable to owners of the Company		6,458,834	6,159,631
Non-controlling interests		2,731,126	2,444,682
Total equity		9,189,960	8,604,313
Non-current liabilities			
Bank and other borrowings — due after one year	15	8,363,148	3,700,812
Corporate bonds	16	934,852	1,022,303
Senior notes — due after one year	17	4,456,474	4,305,879
Deferred tax liabilities		780,828	564,062
		14,535,302	9,593,056
		23,725,262	18,197,369

Approved and authorised for issue by the board of directors on 17 August 2020.

Zhang Lei
Director

Zhang Peng
Director

The notes on pages 39 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 — unaudited

	Attributable to owners of the Company											Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000 (note a)	Special reserve RMB'000 (note b)	Revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000 (note c)	Foreign currency translation reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2020	175,693	825,711	258,002	40,060	1,560	663,900	10,808	(11,583)	4,195,480	6,159,631	2,444,682	8,604,313
Profit for the period	-	-	-	-	-	-	-	-	398,136	398,136	158,288	556,424
Exchange differences on translating foreign operations	-	-	-	-	-	-	(10,648)	-	-	(10,648)	-	(10,648)
Other comprehensive income for the period, net of income tax	-	-	-	-	-	-	(10,648)	-	-	(10,648)	-	(10,648)
Total comprehensive income for the period	-	-	-	-	-	-	(10,648)	-	398,136	387,488	158,288	545,776
Acquisition of additional interest in a subsidiary	-	-	2,090	-	-	-	-	-	-	2,090	(9,091)	(7,001)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	209,920	209,920
Share-based payment (note 22)	-	-	-	-	244	-	-	-	-	244	-	244
Contribution from a company controlled by a shareholder (note d)	-	-	204	-	-	-	-	-	-	204	-	204
Dividend approved in respect of the previous year (note 8)	-	-	-	-	-	-	-	-	(90,823)	(90,823)	-	(90,823)
Dividend distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(72,673)	(72,673)
At 30 June 2020	175,693	825,711	260,296	40,060	1,804	663,900	160	(11,583)	4,502,793	6,458,834	2,731,126	9,189,960

The notes on pages 39 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 — unaudited (continued)

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000 (note a)	Special reserve RMB'000 (note b)	Revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000 (note c)	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	175,341	820,356	343,066	40,060	16,197	585,054	13,786	3,679,822	5,673,682	1,908,277	7,581,959
Profit for the period	-	-	-	-	-	-	-	459,311	459,311	71,712	531,023
Exchange differences on translating foreign operations	-	-	-	-	-	-	6,444	-	6,444	-	6,444
Other comprehensive income for the period, net of income tax	-	-	-	-	-	-	6,444	-	6,444	-	6,444
Total comprehensive income for the period	-	-	-	-	-	-	6,444	459,311	465,755	71,712	537,467
Acquisition of additional interest in a subsidiary	-	-	(60,072)	-	-	-	-	-	(60,072)	(67,575)	(127,647)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	81,500	81,500
Share-based payment (note 22)	-	-	-	-	(3,605)	-	-	3,299	(306)	-	(306)
Contribution from a company controlled by a shareholder (note d)	-	-	204	-	-	-	-	-	204	-	204
Return of capital to non-controlling interests	-	-	-	-	-	-	-	-	-	(13,984)	(13,984)
Issue of shares upon exercise of share options (note 18)	62	970	-	-	(208)	-	-	-	824	-	824
Deemed disposal	-	-	-	-	-	-	-	-	-	(1)	(1)
Dividend approved in respect of the previous year (note 8)	-	-	-	-	-	-	-	(48,402)	(48,402)	-	(48,402)
At 30 June 2019	175,403	821,326	283,198	40,060	12,384	585,054	20,230	4,094,030	6,031,685	1,979,929	8,011,614

The notes on pages 39 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 — unaudited (continued)

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000 (note a)	Special reserve RMB'000 (note b)	Revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000	Foreign currency translation reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 July 2019	175,403	821,326	283,198	40,060	12,384	585,054	20,230	-	4,094,030	6,031,685	1,979,929	8,011,614
Equity investments at FVOCI-net movement in fair value reserves (non-recycling)	-	-	-	-	-	-	-	(11,583)	-	(11,583)	-	(11,583)
Exchange differences on translating foreign operations	-	-	-	-	-	-	(9,422)	-	-	(9,422)	-	(9,422)
Other comprehensive income	-	-	-	-	-	-	(9,422)	(11,583)	-	(21,005)	-	(21,005)
Profit for the period	-	-	-	-	-	-	-	-	271,361	271,361	252,063	523,424
Total comprehensive income for the year	-	-	-	-	-	-	(9,422)	(11,583)	271,361	250,356	252,063	502,419
Share-based payment	-	-	-	-	(10,010)	-	-	-	2,759	(7,251)	-	(7,251)
Issue of shares on exercises of share options (note 18)	290	4,385	-	-	(814)	-	-	-	-	3,861	-	3,861
Contribution from a company controlled by a shareholder (note d)	-	-	203	-	-	-	-	-	-	203	-	203
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	236,824	236,824
Acquisition of additional interest in subsidiaries	-	-	(25,399)	-	-	-	-	-	-	(25,399)	(109,393)	(134,792)
Return of capital to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	85,260	85,260
Appropriations to reserves (note c)	-	-	-	-	-	78,846	-	-	(78,846)	-	-	-
Dividend	-	-	-	-	-	-	-	-	(93,824)	(93,824)	-	(93,824)
At 31 December 2019	175,693	825,711	258,002	40,060	1,560	663,900	10,808	(11,583)	4,195,480	6,159,631	2,444,682	8,604,313

The notes on pages 39 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 — unaudited (continued)

Notes:

- (a) Pursuant to article 134 of the Company's Articles of Association, the Company is permitted to pay out dividends from share premium account.
- (b) Special reserve relates to acquisition of additional interests in subsidiaries, deemed acquisition of a subsidiary, disposals of partial interests in subsidiaries, disposal of partial interests in subsidiaries to a non-controlling shareholder and contribution from a company controlled by a shareholder.
- (c) In accordance with the Articles of Association of certain group entities established in the People's Republic of China ("the PRC"), these entities are required to transfer 10% of the profit after taxation, prepared in accordance with PRC generally accepted accounting principles, to the statutory surplus reserve until the reserve reaches 50% of the registered capital of the respective entities. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous years' losses, expand existing operations or convert into additional capital of the entities.
- (d) Pursuant to the agreement dated 29 November 2010 entered into between Modern Green Development Co., Ltd. 當代節能置業股份有限公司 (formerly known as Beijing Modern Hongyun Real Estate Development Co., Ltd. 北京當代鴻運房地產經營開發有限公司) ("Modern Green Development") and an employee of Modern Green Development, the employee can use the property developed by Beijing Modern City Real Estate Development Co., Ltd. 北京當代城市房地產開發有限公司 ("Beijing Modern City Real Estate"), a company controlled by a shareholder of the Company. The title of the property will be transferred to the employee upon his completion of service with Modern Green Development for 10 years commencing from 30 October 2010. As at 29 November 2010, the market value of the property is RMB4,071,000. The Group recognised this transaction as staff cost and contribution from a company controlled by the shareholder amounted to RMB204,000 for the six months ended 30 June 2020 (for the six months ended 30 June 2019: RMB204,000).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020 — unaudited

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Net cash (used in)/generated from operating activities	(310,596)	2,087,643
Investing activities		
Capital return from a joint venture	-	38,919
Capital injection in joint ventures	(148,030)	-
Net cash outflow from acquisition of a subsidiary	-	(26,123)
Capital injection into an associate	(9,827)	-
Net cash outflow from disposal of subsidiaries	-	(1)
Proceeds from disposal of an associate	-	141,220
Net cash outflow from acquisition of additional interest in a subsidiary	(7,001)	(127,647)
Loans to joint ventures	(1,231,515)	(1,813,183)
Repayments from joint ventures	714,615	959,668
Increase in restricted cash	(332,775)	(53,794)
Other cash used in investing activities	33,136	(97,148)
Net cash used in investing activities	(981,397)	(978,089)
Financing activities		
Interest paid	(1,136,175)	(869,178)
Dividends paid	(72,086)	-
Repayments to related parties	(593,362)	(432,538)
Advances from related parties	988,058	974,799
Repayments of bank borrowings	(1,492,277)	(1,852,239)
New bank borrowings raised	2,121,416	1,471,570
Repayments of other borrowings	(4,468,575)	(3,267,580)
New other borrowings raised	5,871,618	1,724,650
Proceeds from issue of senior notes	2,351,237	3,709,478
Repayment of senior notes and corporate bonds	(2,494,483)	(2,015,149)
Capital contribution from non-controlling interests	209,920	49,000
Proceeds from issue of shares upon exercise of share options	-	824
Net cash generated from/(used in) from financing activities	1,285,291	(506,363)

The notes on pages 39 to 60 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020 — unaudited (continued)

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Net (decrease)/increase in cash and cash equivalents	(6,702)	603,191
Cash and cash equivalents at the beginning of the period, represented by bank balances and cash	7,858,655	6,733,265
Effects of exchange rate changes on the balance of cash held in foreign currencies	(11,129)	6,390
Cash and cash equivalents at the end of the period, represented by bank balances and cash	7,840,824	7,342,846

The notes on pages 39 to 60 form part of this interim financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1 BASIS OF PREPARATION

This interim financial report of Modern Land (China) Co., Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”), including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs.

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 17 August 2020. The interim financial report has also been reviewed by KPMG 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 (“HKICPA”). KPMG’s independent review report to the Board of Directors is included on page 28.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3 REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing on (a) sale of properties, (b) property investment, (c) hotel operation, (d) real estate agency services and (e) other services. The operating segment has been identified on the basis of internal management reports reviewed by chief operating decision maker of the Group ("CODM"), Mr. Zhang Peng, who is the President of the Group. The CODM mainly reviews the revenue information on sales of properties from property development, leasing of properties from property investment, hotel operation, real estate agency services and other services. However, other than revenue information, no operating results and other discrete financial information is available for the assessment of performance of the respective types of revenue. The CODM reviews the overall results and organisation structure of the Group as a whole to make decision about resources allocation. Accordingly, no analysis of this single reportable and operating segment is presented.

Disaggregation of revenue from contracts with customers by major products or service lines and by timing of revenue recognition is as follows:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sale of properties	8,576,894	6,792,699
Real estate agency services	73,225	167,961
Hotel operation	18,547	33,149
Other services	17,763	4,483
	8,686,429	6,998,292
Revenue from other sources		
Property investment	23,872	28,578
	8,710,301	7,026,870
Disaggregated by timing of revenue recognition		
Point in time	7,473,790	5,952,050
Over time	1,236,511	1,074,820
	8,710,301	7,026,870

The Group's operations are substantially located in the PRC. Therefore no geographical segment reporting is presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4 OTHER INCOME, GAINS AND LOSSES

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Interest income	37,597	42,861
Government grants	1,501	457
Net exchange loss	(195,965)	(12,191)
Gain on disposal of an associate (<i>note</i>)	–	63,733
Gain on disposal of property, plant and equipment	308	29
Others	7,238	2,392
	(149,321)	97,281

Note: During the six months ended 30 June 2019, the Group disposed of the interests in an associate for a total consideration of RMB145,745,000, which resulted in a gain of RMB63,733,000.

5 FINANCE COSTS

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Interest on bank and other borrowings	(685,234)	(406,810)
Interest expense on senior notes and corporate bonds	(557,150)	(456,222)
	(1,242,384)	(863,032)
Less: Amount capitalised in properties under development for sale	1,075,811	650,984
	(166,573)	(212,048)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current tax		
PRC Corporate Income Tax	(424,621)	(538,339)
Land appreciation tax ("LAT")	(488,269)	(368,506)
	(912,890)	(906,845)
Deferred tax		
PRC Corporate Income Tax	42,178	13,636
	42,178	13,636
Income tax expense	(870,712)	(893,209)

In accordance with the Corporate Income Tax Law of the PRC, the income tax rate applicable to the Company's subsidiaries in the PRC is 25%.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

Pursuant to the rules and regulations of British Virgin Islands ("BVI") and the Cayman Islands, the Group is not subject to any income tax in these jurisdictions.

No provision for Hong Kong profits tax has been made as the income generated from the Group neither arose in, nor was derived from, Hong Kong for the six months ended 30 June 2020 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

7 PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment recognised in profit or loss	10,472	14,211
Operating lease rentals	12,938	9,847

8 DIVIDENDS

(i) Dividends payable to equity shareholders attributable to the interim period

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Declared interim dividend of HK3.98 cents per ordinary share (equivalent to approximately RMB3.56 cents (2019: RMB3.29 cents) per ordinary share)	99,502	91,845

The interim dividend has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK3.55 cents per share (six months ended 30 June 2019: HK1.98 cents per share)	90,823	48,402

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

9 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	398,136	459,311
	For the six months ended 30 June	
	2020	2019
	'000	'000
Number of shares (basic)		
Issued ordinary shares at 1 January	2,794,994	2,789,919
Effect of share options exercised	—	471
Weighted average number of ordinary shares at 30 June	2,794,994	2,790,390
Number of shares (diluted)		
Number of ordinary shares for the purpose of calculating basic earnings per share	2,794,994	2,790,390
Effect of dilutive potential ordinary shares:		
— Share options (<i>note</i>)	756	5,001
Number of ordinary shares for the purpose of calculating diluted earnings per share	2,795,750	2,795,391

Note: The computation of the diluted earnings per share for the six months ended 30 June 2020 and 2019 has taken into consideration the weighted average number of 756,000 and 5,001,000 shares deemed to be issued at nil consideration as if all outstanding share options had been exercised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

10 INVESTMENT PROPERTIES

	Total RMB'000
Fair value	
At 1 January 2020	2,656,360
Transfer from properties under development for sale and properties held for sale	80,075
Net change in fair value recognised in profit or loss	115,610
Disposals	(1,000)
	<hr/>
At 30 June 2020	2,851,045

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The investment properties are all situated in the PRC. The lease term of land on which the investment properties are situated range from 40 to 50 years. The fair values of the Group's investment properties at the respective dates of transfer and at 30 June 2020 and 31 December 2019 have been arrived at on the basis of valuations carried out on those dates by Cushman & Wakefield Limited, a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. For the completed investment properties, prior to 1 January 2020, the valuations were arrived at with adoption of investment approach by capitalisation of the rental income derived from the existing tenancies with due allowance for reversionary income potential of the properties. Currently, in addition to the investment approach, and where appropriate, a direct comparison approach is taken into account in determining valuations using an open market value basis with reference to comparable sales transactions as identified in the relevant market. In the opinion of the Directors, such adjustment in valuation technique is equally or more representative of fair value in the circumstances and the above approaches did not result in significant differences in valuation results as of 30 June 2020. For the investment properties under development, the valuations were arrived at using the residual method. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

During the six months ended 30 June 2020, the amount transferred from completed properties held for sale and properties under development for sale upon change in use included the cost of the properties held for sale and properties under development for sale amounted to RMB80,075,000 with fair value gain of approximately RMB67,925,000 (six months ended 30 June 2019: RMB162,914,000 with fair value gain of approximately RMB241,022,000) based on valuation performed at the relevant dates of transfer.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, additions to property, plant and equipment amounted to RMB14,861,000 (six months ended 30 June 2019: RMB14,523,000), consisting of buildings, motor vehicles and electronic equipment and furniture.

The Group has entered into agreements with eligible employees in connection with properties developed by the Group (the "Scheme"). Under the Scheme, the eligible employees can use the properties while remain employed by the Group for a service period ranging from 1.5 to 15 years, the title of the properties will be transferred to the eligible employees upon completion of the service period as stated under the Scheme. As at 30 June 2020, the carrying amount of leasehold land and buildings which are being occupied by the eligible employees under the Scheme amounted to RMB8,031,000 (31 December 2019: RMB9,240,000).

12 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Cost of investment in joint ventures	2,082,875	2,183,776
Share of post-acquisition gain and other comprehensive income	258,284	265,639
	2,341,159	2,449,415
Loans to joint ventures	5,665,995	5,402,789
Less: share of post-acquisition losses that are in excess of cost of the investments	(252,897)	(241,344)
	5,413,098	5,161,445

Loans to joint ventures are unsecured and expected to be recovered after one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables mainly represent rental receivables and receivable from sale of properties. Considerations in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 45 days from the agreement date.

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade receivables, net of allowance (<i>note i</i>)	420,704	513,786
Other receivables, net of allowance	6,011,997	4,537,025
Guarantee deposits for housing provident fund loans provided to customers (<i>note ii</i>)	18,269	18,733
Financial assets measured at amortised cost	6,450,970	5,069,544
Prepayments to suppliers of construction materials	626,540	362,674
Deposits paid for acquisition of land use rights	740,630	594,134
Prepaid taxes	2,291,733	1,848,884
	10,109,873	7,875,236

Notes:

- (i) The following is an ageing analysis of trade receivables based on due date for rental receivables and receivables from properties sold, which approximated the respective revenue recognition dates, at the end of the reporting period:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Less than 1 year	126,337	155,176
1–2 years	289,624	358,610
2–3 years	4,743	–
	420,704	513,786

All of the above trade receivables are overdue rental receivables and receivables from properties sold but not impaired at the end of the reporting period. For the overdue rental receivables, the Group does not hold any collateral over those balances. For receivables from properties sold, the Group holds the titles of the property units as collateral over those balances.

- (ii) Guarantee deposits for housing provident fund loans provided to customers represent amounts placed with Housing Provident Fund Management Center, a state-owned organisation responsible for the operation and management of housing provident fund, to secure the housing provident fund loans provided to customers and will be refunded to the Group upon customers obtaining the property individual ownership certificate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

14 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade and notes payables (<i>note i</i>)	3,108,649	3,239,103
Accrued expenditure on construction	1,974,322	1,636,329
Amount due to non-controlling interests	3,090,727	4,105,167
Accrued interest	214,631	154,730
Accrued payroll	514	48,640
Dividend payable	93,893	2,483
Other payables (<i>note ii</i>)	7,300,572	4,190,580
Financial liabilities measured at amortised cost	15,783,308	13,377,032
Other tax payables	118,772	21,419
	15,902,080	13,398,451

Notes:

- (i) Trade payables and accrued expenditure on construction comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe, if any.

The following is an ageing analysis of trade and notes payables based on invoice date at the end of the reporting period:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Less than 1 year	1,857,667	2,454,418
1–2 years	872,826	617,903
2–3 years	378,156	166,782
	3,108,649	3,239,103

- (ii) Other payables mainly included deposits from customers and cash advanced from potential equity investment partners.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15 BANK AND OTHER BORROWINGS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Bank borrowings, secured	4,957,614	4,311,427
Other borrowings, secured	8,665,233	6,363,450
Other borrowings, unsecured	89,450	113,799
	13,712,297	10,788,676

The borrowings are repayable:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within one year or on demand	5,349,149	7,087,864
More than one year, but not exceeding two years	5,081,999	2,233,706
More than two years, but not exceeding five years	3,231,649	1,417,106
More than five years	49,500	50,000
	13,712,297	10,788,676
Less: Amount due within one year shown under current liabilities	(5,349,149)	(7,087,864)
Amount due after one year	8,363,148	3,700,812
Analysis of borrowings by currency		
— Denominated in RMB	12,200,507	9,755,848
— Denominated in USD	1,109,091	551,322
— Denominated in HK\$	402,699	481,506
	13,712,297	10,788,676

As at 30 June 2020, the borrowings with carrying amount of RMB4,617,334,834 (31 December 2019: RMB3,891,117,000) carry interest at variable rates based on the interest rates quoted by the People's Bank of China, the effective interest rate ranges from 1.4% to 10.0% (31 December 2019: 2.9% to 10.0%) per annum and exposed the Group to cash flow interest rate risk. The remaining borrowings are arranged at fixed rate, the effective interest rate ranged from 5.88% to 15.0% (31 December 2019: from 4.6% to 15.0%) per annum at 30 June 2020, and exposed the Group to fair value interest rate risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16 CORPORATE BONDS

On 24 April 2016, the Group issued corporate bonds to the public with aggregate nominal value of RMB1,000,000,000 at 97.8% of the principal amount, which carry fixed interest of 6.4% per annum (interest payable annually in arrears), out of which the Group redeemed RMB881,762,000 on 28 April 2019 and the remaining balance will be due on 20 April 2021.

On 30 July 2019, the Group issued corporate bonds to the public with aggregate nominal value of RMB880,000,000 at 98.7% of the principal amount, which carry fixed interest of 7.8% per annum (interest payable annually in arrears) and will be due on 30 July 2022.

17 SENIOR NOTES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Carrying amount at the beginning of the period/year	6,684,999	5,613,877
Net proceeds from issuance of 2019 USD Notes I (<i>note (a)</i>)	–	1,012,714
Net proceeds from issuance of 2019 USD Notes II (<i>note (b)</i>)	–	1,349,312
Net proceeds from issuance of 2019 USD Notes III (<i>note (c)</i>)	–	1,347,453
Net proceeds from issuance of 2020 USD Notes I (<i>note (d)</i>)	1,336,076	–
Net proceeds from issuance of 2020 USD Notes II (<i>note (e)</i>)	1,015,161	–
Exchange loss	182,304	179,790
Other finance costs	52,310	9,557
Redemption	(2,494,483)	(2,827,704)
Carrying amount at the end of the period/year	6,776,367	6,684,999
Less: current portion of senior notes	(2,319,893)	(2,379,120)
Amount due after one year	4,456,474	4,305,879

Notes:

(a) 2019 USD Notes I

On 2 January 2019, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of USD150,000,000 (approximately RMB1,029,465,000) (the "2019 USD Notes I") at 100% of the principal amount, which carry fixed interest at a rate of 15.5% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 2 July 2020.

The 2019 USD Notes I are listed on the Singapore Stock Exchange, senior obligations of Modern Land (China) Co., Limited, and guaranteed by certain of the Company's existing subsidiaries. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of asset serving as security.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17 SENIOR NOTES (CONTINUED)

Notes: (Continued)

(a) 2019 USD Notes I (Continued)

At any time prior to 2 July 2020, the Company may at its option redeem the 2019 USD Notes I, in whole but not in part, at a price equal to 100% of the principal amount of the 2019 USD Notes I plus the applicable premium, which is defined as to the greater of (1) 1% of the principal amount of such senior notes and (2) the excess of (A) the present value at such redemption date of the principal amount of such senior notes, plus all required remaining scheduled interest payments due on such senior notes through the maturity date of such senior notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equals to an adjusted treasury rate plus 100 basis points, over (B) the principal amount of such senior note on such redemption date.

At any time prior to 2 July 2020, the Company may redeem up to 35% of the principal amount of the 2019 USD Notes I at a redemption price of 115.5% of the principal amount of the 2019 USD Notes I, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

In the opinion of the Directors of the Company, the fair value of the early redemption options is insignificant at initial recognition and the end of the reporting period.

(b) 2019 USD Notes II

On 20 February 2019, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of USD200,000,000 (approximately RMB1,338,020,000) (the "2019 USD Notes II") at 101.730% of the principal amount plus accrued interest from (and including) 2 January 2019 to (but excluding) 27 February 2019, which will be consolidated and form a single series with the 2019 USD Notes I as described in Note 17(a), the terms and conditions except for the issue date and issue price are the same.

(c) 2019 USD Notes III

On 25 April 2019, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of USD203,797,000 (approximately RMB1,371,696,000) (the "2019 USD Notes III") at 100.313% of the principal amount, which carry fixed interest at a rate of 12.85% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 25 October 2021.

The 2019 USD Notes III are listed on the Singapore Stock Exchange, senior obligations of Modern Land (China) Co., Limited, and guaranteed by certain of the Company's existing subsidiaries. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of asset serving as security.

At any time prior to 25 October 2021, the Company may at its option redeem the 2019 USD Notes III, in whole but not in part, at a price equal to 100% of the principal amount of the 2019 USD Notes III plus the applicable premium, which is defined as to the greater of (1) 1% of the principal amount of such senior notes and (2) the excess of (A) the present value at such redemption date of the principal amount of such senior notes, plus all required remaining scheduled interest payments due on such senior notes through the maturity date of such senior notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equals to an adjusted treasury rate plus 100 basis points, over (B) the principal amount of such senior note on such redemption date.

At any time prior to 25 October 2021, the Company may redeem up to 35% of the principal amount of the 2019 USD Notes III at a redemption price of 112.85% of the principal amount of the 2019 USD Notes III, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

In the opinion of the Directors of the Company, the fair value of the early redemption options is insignificant at initial recognition and the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17 SENIOR NOTES (CONTINUED)

Notes: (Continued)

(d) 2020 USD Notes I

On 26 February 2020, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of USD200,000,000 (approximately RMB1,383,434,000) (the "2020 USD Notes I") at 98.156% of the principal amount, which carry fixed interest at a rate of 11.8% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 26 February 2022.

The 2020 USD Notes I are listed on the Singapore Stock Exchange, senior obligations of Modern Land (China) Co., Limited, and guaranteed by certain of the Company's existing subsidiaries. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of asset serving as security.

At any time prior to 26 February 2022, the Company may at its option redeem the 2020 USD Notes I, in whole but not in part, at a price equal to 100% of the principal amount of the 2020 USD Notes I plus the applicable premium, which is defined as to the greater of (1) 1% of the principal amount of such senior notes and (2) the excess of (A) the present value at such redemption date of the principal amount of such senior notes, plus all required remaining scheduled interest payments due on such senior notes through the maturity date of such senior notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equals to an adjusted treasury rate plus 100 basis points, over (B) the principal amount of such senior note on such redemption date.

At any time and from time to time prior to February 26, 2022, the Company may redeem up to 35% of the principal amount of the 2020 USD Notes I at a redemption price of 111.8% of the principal amount 2020 USD Notes I, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

(e) 2020 USD Notes II

On 4 March 2020, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of USD150,000,000 (approximately RMB1,048,845,000) (the "2020 USD Notes II") at 97.252% of the principal amount, which carry fixed interest at a rate of 11.95% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 4 March 2024.

The 2020 USD Notes II are listed on the Singapore Stock Exchange, senior obligations of Modern Land (China) Co., Limited, and guaranteed by certain of the Company's existing subsidiaries. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of asset serving as security.

At any time prior to 4 March 2023, the Company may at its option redeem the 2020 USD Notes II, in whole but not in part, at a price equal to 100% of the principal amount of the 2020 USD Notes II plus the applicable premium, which is defined as to the greater of (1) 1% of the principal amount of such senior notes and (2) the excess of (A) the present value at such redemption date of the principal amount of such senior notes, plus all required remaining scheduled interest payments due on such senior notes through the maturity date of such senior notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equals to an adjusted treasury rate plus 100 basis points, over (B) the principal amount of such senior note on such redemption date.

At any time and from time to time prior to March 4, 2023, the Company may redeem up to 35% of the principal amount of the 2020 USD Notes II, at a redemption price of 111.95% of the principal amount, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18 SHARE CAPITAL

	Number of shares '000	Amount USD'000	Equivalent to RMB'000
Ordinary shares of USD0.01 each			
Authorised:			
At 31 December 2019 and 30 June 2020	8,000,000	80,000	524,014
Issued and fully paid:			
At 1 January 2019	2,789,919	27,890	175,341
Exercise of share options (<i>note (a)</i>)	924	9	62
At 30 June 2019 and 1 July 2019	2,790,843	27,899	175,403
Exercise of share options	4,151	42	290
At 31 December 2019 and 1 January 2020	2,794,994	27,941	175,693
Exercise of share options (<i>note (b)</i>)	–	–	–
At 30 June 2020	2,794,994	27,941	175,693

Notes:

- (a) During the six months ended 30 June 2019, share options were exercised to subscribe for 504,000 and 460,000 ordinary shares of the Company at HK\$1.041, and at HK\$1.045, respectively (equivalent to approximately RMB0.900, and RMB0.903, respectively) per share, with the aggregate amount of HK\$964,000 (equivalent to approximately RMB825,000).
- (b) No share options were exercised during the six months ended 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

19 PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group and mortgage loans granted to buyers of sold properties at the end of the reporting period:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Investment properties	1,260,225	1,260,225
Properties under development for sale	14,715,729	14,212,663
Completed properties held for sale	1,436,999	879,866
Property, plant and equipment	491,060	190,620
Equity interests in subsidiaries	1,725,006	2,348,660
Restricted cash	1,470,295	1,276,469
Guarantee deposits for housing provident fund loans provided to customers	18,269	18,733
	21,117,583	20,187,236

20 CAPITAL AND OTHER COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted but not provided for in the consolidated financial statements:		
Expenditure in respect of properties under development	14,366,430	15,453,216

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

21 CONTINGENT LIABILITIES

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the date of grant of the relevant mortgage loans and ends when the buyer obtained the individual property ownership certificate. In the opinion of the Directors, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts as at 30 June 2020 and 31 December 2019 respectively has been recognised as the default risk is considered low.

The amounts of the outstanding guarantees at the end of the reporting period are as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Mortgage guarantees	15,364,343	13,474,323

22 SHARE-BASED PAYMENT TRANSACTIONS

On 4 September 2014, the Company granted an aggregate of 25,700,000 options to two directors and six employees to subscribe for an aggregate of 25,700,000 shares in the Company, representing approximately 1.61% of the shares issued by the Company as at the date of grant.

On 10 July 2015, the Company granted an aggregate of 60,100,000 options to two directors and fifteen employees to subscribe for an aggregate of 60,100,000 shares in the Company, representing approximately 3.41% of the shares issued by the Company as at the date of grant ("Plan A").

On 10 July 2015, the Company granted an aggregate of 45,500,000 options to twelve employees to subscribe for an aggregate of 45,500,000 shares in the Company, representing approximately 2.59% of the shares issued by the Company as at the date of grant ("Plan B").

On 28 September 2016, the Company granted an aggregate of 43,000,000 options to two directors and twenty-six employees to subscribe for an aggregate of 43,000,000 shares in the Company, representing approximately 1.91% of the shares issued by the Company as at the date of grant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

22 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The details of the options granted are as follows:

	Number of options	Vesting period	Contractual life of options
Shares options granted to directors			
On 4 September 2014	15,290,000	25% from the date of grant to 3 September 2015 25% from the date of grant to 3 September 2016 25% from the date of grant to 3 September 2017 25% from the date of grant to 3 September 2018	1 years 5 years 5 years 5 years
On 10 July 2015 Plan A	4,840,000	33% from the date of grant to 10 July 2016 67% from the date of grant to 10 July 2017	3 years 3 years
On 28 September 2016	8,580,000	25% from the date of grant to 28 September 2017 25% from the date of grant to 28 September 2018 25% from the date of grant to 28 September 2019 25% from the date of grant to 28 September 2020	5 years 5 years 5 years 5 years
Shares options granted to employees			
On 4 September 2014	12,980,000	25% from the date of grant to 3 September 2015 25% from the date of grant to 3 September 2016 25% from the date of grant to 3 September 2017 25% from the date of grant to 3 September 2018	2 years 5 years 5 years 5 years
On 10 July 2015 Plan A	61,270,000	33% from the date of grant to 10 July 2016 67% from the date of grant to 10 July 2017	3 years 3 years
On 10 July 2015 Plan B	50,050,000	25% from the date of grant to 10 July 2016 25% from the date of grant to 31 December 2016 25% from the date of grant to 30 June 2017 25% from the date of grant to 31 December 2017	1.5 years 4 years 4 years 4 years
On 28 September 2016	38,720,000	25% from the date of grant to 28 September 2017 25% from the date of grant to 28 September 2018 25% from the date of grant to 28 September 2019 25% from the date of grant to 28 September 2020	5 years 5 years 5 years 5 years
Total share options	191,730,000		

The exercise of the share options by the eligible employees is conditional upon the fulfilment of certain financial indicators as set out by the Company.

The Group recognised total expense of RMB244,000 and reversed RMB307,000 during the six months ended 30 June 2020 and 2019, respectively, in relation to share options granted by the Company.

The number of options which lapsed in accordance with the terms of the scheme during the six months ended 30 June 2020 is Nil.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23 RELATED PARTY BALANCES AND TRANSACTIONS

(a) Balances with related parties

(i) Amounts due from related parties

The amounts due from related parties at the end of the reporting period are as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Amount due from a company controlled by Mr. Zhang Lei, executive director of the Company	8,869	8,812
Amount due from joint ventures and their subsidiaries	343,195	345,383
Total non-trade balances (note i)	352,064	354,195
Amount due from companies controlled by Mr. Zhang Lei	63,307	68,666
Amount due from joint ventures	273,399	342,022
Total trade balances (note ii)	336,706	410,688
Amount due from related parties	688,770	764,883
Loans to joint ventures	5,413,098	5,161,445

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(a) Balances with related parties (continued)

(i) Amounts due from related parties (continued)

Notes:

- (i) Balances at 30 June 2020 and 31 December 2019 are of non-trade nature, unsecured, interest free and repayable on demand.
- (ii) Trade receivables from related parties at 30 June 2020 and 31 December 2019 are unsecured, interest free and repayable on demand. The following is an ageing analysis of amounts due from related parties of trade nature based on invoice date which approximated the revenue recognition date, at the end of each reporting period:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Less than 1 year	318,947	396,918
1-2 years	17,759	13,770
	336,706	410,688

(ii) Amounts due to related parties

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Amount due to a company controlled by Mr. Zhang Lei	20,502	24,594
Amount due to joint ventures	3,835,529	3,436,740
Total non-trade balances (note i)	3,856,031	3,461,334
Amount due to companies controlled by Mr. Zhang Lei	52,060	53,603
Amount due to joint ventures and their subsidiaries	4,078	1,972
Total trade balance (note ii)	56,138	55,575
Amount due to related parties	3,912,169	3,516,909

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(a) Balances with related parties (continued)

(ii) Amounts due to related parties (continued)

Notes:

- (i) Balances at 30 June 2020 and 31 December 2019 are of non-trade nature, unsecured, interest free and repayable on demand.
- (ii) Trade payables to related parties are unsecured, interest free and repayable on demand. The following is an ageing analysis of amounts due to related parties of trade nature based on invoice date at the end of each reporting period:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Less than 1 year	52,587	53,962
1–2 years	3,551	1,613
	56,138	55,575

(b) Transactions with related parties

Nature of related party	Nature of transaction	For the six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Companies controlled by Mr. Zhang Lei	Rental income	449	786
Companies controlled by Mr. Zhang Lei	Income from provision of technical know-how	344	7,340
Companies controlled by Mr. Zhang Lei	Property management services expenses	59,634	73,539
Companies controlled by Mr. Zhang Lei	Property contracting services expenses	814	3,992
Joint venture	Interest income	–	–
Joint venture	Management service income	2,411	1,084
Joint venture	Income from provision of real estate agency service	54,181	22,880

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(c) Transactions with key management

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Key management compensation		
Basic salaries and allowance	9,053	7,065
Retirement benefit contribution	178	186
Share-based payment	120	165
	9,351	7,416

24 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) Issuance of senior notes

On 6 July 2020, the Company issued senior notes to the public with aggregate nominal value of USD250,000,000 at 98.301% of the principal amount, which carries fixed interest of 11.5% per annum (interest payable semi-annually in arrears) and will be fully repayable by 13 November 2022.

(ii) Grant of share options

On 7 July 2020 (the "Date of Grant"), the Company resolved to grant 47,800,000 share options to certain participants (the "Grantees"), which entitle the Grantees to subscribe for an aggregate of 47,800,000 ordinary shares of USD0.01 each of the Company. Upon acceptance of the grant of share options and subject to the terms of the share options scheme, 25% of the share options granted will vest on each of 7 July 2021, 7 July 2022, 7 July 2023 and 7 July 2024 and the validity period of the share options is five years from the Date of Grant.

INDEPENDENT AUDITOR'S REPORT



To the shareholders of Modern Land (China) Co., Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Modern Land (China) Co., Limited (“the Company”) and its subsidiaries (“the Group”) set out on pages 97 to 199, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (“the Code”) together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Refer to Note 13 to the consolidated financial statements and the accounting policies on page 115.

The Key Audit Matter

The Group held investment properties with a total carrying amount of RMB2,656 million as at 31 December 2019, which accounted for 3.9% of the Group's total assets as at that date.

The net changes in fair value of investment properties recorded in the consolidated statement of profit or loss and other comprehensive income represented 13.4% of the Group's profit before taxation for the year ended 31 December 2019.

The investment properties principally comprise retail properties mainly located in tier 1 and tier 2 cities in Mainland China.

The fair values of investment properties as at 31 December 2019 were assessed by the board of directors based on independent valuations prepared by a qualified external property valuer based on certain estimates, including capitalisation rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of investment properties included:

- evaluating the independence, competence, capability and experience of the external property valuer which included making inquiries regarding interests and relationships that may have created a threat to the external property valuer's objectivity;
- meeting the external property valuer to assess the approach to the valuations and the conclusions reached, inspecting management's instructions to the external property valuer and assessing whether there were any limitations of scope or restrictions placed upon the work of the external property valuer;
- assessing whether the properties held by the Group were valued on a consistent basis using a consistent methodology by inquiry of management and the external property valuer;

INDEPENDENT AUDITOR'S REPORT

Valuation of investment properties

Refer to Note 13 to the consolidated financial statements and the accounting policies on page 115.

The Key Audit Matter

We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the net changes in fair value of investment properties to the Group's profit before taxation and because determining the fair values of investment properties involves a significant degree of judgement and could be subject to management bias.

How the matter was addressed in our audit

- involving our internal valuation specialists to assist us in assessing the valuations prepared by the external property valuer by evaluating the valuation methodology adopted, challenging the assumptions adopted, including those relating to capitalisation rates, comparable market transactions and prevailing market rents for comparable properties in the same location and condition, by comparing these against market available data and government produced market statistics, and considering the possibility of management bias in the selection of assumptions adopted;
- comparing inputs to the valuation model, on a sample basis, with the Group's records, which included underlying lease agreements and documentation, details of the number of property units held for investment purposes and current rents; and
- considering whether the disclosures in the consolidated financial statements in respect of the valuation of investment properties reflected the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT

Assessing the net realisable value of properties under development for sale and properties held for sale

Refer to Notes 19 and 20 to the consolidated financial statements and the accounting policies on pages 119 and 120.

The Key Audit Matter

The carrying value of properties under development for sale and properties held for sale totalled RMB36,536 million as at 31 December 2019, which accounted for 53.3% of the Group's total assets as at that date.

Properties under development for sale and properties held for sale of the Group are primarily residential and retail projects, located mainly in tier 1 and tier 2 cities in Mainland China, and are stated at the lower of cost and net realisable value.

The assessment of the net realisable value of properties under development for sale and properties held for sale involves the exercise of significant management judgement, particularly in estimating forecast development costs and forecast selling prices. Forecast development costs and selling prices are inherently uncertain due to changes in market conditions.

How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of properties under development for sale and properties held for sale included:

- evaluating the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project;
- conducting site visits to property development sites, on a sample basis, and discussing with management the progress of each project and challenging management's development budgets reflected in the latest forecasts for each project with reference to market available data about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;

INDEPENDENT AUDITOR'S REPORT

Assessing the net realisable value of properties under development for sale and properties held for sale

Refer to Notes 19 and 20 to the consolidated financial statements and the accounting policies on pages 119 and 120.

The Key Audit Matter

Current property market cooling measures imposed by the local governments in certain cities in Mainland China, which include increased percentages for mortgage down payments and home purchase restrictions, could lead to volatility in property prices in these cities.

We identified assessing the net realisable value of properties under development for sale and properties held for sale as a key audit matter because the inherent uncertainties involved in assessing the net realisable value require a significant degree of management judgement and could be subject to error or management bias.

How the matter was addressed in our audit

- assessing the accuracy of management's historical forecasts of net realisable value by comparing the actual selling prices achieved in the current year with forecasts prepared in previous periods and by comparing forecast selling prices as at 31 December 2019 with actual prices achieved subsequent to the end of the reporting period;
- challenging the forecast property selling prices as estimated by management with reference to independent third party house price indices for properties of a similar type and size and in a similar location; and
- evaluating the sensitivity analyses performed by management for the key assumptions adopted in the net realisable value estimations, including forecast selling prices and forecast construction costs, and considering the possibility of error or management bias.

INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Chung Chuen.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

17 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019 – (Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Revenue	5	14,551,683	9,337,650
Cost of sales		(10,844,359)	(7,167,052)
Gross profit		3,707,324	2,170,598
Other income, gains and losses	6	269,521	206,814
Recognition of changes in fair value of completed properties held for sale and properties under development for sale upon transfer to investment properties	13	294,419	65,150
Changes in fair value of investment properties, net	13	63,054	67,072
Selling and distribution expenses		(530,141)	(432,719)
Administrative expenses		(681,494)	(574,141)
Finance costs	7	(420,065)	(257,845)
Share of profits less losses of joint ventures	16	(31,075)	161,809
Share of profits less losses of associates	15	(1,278)	(1,833)
Profit before taxation		2,670,265	1,404,905
Income tax expense	8	(1,615,818)	(742,644)
Profit for the year	9	1,054,447	662,261

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019 – (Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Other comprehensive income for the year:			
<i>Item that will not be reclassified to profit or loss:</i>			
Equity investments at fair value through other comprehensive income ("FVOCI") — net movement in fair value reserves (non-recycling), net of RMB3,861,000 tax		(11,583)	—
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations, net of nil tax		(2,978)	19,480
Total comprehensive income for the year		1,039,886	681,741
Profit for the year attributable to:			
Owners of the Company		730,672	524,791
Non-controlling interests		323,775	137,470
		1,054,447	662,261
Total comprehensive income attributable to:			
Owners of the Company		716,111	544,271
Non-controlling interests		323,775	137,470
		1,039,886	681,741
Earnings per share, in Renminbi cents:			
Basic	12	26.2	18.9
Diluted	12	26.1	18.8

Note: Details of dividends payable to owners of the Company attributable to the profit for the year are set out in Note 11.

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019 – (Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Investment properties	13	2,656,360	2,128,610
Property, plant and equipment	14	453,554	472,477
Intangible assets		8,149	2,436
Freehold land held for future development		32,507	31,980
Interests in associates	15	33,003	112,984
Interests in joint ventures	16	2,449,415	2,430,885
Loans to joint ventures	16	5,161,445	5,455,094
Equity investments at FVOCI	17	44,641	60,085
Deferred tax assets	18	980,251	751,306
		11,819,325	11,445,857
Current assets			
Properties under development for sale	19	33,242,482	23,764,203
Completed properties held for sale	20	3,293,758	2,314,191
Other inventories and contract costs		158,579	64,924
Trade and other receivables, deposits and prepayments	22	7,875,236	5,969,034
Amounts due from related parties	37(a)	764,883	353,541
Restricted cash	23	3,523,971	2,983,945
Bank balances and cash	24(a)	7,858,655	6,733,265
		56,717,564	42,183,103
Current liabilities			
Trade and other payables, deposits received and accrued charges	25	13,398,451	9,094,513
Contract liabilities	21	20,724,982	16,918,562
Amounts due to related parties	37(b)	3,516,909	1,564,072
Taxation payable	26	3,232,194	2,285,403
Bank and other borrowings — due within one year	27	7,087,864	5,550,716
Senior notes — due within one year	28	2,379,120	3,286,031
		50,339,520	38,699,297
Net current assets		6,378,044	3,483,806
Total assets less current liabilities		18,197,369	14,929,663

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019 – (Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Capital and reserves			
Share capital	30	175,693	175,341
Reserves		5,983,938	5,498,341
Equity attributable to owners of the Company		6,159,631	5,673,682
Non-controlling interests		2,444,682	1,908,277
Total equity		8,604,313	7,581,959
Non-current liabilities			
Bank and other borrowings — due after one year	27	3,700,812	3,731,390
Senior notes — due after one year	28	4,305,879	2,327,846
Corporate bonds	29	1,022,303	1,032,175
Deferred tax liabilities	18	564,062	256,293
		9,593,056	7,347,704
		18,197,369	14,929,663

Approved and authorised for issue by the board of directors on 17 April 2020.

Zhang Lei

Director

Zhang Peng

Director

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019 – (Expressed in Renminbi)

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Revaluation reserve	Share option reserve	Statutory surplus reserve	Foreign currency translation reserve	Fair value reserve (non-recycling)	Retained profits (Note)	Total	Non-controlling interests	Total equity
At 1 January 2019	175,341	820,356	343,066	40,060	16,197	585,054	13,786	-	3,679,822	5,673,682	1,908,277	7,581,959
Equity investments at FVOCI — net movement in fair value reserves (non-recycling)	-	-	-	-	-	-	-	(11,583)	-	(11,583)	-	(11,583)
Exchange differences on translating foreign operations	-	-	-	-	-	-	(2,978)	-	-	(2,978)	-	(2,978)
Other comprehensive income	-	-	-	-	-	-	(2,978)	(11,583)	-	(14,561)	-	(14,561)
Profit for the year	-	-	-	-	-	-	-	-	730,672	730,672	323,775	1,054,447
Total comprehensive income for the year	-	-	-	-	-	-	(2,978)	(11,583)	730,672	716,111	323,775	1,039,886
Share-based payment	-	-	-	-	(13,615)	-	-	-	6,058	(7,557)	-	(7,557)
Issue of shares on exercises of share options (Note 30)	352	5,355	-	-	(1,022)	-	-	-	-	4,685	-	4,685
Contribution from a company controlled by a shareholder (note b)	-	-	407	-	-	-	-	-	-	407	-	407
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	236,824	236,824
Acquisition of additional interest in subsidiaries	-	-	(85,471)	-	-	-	-	-	-	(85,471)	(176,968)	(262,439)
Return of capital to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(13,985)	(13,985)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	166,760	166,760
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Appropriations to reserves (note c)	-	-	-	-	-	78,846	-	-	(78,846)	-	-	-
Dividend (Note 11)	-	-	-	-	-	-	-	-	(142,226)	(142,226)	-	(142,226)
At 31 December 2019	175,693	825,711	258,002	40,060	1,560	663,900	10,808	(11,583)	4,195,480	6,159,631	2,444,682	8,604,313

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019 – (Expressed in Renminbi)

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Revaluation reserve	Share option reserve	Statutory surplus reserve	Foreign currency translation reserve	Retained profits (Note)	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note a)	(note b)								
At 1 January 2018	173,932	796,299	330,070	40,060	28,817	467,482	(5,694)	3,409,616	5,240,582	1,878,249	7,118,831
Exchange differences on translating foreign operations	-	-	-	-	-	-	19,480	-	19,480	-	19,480
Other comprehensive income	-	-	-	-	-	-	19,480	-	19,480	-	19,480
Profit for the year	-	-	-	-	-	-	-	524,791	524,791	137,470	662,261
Total comprehensive income for the year	-	-	-	-	-	-	19,480	524,791	544,271	137,470	681,741
Share-based payment	-	-	-	-	(7,417)	-	-	4,011	(3,406)	-	(3,406)
Issue of shares on exercises of share options (Note 30)	1,409	24,057	-	-	(5,203)	-	-	-	20,263	-	20,263
Contribution from a company controlled by a shareholder (note b)	-	-	407	-	-	-	-	-	407	-	407
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	19,362	19,362
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(5,650)	(5,650)
Acquisition of additional interest in a subsidiary	-	-	12,589	-	-	-	-	-	12,589	(200,589)	(188,000)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	147,435	147,435
Appropriations to reserves (note c)	-	-	-	-	-	117,572	-	(117,572)	-	-	-
Dividend (Note 11)	-	-	-	-	-	-	-	(141,024)	(141,024)	-	(141,024)
Dividend distribution to non-controlling interest	-	-	-	-	-	-	-	-	-	(68,000)	(68,000)
At 31 December 2018	175,341	820,356	343,066	40,060	16,197	585,054	13,786	3,679,822	5,673,682	1,908,277	7,581,959

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019 – (Expressed in Renminbi)

Notes:

- (a) Pursuant to article 134 of the Company's Articles of Association, the Company is permitted to pay out final dividend from share premium account.
- (b) Special reserve relates to acquisition of additional interests in subsidiaries, deemed acquisition of a subsidiary, disposals of partial interests in subsidiaries, contribution from a company controlled by a shareholder of the Company and deemed contribution from a shareholder of the Company.

Pursuant to the agreement dated 29 November 2010 entered into between Modern Green Development Co., Ltd. 當代節能置業股份有限公司 (formerly known as Beijing Modern Hongyun Real Estate Development Co., Ltd. 北京當代鴻運房地產經營開發有限公司) ("Modern Green") and an employee of Modern Green, the employee can use the property developed by Beijing Modern City Real Estate Development Co., Ltd. 北京當代城市房地產開發有限公司 ("Beijing Modern City Real Estate"), a company controlled by a shareholder of the Company. The title of the property will be transferred to the employee upon his completion of service with Modern Green Development for 10 years commencing from 30 October 2010. As at 29 November 2010, the market value of the property was RMB4,071,000. The Group recognised this transaction as staff cost and contribution from a company controlled by a shareholder amounted to RMB407,000 for the year ended 31 December 2019 (2018: RMB407,000).

- (c) In accordance with the Articles of Association of certain entities established in the People's Republic of China ("PRC") now comprising the Group, these entities are required to transfer 10% of the profit after taxation, prepared in accordance with PRC generally accepted accounting principles, to the statutory surplus reserve until the reserve reaches 50% of the registered capital of the respective entities. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the entities.

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019 – (Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Operating activities			
Profit before taxation		2,670,265	1,404,905
Adjustments for:			
Finance costs	7	420,065	257,845
Interest income	6	(89,712)	(110,147)
Depreciation of property, plant and equipment	9(b)	35,607	25,993
Amortisation of intangible assets	9(b)	494	278
Share-based payment	9(a)	(7,557)	(3,406)
Gain on disposal of subsidiaries	6	–	(20,386)
Gain on disposal of joint ventures	6	(3,983)	(213,346)
Gain on disposal of an associate	6	(63,733)	–
Gain on acquisition of subsidiaries		(2,749)	(12,680)
Fair value gain upon transfer from properties held for sale and properties under development for sale to investment properties	13	(294,419)	(65,150)
Changes in fair value of investment properties, net	13	(63,054)	(67,072)
(Reversal of)/allowance for doubtful debts	9(b)	(61)	38
Gain on disposal of property, plant and equipment		(47)	(29)
Contribution from a company controlled by a shareholder, recognised as staff cost		407	407
Share of losses of associates		1,278	1,833
Share of losses/(profits) of joint ventures		31,075	(148,529)
Gain on re-measurement to fair value of pre-existing interest in an acquiree	6	(293,669)	–
Gain on disposal of investment properties		(8,386)	(4,343)
Unrealised exchange loss, net		247,343	214,522
Operating cash flows before movements in working capital		2,579,164	1,260,733

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019 – (Expressed in Renminbi)

	2019 RMB'000	2018 RMB'000
Movements in working capital:		
Increase in properties under development for sale and completed properties held for sale	(2,991,384)	(2,905,249)
Increase in other inventories and contract costs	(93,655)	(25,536)
Increase in trade and other receivables, deposits and prepayments	(1,779,287)	(2,259,433)
(Increase)/decrease in amounts due from related parties	(381,868)	7,247
Increase in contract liabilities	709,701	6,121,948
Increase in trade and other payables, deposits received and accrued charges	1,587,128	2,956,952
Increase in amounts due to related parties	43,854	4,229
Cash generated from operating activities	(326,347)	5,160,891
Income tax paid	(1,284,345)	(782,143)
Net cash (used in)/generated from operating activities	(1,610,692)	4,378,748
Investing activities		
Interest received	89,712	106,732
Purchase of equity investments at FVOCI	–	(10,000)
Purchase of property, plant and equipment	(18,817)	(16,358)
Purchase of intangible assets	(6,200)	(412)
Proceeds on disposal of property, plant and equipment	3,301	1,579
Net cash inflow from disposal of interests in joint ventures	114,000	373,000
Net cash inflow/(outflow) from acquisition of subsidiaries	560,821	(190,000)
Net cash (outflow)/inflow from disposals of subsidiaries	(1)	8,386
Net cash outflow from acquisition of an associate	(5,023)	–
Investment in joint ventures	(71,084)	(47,622)
Proceeds on return of capital from a joint venture	38,919	318,996
Net cash inflow from disposal of an associate	141,220	–
Loans to joint ventures	(1,187,042)	(2,700,010)
Repayments from joint ventures	764,995	560,155
Advances to related parties	(38,741)	(232,619)
Repayments from related parties	9,267	99,223
Proceeds on disposal of investment properties	40,716	56,343
Increase in investment properties	–	(8,853)
Increase in restricted cash, net	(540,026)	(107,698)
Net cash used in investing activities	(103,983)	(1,789,158)

The notes on pages 107 to 199 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019 – (Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Financing activities			
Interest paid	24(b)	(1,754,671)	(1,264,558)
Dividend paid to owners of the Company		(141,828)	(140,587)
Dividend paid to non-controlling interests		–	(68,000)
Repayments of bank borrowings	24(b)	(4,923,596)	(3,225,533)
Repayments of other borrowings	24(b)	(3,724,790)	(2,631,380)
New bank borrowings raised	24(b)	2,032,236	1,492,792
New other borrowings raised	24(b)	6,554,640	3,088,780
Net proceeds from issue of senior notes	24(b)	3,709,479	2,198,839
Net proceeds from issue of corporate bonds	24(b)	868,625	–
Repayments of senior notes	24(b)	(2,827,704)	(1,475,942)
Repayments of corporate bond	24(b)	(881,762)	–
Repayments to related parties	24(b)	(522,676)	(1,482,852)
Advances from related parties	24(b)	2,372,413	492,469
Advances from non-controlling interests	24(b)	2,728,853	709,454
Repayments to non-controlling interests	24(b)	(581,894)	(1,070,063)
Proceeds from issue of shares upon exercise of share options	30	4,685	20,263
Return of capital to non-controlling interests		(203,193)	(188,000)
Capital contribution from non-controlling interests		134,260	141,835
Net cash generated from/(used in) financing activities		2,843,077	(3,402,483)
Net increase/(decrease) in cash and cash equivalents		1,128,402	(812,893)
Cash and cash equivalents at the beginning of the year		6,733,265	7,533,713
Effects of exchange rate changes on the balance of cash held in foreign currencies		(3,012)	12,445
Cash balance and cash equivalents at the end of the year	24(a)	7,858,655	6,733,265

The notes on pages 107 to 199 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1 GENERAL

Modern Land (China) Co., Limited (the "Company") was incorporated in the Cayman Islands on 28 June 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The Company's parent is Super Land Holdings Limited, a company incorporated in the British Virgin Islands ("BVI") and its ultimate holding company is Fantastic Energy Ltd., a company incorporated under the laws of Commonwealth of the Bahamas. These entities do not produce financial statements available for public use.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in real estate development, property investment, hotel operation, real estate agency services, and other services in the People's Republic of China (the "PRC") and the United States (the "US").

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the Group entities operate (the functional currency of the major subsidiaries of the Company).

2 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to IAS 1 and IAS 8, <i>Definition of material</i>	1 January 2020
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, <i>Reform of interbank offered rates (IBOR)</i>	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and investments in equity securities (see Note 3(o)) which are measured at fair value, as explained in the accounting policies set out below.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(c) Change in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in losing control over the subsidiaries are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests will be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(o)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 3(e)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 3(p)(i)).

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investments in associates and joint ventures (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(o)). The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(f) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue and other income (Continued)

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue arising from the sale of properties with full payment in advance before the construction of respective properties are completed, are recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual construction costs incurred relative to the estimated total construction costs.

Revenue arising from the sale of properties other than those with full payment in advance is recognised when legal assignment is complete, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see Note 3(n)).

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the IAS 23, *Borrowing Costs*, in accordance with the policies set out in Note 3(q), if significant.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue and other income (Continued)

Revenue from hotel accommodation, food and beverage sales and other ancillary services is recognised when the services are rendered.

Other service income is recognised when the services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(g) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Where properties held for sale transferred to investment properties when there is a change of intention to hold the property to earn rentals or/and capital appreciation, which is evidenced by the commencement of an operating lease to another party, any difference between the carrying amount and fair value of that item at the date of transfer is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any recognised impairment losses.

Properties in the course of construction for production, supply or administrative purpose are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives after taking into account of their estimated residual values, using the straight-line method.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

(i) Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Lease assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 3(h) and 3(p)(ii)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value.
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Lease assets (Continued)

(i) As a lessee (Continued)

Policy applicable from 1 January 2019 (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

Policy applicable prior to 1 January 2019

In comparative period, as a lessee the Group classified leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases.

When a lease included both land and building elements, the Group assessed the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element had been transferred to the Group, unless it was clear that both elements were operating leases, in which case the entire lease was classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) were allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that was accounted for as an operating lease was presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that were classified and accounted for as investment properties under the fair value model. When the lease payments could not be allocated reliably between the land and building elements, the entire lease was generally classified as a finance lease and accounted for as property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Lease assets (Continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at least inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 3(f).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 3(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Freehold land held for future development

The freehold land held for future development represents parcels of land owned by the Group for the purpose of development of properties for sale. The freehold land is initially recognised at cost and not depreciated. It would be transferred to properties under development for sale upon commencement of the related construction work in property development project.

(l) Inventories

Inventories are assets which are properties under development for sale or held for sale in the ordinary course of business.

Inventories are carried at the lower of cost and net realisable value as follows:

— Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of interests in freehold and leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 3(q)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories (Continued)

— Completed property held for resale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 3(l)), property, plant and equipment (see Note 3(h)) or intangible assets (see Note 3(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Other contract costs (Continued)

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 3(f).

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 3(f)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 3(f)).

(o) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 40(c). These investments are subsequently accounted for as follows, depending on their classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Other investments in equity securities (Continued)

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 3(f).

(p) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, restricted cash and amounts due from related parties).

Other financial assets measured at fair value, including units in bond funds, equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 3(f) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets (other than property carried at revalued amount);
- intangible assets; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 3(p)(i) and (ii)).

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The transaction date is the date on which the entity initially recognises such non-monetary assets or liabilities.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Renminbi using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

(s) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property*, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principle set out in IAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

(t) Retirement benefit costs

Payments to defined contribution retirement benefits scheme under the state-managed retirement benefit scheme in PRC are charged as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Share-based payment transactions

Equity-settled share-based payment transactions with employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

(v) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(w) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are a joint venture of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidences of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

In determining the fair value, the valuers have taken into consideration the market conditions existed at the end of each reporting period or where appropriate, a method of valuation where involves, inter alia, certain estimates including market prices, prevailing market rents for comparable properties in the same location and condition, appropriate discount rate and expected future market rents. In relying on the valuation report, the management has exercised their judgement and are satisfied that the method of valuation is reflective of the prevailing market conditions as at the end of each reporting period.

(b) Write-down of completed properties held for sale and properties under development for sale

Management performs a regular review on the carrying amount of completed properties held for sale and properties under development for sale. Based on management's review, write-down of completed properties held for sale and properties under development for sale will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties held for sale and properties under development for sale, management refers to prevailing market data such as recent sales transactions as the basis for evaluation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(c) Income tax expense

Deferred tax assets of approximately RMB980,251,000 (2018: RMB751,306,000) mainly in relation to tax losses, land appreciation tax provisions, temporary differences on property sales and cost of sales have been recognised at 31 December 2019 as set out in Note 18. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The Directors of the Company determine the deferred tax assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. The Directors of the Company have reviewed the assumptions and profit projections at the end of the reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a recognition or reversal takes place.

(d) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

(e) Revenue recognition

As explained in policy Note 3(f), revenue from the sale of properties with full payment in advance before the construction of respective properties are completed are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing on (a) sale of properties, (b) property investment, (c) hotel operation, (d) real estate agency services and (e) other services. The operating segment has been identified on the basis of internal management reports reviewed by chief operating decision maker of the Group ("CODM"), Mr. Zhang Peng, who is the President of the Group. The CODM mainly reviews the revenue information on sales of properties from property development, leasing of properties from property investment, hotel operation, real estate agency services and other services. However, other than revenue information, no operating results and other discrete financial information is available for the assessment of performance of the respective types of revenue. The CODM reviews the overall results and organisation structure of the Group as a whole to make decision about resources allocation. Accordingly, no analysis of this single reportable and operating segment is presented.

Revenue represents the fair value of the consideration received or receivable.

Entity-wide information

An analysis of the Group's revenue by type is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sale of properties	14,018,259	9,043,504
Real estate agency services	370,354	156,310
Hotel operation	71,085	71,813
Other services	35,242	1,928
	14,494,940	9,273,555
Revenue from other sources		
Property investment	56,743	64,095
	14,551,683	9,337,650
Disaggregated by timing of revenue recognition		
Point in time	12,022,720	7,832,707
Over time	2,528,963	1,504,943
	14,551,683	9,337,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5 REVENUE AND SEGMENT INFORMATION (Continued)

Geographic information

The Group's operations are substantially located in the PRC, therefore no geographical segment reporting is presented.

No revenue from transaction with single external customer amounted to 10% or more of the Group's revenue for the years ended 31 December 2019 and 2018.

6 OTHER INCOME, GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Interest income	89,712	110,147
Government grants (note a)	6,962	1,510
Remeasurement to fair value of pre-existing interest in an acquiree (note b)	293,669	–
Net exchange loss (note c)	(205,219)	(205,237)
Gain on disposal of subsidiaries	–	20,386
Gain on disposal of joint ventures (note d)	3,983	212,746
Gain on disposal of an associate (note e)	63,733	–
Others	16,681	67,262
	269,521	206,814

Notes:

- (a) Government grants represent incentive subsidies from various PRC governmental authorities. There are no conditions or future obligations attached to these subsidies.
- (b) For the year ended 31 December 2019, the Group acquired a subsidiary which was a joint venture of the Group before the acquisition. The fair value remeasurement of the Group's pre-existing interest in the acquiree resulted in a gain of RMB293,669,000. See Note 32(a).
- (c) The net exchange loss for the years ended 31 December 2019 and 2018 mainly arose from retranslation of senior notes issued by the Company denominated in US\$ due to depreciation of RMB against US\$.
- (d) For the year ended 31 December 2019, the Group disposed of the interest in a joint venture for a consideration of RMB114,000,000, which resulted in a gain of RMB3,983,000.

For the year ended 31 December 2018, the Group disposed of the interests in two joint ventures for a total consideration of RMB373,000,000, which resulted in a gain of RMB212,746,000.

- (e) For the year ended 31 December 2019, the Group disposed of the interest in an associate for a consideration of RMB145,745,000, which resulted in a gain of RMB63,733,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

7 FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on bank and other borrowings	(834,441)	(755,662)
Interest on senior notes and corporate bonds	(969,302)	(572,139)
	(1,803,743)	(1,327,801)
Less: Amount capitalised in properties under development for sale	1,383,678	1,069,956
	(420,065)	(257,845)

The borrowing costs have been capitalised at a rate of 2.2%–15.0% (2018: 2.1%–13.4%) per annum.

8 INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax		
PRC Corporate Income Tax	(1,075,949)	(791,072)
Land Appreciation Tax ("LAT")	(688,135)	(357,725)
Deferred tax (Note 18)	137,680	395,484
Over-provision of PRC Corporate Income Tax in respect of prior years	10,586	10,669
Income tax expense	(1,615,818)	(742,644)

In accordance with the Corporate Income Tax Law of the PRC, the income tax rate applicable to the Company's subsidiaries in the PRC is 25%.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided on the appreciated amount at progressive rates ranging from 30% to 60%, with certain allowable exemptions and deductions.

Pursuant to the rules and regulation of BVI and the Cayman Islands, the Group is not subject to any income tax in BVI and the Cayman Islands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8 INCOME TAX EXPENSE (Continued)

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

No provision for Hong Kong profits tax has been made as the income generated from the Group neither arose in, nor was derived from, Hong Kong for the years ended 31 December 2019 and 2018.

The actual tax expense for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
Profit before taxation	2,670,265	1,404,905
PRC corporate income tax at 25%	(667,566)	(351,226)
Provision for LAT	(688,135)	(357,725)
Tax effect of LAT deductible for PRC Corporate Income Tax	172,034	89,431
Tax effect of share of (losses)/gains of joint ventures	(7,769)	40,452
Tax effect of share of losses of associates	(320)	(458)
Tax effect of non-deductible expenses	(450,753)	(209,496)
Tax effect of non-taxable income	79,945	65,233
Tax effect of unused tax losses not recognised	(63,840)	(29,524)
Over provision of PRC Corporate Income Tax in respect of prior years	10,586	10,669
Actual tax expense	(1,615,818)	(742,644)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9 PROFIT FOR THE YEAR

	2019 RMB'000	2018 RMB'000
Profit for the year has been arrived at after charging/(crediting):		
(a) Staff cost		
Salaries, wages and other benefits	478,826	404,197
Reversal of share based payment expenses (Note 36)	(7,557)	(3,406)
	471,269	400,791
(b) Other items		
Depreciation charge		
— owned property, plant and equipment	35,607	25,993
Amortisation cost of intangible assets	494	278
Auditors' remuneration		
— Audit services	5,150	6,010
— Non-audit services	180	180
(Reversal of)/allowance for doubtful debts	(61)	38
Cost of properties held for sale	10,757,469	7,069,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	Directors' fee RMB'000	Basic salaries and allowance RMB'000	Bonus RMB'000	Retirement benefit contribution RMB'000	Share-based payment RMB'000	Total RMB'000
Year ended 31 December 2019						
Name of director						
Executive Directors						
Zhang Lei	-	2,787	2,497	73	140	5,497
Zhang Peng	-	2,604	2,460	86	140	5,290
Chen Yin	-	966	611	-	-	1,577
Non-executive Directors						
Fan Qingguo	160	-	-	-	-	160
Chen Zhiwei	-	-	-	-	-	-
Chen Anhua (resigned on 30 September 2019)	-	-	-	-	-	-
Tian Jiong (appointed on 30 September 2019)	-	-	-	-	-	-
Independent non-executive Directors						
Cui Jian	180	-	-	-	-	180
Hui Chun Ho, Eric	180	-	-	-	-	180
Qin Youguo	180	-	-	-	-	180
Zhong Bin	180	-	-	-	-	180
	880	6,357	5,568	159	280	13,244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

	Directors' fee RMB'000	Basic salaries and allowance RMB'000	Bonus RMB'000	Retirement benefit contribution RMB'000	Share-based payment RMB'000	Total RMB'000
Year ended 31 December 2018						
Name of director						
Executive Directors						
Zhang Lei	–	2,255	2,235	51	357	4,898
Zhang Peng	–	2,259	2,371	64	466	5,160
Chen Yin	–	898	349	–	–	1,247
Non-executive Directors						
Fan Qingguo	160	–	–	–	–	160
Chen Zhiwei	–	–	–	–	–	–
Chen Anhua	–	–	–	–	–	–
Independent non-executive Directors						
Cui Jian	175	–	–	–	–	175
Hui Chun Ho, Eric	175	–	–	–	4	179
Qin Youguo	175	–	–	–	–	175
Zhong Bin	175	–	–	–	–	175
	860	5,412	4,955	115	827	12,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Notes:

Mr. Zhang Lei is the Chairman of the Company and his emoluments disclosed above include those for services rendered by him as the Chairman.

Mr. Zhang Peng is the President of the Company and his emoluments disclosed above include those for services rendered by him as the President.

Mr. Chen Yin is the Chief Technology Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Technology Officer.

The bonus is determined by the management with reference to the Group's operating results, individual performance and prevailing market conditions.

The share-based payments are estimated value of the share options granted to the Directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 3(u) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

No Directors waived any emoluments during the years ended 31 December 2019 and 2018.

Five highest paid individuals

The five highest paid individuals included 2 directors for the year ended 31 December 2019 (2018: 2 directors). The emoluments of the remaining 3 highest paid individuals for the year ended 31 December 2019 (2018: remaining 3 highest paid individuals) are as follows:

	2019 RMB'000	2018 RMB'000
Employees		
Basic salaries and allowances	5,244	3,811
Bonus	905	1,681
Retirement benefit contributions	173	153
Share-based payment	146	409
	6,468	6,054

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Five highest paid individuals (Continued)

The emoluments of the remaining highest paid individuals are within the following bands:

	2019	2018
HK\$2,000,001 to HK\$2,500,000	2	2
HK\$2,500,001 to HK\$3,000,000	1	1

11 DIVIDEND

(i) Dividends payable to owners of the Company attributable to the year

	2019 RMB'000	2018 RMB'000
Interim dividend declared and paid of HK3.7 cents per ordinary share (2018: HK2.3 cents per ordinary share)	91,845	56,465
Final dividend proposed after the end of the reporting period of HK3.55 cents per ordinary share (2018: HK1.98 cents per ordinary share)	90,823	48,402
	182,668	104,867

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year

	2019 RMB'000	2018 RMB'000
Final dividend in respect of previous financial year, approved and paid during the year, of HK1.98 cents per share (2018: HK3.6 cents per share)	50,381	84,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2019 RMB'000	2018 RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	730,672	524,791
	2019 '000	2018 '000
Number of shares (basic)		
Issued ordinary shares as 1 January	2,789,919	2,768,291
Effect of share options exercised	2,219	15,010
Weighted average number of ordinary shares at 31 December	2,792,138	2,783,301
Number of shares (diluted)		
Number of ordinary shares for the purpose of calculating basic earnings per share	2,792,138	2,783,301
Effect of dilutive potential ordinary shares: Share options (note)	3,343	16,068
Number of ordinary shares for the purpose of calculating diluted earnings per share	2,795,481	2,799,369

Note: The computation of the diluted earnings per share for the year ended 31 December 2019 has taken into consideration the weighted average number of 3,343,000 shares (2018: 16,068,000 shares) deemed to be issued at nil consideration as if all outstanding share options had been exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13 INVESTMENT PROPERTIES

	Properties under construction RMB'000	Completed properties RMB'000	Total RMB'000
Fair value:			
At 1 January 2018	101,160	1,863,840	1,965,000
Additions	8,853	–	8,853
Transfer from completed properties held for sale	–	139,685	139,685
Transfer to completed properties	(124,160)	124,160	–
Net change in fair value recognised in profit or loss	14,147	52,925	67,072
Disposals	–	(52,000)	(52,000)
At 31 December 2018 and 1 January 2019	–	2,128,610	2,128,610
Transfer from completed properties held for sale	–	497,026	497,026
Net change in fair value recognised in profit or loss	–	63,054	63,054
Disposals	–	(32,330)	(32,330)
At 31 December 2019	–	2,656,360	2,656,360

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties. The investment properties are all situated in the PRC. The lease terms of land on which the investment properties are situated range from 40 to 50 years.

The Group had pledged investment properties of RMB1,260,225,000 (2018: RMB559,232,000) at 31 December 2019 to secure certain banking facilities granted to the Group as set out in Note 33.

At 31 December 2019, the amount transferred from properties held for sale upon change in use included the cost of the properties held for sale amounted to RMB202,607,000 (2018: the cost of the properties held for sale and properties under development for sale amounted to RMB74,535,000) with fair value gain of approximately RMB294,419,000 (2018: RMB65,150,000) based on valuation performed at the respective dates of transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13 INVESTMENT PROPERTIES (Continued)

The fair value of the Group's investment properties at the respective dates of transfer and as at 31 December 2019 and 2018 has been arrived at on the basis of a valuation at each of those dates carried out by Cushman & Wakefield Limited, independent qualified professional valuers not connected to the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's property manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

For the completed investment properties, the valuations were arrived at with adoption of investment approach by capitalisation of the rental income derived from the existing tenancies with due allowance for reversionary income potential of the properties. There has been no change from the valuation technique used in the prior year for the completed investment properties. For the investment properties under development, the valuations were arrived at using the residual method. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

In estimating the fair value of an asset, the Group uses market-observable data to the extent available.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2019 and 2018 are as follows:

	Fair value measurements as at 31 December 2019 Level 3 RMB'000	Fair value as at 31 December 2019 RMB'000
Investment properties located in the PRC	2,656,360	2,656,360

	Fair value measurements as at 31 December 2018 Level 3 RMB'000	Fair value as at 31 December 2018 RMB'000
Investment properties located in the PRC	2,218,610	2,218,610

During the year ended 31 December 2019, there were no transfers into or out of Level 3 during the year (2018: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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For the year ended 31 December 2019

13 INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used).

Investment properties held by the Group in the consolidated statement of financial position	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties located in Beijing, Changsha, Nanchang, Jiujiang, Taiyuan, and Xiantao, PRC (mainly retails)	Investment approach	Capitalisation rate, from 3.8% to 6.0% (2018: 3.8% to 6.0%)	The higher the capitalisation rate, the lower the market value.
	The key inputs are: 1. Capitalisation rate; 2. Unit rent of individual unit	Unit rent, from RMB50 to RMB411 (2018: from RMB49 to RMB416) per sq.m. per month	The higher the unit rent, the higher the market value.

The fair value of investment properties is determined by capitalization rate and unit rent of each project. The valuation mainly made reference to lettings within the subject property as well as other relevant comparable rental evidences of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, maintenance standards, size, time, configuration and other factors.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Within one year	73,330	79,176
In the second to fifth year inclusive	190,510	218,104
After five years	192,640	208,982
	456,480	506,262

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For the year ended 31 December 2019

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Motor vehicles RMB'000	Electronic equipment and furniture RMB'000	Properties under construction RMB'000	Total RMB'000
Cost:					
At 1 January 2018	573,222	35,475	23,006	2,348	634,051
Additions	751	11,794	3,667	146	16,358
Disposals	–	(1,742)	(5,127)	–	(6,869)
Exchange differences	32	10	22	–	64
At 31 December 2018 and 1 January 2019	574,005	45,537	21,568	2,494	643,604
Additions	6,219	7,096	5,502	–	18,817
Transfer	2,494	–	–	(2,494)	–
Acquisition of subsidiaries	24	299	764	–	1,087
Disposals	(9,912)	(4,219)	(3,524)	–	(17,655)
Exchange differences	24	5	15	–	44
At 31 December 2019	572,854	48,718	24,325	–	645,897
Accumulated depreciation:					
At 1 January 2018	110,383	23,683	16,372	–	150,438
Charge for the year	17,926	4,793	3,274	–	25,993
Eliminated on disposals	–	(1,561)	(3,758)	–	(5,319)
Exchange differences	6	4	5	–	15
At 31 December 2018 and 1 January 2019	128,315	26,919	15,893	–	171,127
Charge for the year	24,434	6,111	5,062	–	35,607
Eliminated on disposals	(7,671)	(4,134)	(2,596)	–	(14,401)
Exchange differences	5	2	3	–	10
At 31 December 2019	145,083	28,898	18,362	–	192,343
Carrying amount:					
At 31 December 2019	427,771	19,820	5,963	–	453,554
At 31 December 2018	445,690	18,618	5,675	2,494	472,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group has entered into agreements with the eligible employees in connection with certain properties developed by the Group (the "Scheme"). Under the Scheme, the eligible employees can use the properties while remain with the Group for a service period ranging from 1.5 to 15 years, the title of the properties will be transferred to the eligible employees upon the completion of the service period as stated under the Scheme. As at 31 December 2019, the carrying amount of leasehold land and buildings which were being occupied by the eligible employees under the Scheme was RMB9,240,000 (2018: RMB11,985,000).

The Group has pledged property, plant and equipment of RMB190,620,000 at 31 December 2019 to secure certain banking and other facilities granted to the Group (2018: RMB Nil) as set out in Note 33.

The above items of property, plant and equipment, other than properties under construction, are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Leasehold land and buildings	Over the shorter of unexpired lease term of land and 30 years
Leasehold land and buildings under the Scheme	1.5 to 15 years
Motor vehicles	19.0%
Electronic equipment and furniture	19.0%–31.7%

15 INTERESTS IN ASSOCIATES

Details of the Group's interests in associates are as follows:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Share of net assets	33,003	112,984

The associates are accounted for using the equity method in these consolidated financial statements. None of the Group's associates is individually material.

Aggregate information of associates that are not individually material:

	2019 RMB'000	2018 RMB'000
Aggregate amounts of the Group's share of those associates' losses and total comprehensive income for the year	(1,278)	(1,833)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

16 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

Details of the Group's interests in joint ventures are as follows:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Cost of investment in joint ventures	2,183,776	2,178,632
Share of post-acquisition profits and other comprehensive income	265,639	252,253
	2,449,415	2,430,885
Loans to joint ventures, gross	5,402,789	5,561,361
Less: Share of post-acquisition losses that are in excess of cost of the investments	(241,344)	(106,267)
	5,161,445	5,455,094

Loans to joint ventures are unsecured, have no fixed term of repayment and all the balances as at December 2019 and 2018 are interest free. All the loans to joint ventures are expected to be recovered after one year and, in substance, form part of the Group's net investments in these joint ventures.

Details of the Group's material joint ventures as at 31 December 2019 are as follows:

Name of company	Place of establishment	Effective interests attributable to the Group		Principal activities
		2019	2018	
Changsha Pengyue Real Estate Development Co., Limited* ("Changsha Pengyue") 長沙鵬躍房地產開發有限公司	PRC	51%	51%	Property development
Yango Yuegang Limited* ("Yango Yuegang") 陽光城粵港有限公司	PRC	51%	51%	Property development

* The English names of the companies which operate in the PRC are for reference only and have not been registered.

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For the year ended 31 December 2019

16 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES (Continued)

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' unaudited financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Changsha Pengyue

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Current assets	754,849	1,659,439
Non-current assets	8,651	8,702
Current liabilities	(311,617)	(1,272,856)
Net assets	451,883	395,285
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	125,390	253,681
Trade and other receivables	254,707	557,771
Properties under development for sale	284,935	744,520
Contract liabilities	(67,503)	(555,391)
Trade and other payables	(244,114)	(717,465)
	2019 RMB'000	2018 RMB'000
Revenue	672,763	1,339,398
Profit and total comprehensive income for the year	56,599	175,958

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

**16 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES
(Continued)****Summarised financial information of material joint ventures (Continued)****Changsha Pengyue (Continued)**

Reconciliation of the above summarised financial information to the carrying amount of the interest in Changsha Pengyue recognised in the consolidated financial statements:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Net assets of Changsha Pengyue	451,883	395,285
Proportion of the Group's ownership interest in Changsha Pengyue	51%	51%
Carrying amount of the Group's interest in Changsha Pengyue	230,460	201,595

Yango Yuegang

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Current assets	7,289,863	6,878,674
Non-current assets	185,716	185,718
Current liabilities	(1,523,283)	(726,785)
Non-current liabilities	(2,157,834)	(2,383,324)
Net assets	3,794,462	3,954,283
Attributable to equity shareholders	2,793,651	2,970,217
Non-controlling interest	1,000,811	984,066
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	35,338	5,761
Trade and other receivables	2,288,799	2,239,145
Properties under development for sale	4,960,055	4,631,885
Non-current financial liabilities	(2,157,834)	(2,157,834)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

16 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Yango Yuegang (Continued)

	2019 RMB'000	2018 RMB'000
Revenue	–	–
Loss and total comprehensive income for the year attributable to:		
Owners of the company	(5,734)	(32,009)
Non-controlling interest	(1,912)	(10,670)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Yango Yuegang recognised in the consolidated financial statements:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Net assets of Yango Yuegang	2,793,651	2,970,217
Proportion of the Group's ownership interest in Yango Yuegang	51%	51%
Carrying amount of the Group's interest in Yango Yuegang	1,424,762	1,514,811

Aggregate information of joint ventures that are not individually material

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	794,193	714,479
Aggregate amounts of the Group's share of those joint ventures' (losses)/profits and total comprehensive income	(57,016)	88,395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

17 EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
<i>Equity securities designated at FVOCI</i>		
— Unlisted equity securities	44,641	60,085

18 DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Investment properties RMB'000	Tax losses RMB'000	LAT provision RMB'000	Temporary differences on property sales and cost of sales RMB'000	Properties under development for sale RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	(303,269)	102,766	168,420	296,853	(151,702)	(13,539)	99,529
(Charged)/credited to profit or loss (Note 8)	(25,030)	41,162	(20,902)	263,708	55,453	81,093	395,484
At 31 December 2018 and 1 January 2019	(328,299)	143,928	147,518	560,561	(96,249)	67,554	495,013
(Charged)/credited to profit or loss (Note 8)	(89,368)	25,130	37,040	177,540	30,134	(42,796)	137,680
Acquisition of subsidiaries	—	12,501	—	—	(232,866)	—	(220,365)
Fair value changes of equity investments at FVOCI	—	—	—	—	—	3,861	3,861
At 31 December 2019	(417,667)	181,559	184,558	738,101	(298,981)	28,619	416,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18 DEFERRED TAXATION (Continued)

For the purpose of presentation in the consolidated statement of financial position. The following is the analysis of the deferred tax balances for financial reporting purpose:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Deferred tax assets	980,251	751,306
Deferred tax liabilities	(564,062)	(256,293)
	416,189	495,013

(a) Deferred tax assets not recognised

No deferred tax asset has been recognised in respect of the following unutilised tax losses due to the uncertainty of future profit streams. The unrecognised tax losses will expire in the following years:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Expiring on:		
31 December 2019	–	16,426
31 December 2020	63,547	78,521
31 December 2021	98,150	105,705
31 December 2022	145,307	254,212
31 December 2023	94,725	118,096
31 December 2024	410,164	–
Total unused tax losses not recognised as deferred tax assets	811,893	572,960

(b) Deferred tax liabilities not recognised

Under the Corporate Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB8,037,598,000 (2018: RMB6,242,704,000) as at 31 December 2019, as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits earned subsequent to 1 January 2008 will not be distributed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19 PROPERTIES UNDER DEVELOPMENT FOR SALE

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
At the beginning of the year	23,764,203	20,173,043
Additions	15,319,065	10,677,635
Transfer to properties held for sale upon completion	(11,823,186)	(7,080,211)
Acquisition of subsidiaries	5,982,400	–
Disposal of subsidiaries	–	(6,264)
At the end of the year	33,242,482	23,764,203

The properties under development are located in the PRC with lease terms ranging from 40–70 years as at 31 December 2019. The carrying amount of land use right included in properties under development and completed properties held for sale is RMB19,729,948,000 (2018: RMB15,471,358,000).

The Group has pledged properties under development for sale of RMB14,212,663,000 at 31 December 2019 to secure certain banking and other facilities granted to the Group (2018: RMB9,092,742,000 to secure certain banking and other facilities granted to the Group) as set out in Note 33.

As at 31 December 2019, properties under development for sale with carrying value of RMB11,469,521,000 (2018: RMB8,438,547,000) are expected to be completed after twelve months from the end of the reporting period.

20 COMPLETED PROPERTIES HELD FOR SALE

The Group's completed properties held for sale are stated at cost and situated in the PRC.

As at 31 December 2019, completed properties held for sale of RMB879,866,000 (2018: RMB364,990,000) are pledged to secure certain banking facilities granted to the Group as set out in Note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

21 CONTRACT LIABILITIES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Sales deposits	20,724,982	16,918,562
Movements in contract liabilities		
	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Balance at 1 January	16,918,562	10,796,614
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(9,897,526)	(5,732,038)
Acquisition of subsidiaries	3,096,719	–
Increase in contract liabilities as a result of sales deposits	10,607,227	11,853,986
Balance at 31 December	20,724,982	16,918,562

The amount of sales deposits expected to be recognised as income after more than one year is RMB4,365,370,000 (2018: RMB7,469,136,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables mainly are rental receivables and receivable from sale of properties.

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables, net of allowance	513,786	601,800
Other receivables, net of allowance	4,537,025	3,323,945
Guarantee deposits for housing provident fund loans provided to customers (note)	18,733	16,777
Loans and receivables	5,069,544	3,942,522
Prepayments to suppliers of construction materials	362,674	277,389
Deposits paid for acquisition of land use rights	594,134	374,308
Prepaid taxation	1,848,884	1,374,815
	7,875,236	5,969,034

Note: Guarantee deposits for housing provident fund loans provided to customers represent amounts placed with Housing Provident Fund Management Center, a state-owned organisation responsible for the operation and management of housing provident fund, to secure the housing provident fund loans provided to customers and will be refunded to the Group upon customers obtaining the property individual ownership certificate.

The following is an ageing analysis of trade receivables based on due date for rental receivables and revenue recognition dates for receivables from properties sold, at the end of each reporting period:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Less than 1 year	155,176	554,611
1–2 years	358,610	47,189
	513,786	601,800

All of the above trade receivables are overdue rental receivables and receivables from properties sold but not impaired at the end of the reporting period. For the overdue rental receivables, the Group does not hold any collateral over those balances. For the receivables from properties sold, the Group holds the title of the property units as collateral over those balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Movements in the allowance for doubtful debts on trade receivables are set out as follows:

	2019 RMB'000	2018 RMB'000
At the beginning and the end of the year	4,041	4,041

Movements in the allowance for doubtful debts on other receivables are set out as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	3,469	3,431
(Reversed)/provided during the year	(61)	38
At the end of the year	3,408	3,469

23 RESTRICTED CASH

	Note	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Guarantee deposits for mortgage loans provided to customers	i	153,907	116,131
Guarantee deposits for construction of pre-sold properties	ii	2,247,502	1,242,777
Guarantee deposits for bank borrowings	iii	898,254	1,571,286
Guarantee deposits for notes payable		224,308	53,751
Balance of restricted cash		3,523,971	2,983,945

Notes:

- (i) Guarantee deposits for mortgage loans provided to customers represent restricted cash placed with the banks to secure the mortgage guarantees provided to customers and will be released upon customers obtaining the individual property ownership certificate.
- (ii) In accordance with relevant documents issued by the PRC local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place the proceeds received from pre-sale of properties as guarantee deposits for construction of properties. The deposits can only be used to pay for construction fees and purchase of construction materials of the relevant projects when approvals are obtained from the PRC local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.
- (iii) During the year, the Group obtained certain bank borrowings which are secured by guarantee deposits.

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24 BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION

(a) Bank balances and cash

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Cash at bank and in hand	11,382,626	9,717,210
Less: Restricted cash	(3,523,971)	(2,983,945)
	7,858,655	6,733,265

Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

The deposits carry variable rates of 0.3%–1.8% per annum as at 31 December 2019 (2018: 0.4%–2.5%).

Bank balances and cash at 31 December 2019 were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

24 BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other borrowings RMB'000 (Note 27)	Senior notes RMB'000 (Note 28)	Corporate bonds RMB'000 (Note 29)	Amounts due to related parties RMB'000 (Note 37(b))	Amounts due to non- controlling interests RMB'000 (Note 25)	Accrued interest RMB'000	Total RMB'000
At 1 January 2019	9,282,106	5,613,877	1,032,175	1,552,351	1,945,902	118,480	19,544,891
Changes from financing cash flows:							
New bank borrowings raised	2,032,236	-	-	-	-	-	2,032,236
Repayments of bank borrowings	(4,923,596)	-	-	-	-	-	(4,923,596)
New other borrowings raised	6,554,640	-	-	-	-	-	6,554,640
Repayments of other borrowings	(3,724,790)	-	-	-	-	-	(3,724,790)
Net proceeds from issue of senior notes	-	3,709,479	-	-	-	-	3,709,479
Repayments of senior notes	-	(2,827,704)	-	-	-	-	(2,827,704)
Net proceeds from issue of corporate bonds	-	-	868,625	-	-	-	868,625
Repayments of corporate bonds	-	-	(881,762)	-	-	-	(881,762)
Advances from related parties	-	-	-	2,372,413	-	-	2,372,413
Repayments to related parties	-	-	-	(522,676)	-	-	(522,676)
Repayments to non-controlling interests	-	-	-	-	(581,894)	-	(581,894)
Advances from non-controlling interests	-	-	-	-	2,728,853	-	2,728,853
Interest paid	-	-	-	-	-	(1,754,671)	(1,754,671)
	9,220,596	6,495,652	1,019,038	3,402,088	4,092,861	(1,636,191)	22,594,044
Exchange adjustments	68,080	179,790	-	-	-	-	247,870
Other changes:							
Acquisition of subsidiaries	1,500,000	-	-	-	12,306	-	1,512,306
Finance costs	-	9,557	3,265	-	-	407,243	420,065
Amount capitalised in properties under development for sale	-	-	-	-	-	1,383,678	1,383,678
Return of capital to non-controlling interests-non cash	-	-	-	59,246	-	-	59,246
Total other changes	1,500,000	9,557	3,265	59,246	12,306	1,790,921	3,375,295
At 31 December 2019	10,788,676	6,684,999	1,022,303	3,461,334	4,105,167	154,730	26,217,209

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24 BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Bank and other borrowings RMB'000 (Note 27)	Senior notes RMB'000 (Note 28)	Corporate bond RMB'000 (Note 29)	Amounts due to related parties RMB'000 (Note 37(b))	Amounts due to non- controlling interests RMB'000 (Note 25)	Accrued interest RMB'000	Total RMB'000
At 1 January 2018	10,519,130	4,693,958	1,027,672	2,542,734	2,306,511	80,557	21,170,562
Changes from financing cash flows:							
New bank borrowings raised	1,492,792	-	-	-	-	-	1,492,792
Repayments of bank borrowings	(3,225,533)	-	-	-	-	-	(3,225,533)
New other borrowings raised	3,088,780	-	-	-	-	-	3,088,780
Repayments of other borrowings	(2,631,380)	-	-	-	-	-	(2,631,380)
Net proceeds from issue of senior notes	-	2,198,839	-	-	-	-	2,198,839
Repayments of senior notes	-	(1,475,942)	-	-	-	-	(1,475,942)
Advances from related parties	-	-	-	492,469	-	-	492,469
Repayments to related parties	-	-	-	(1,482,852)	-	-	(1,482,852)
Repayments to non-controlling interests	-	-	-	-	(1,070,063)	-	(1,070,063)
Advances from non-controlling interests	-	-	-	-	709,454	-	709,454
Interest paid	-	-	-	-	-	(1,264,558)	(1,264,558)
	9,243,789	5,416,855	1,027,672	1,552,351	1,945,902	(1,184,001)	18,002,568
Exchange adjustments	38,317	176,205	-	-	-	-	214,552
Other changes:							
Finance costs	-	20,817	4,503	-	-	232,525	257,845
Amount capitalised in properties under development for sale	-	-	-	-	-	1,069,956	1,069,956
Total other changes	-	20,817	4,503	-	-	1,302,481	25,320
At 31 December 2018	9,282,106	5,613,877	1,032,175	1,552,351	1,945,902	118,480	19,544,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Trade and notes payables	3,239,103	2,277,935
Accrued expenditure on construction	1,636,329	845,742
Amounts due to non-controlling interests	4,105,167	1,945,902
Accrued interest	154,730	118,480
Accrued payroll	48,640	20,377
Dividend payable	2,483	2,085
Other payables	4,190,580	3,876,792
Financial liabilities measured at amortised cost	13,377,032	9,087,313
Other tax payables	21,419	7,200
	13,398,451	9,094,513

Trade payables and accrued expenditure on construction comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe, if any.

The following is an ageing analysis of trade payables based on invoice date at the end of the reporting period:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Less than 1 year	2,454,418	1,935,105
1 to 2 years	617,903	338,346
More than 2 years and up to 3 years	166,782	4,484
	3,239,103	2,277,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26 TAXATION PAYABLE

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
LAT payable	2,057,736	1,475,528
Income tax payable	1,174,458	809,875
	3,232,194	2,285,403

27 BANK AND OTHER BORROWINGS

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Bank loans, secured	4,311,427	5,634,706
Other loans, secured	6,363,450	3,647,400
Other loans, unsecured	113,799	–
	10,788,676	9,282,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 BANK AND OTHER BORROWINGS (Continued)

The borrowings are repayable:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Within one year or on demand	7,087,864	5,550,716
More than one year, but not exceeding two years	2,233,706	3,031,390
More than two years, but not exceeding five years	1,417,106	630,000
More than five years	50,000	70,000
	10,788,676	9,282,106
Less: Amount due within one year shown under current liabilities	(7,087,864)	(5,550,716)
	3,700,812	3,731,390
Analysis of borrowings by currency		
— Denominated in RMB	9,755,848	7,506,531
— Denominated in US\$	551,322	533,590
— Denominated in HK\$	481,506	1,241,985
	10,788,676	9,282,106

Certain bank and other loans as at the end of the reporting period were secured by the pledge of assets as set out in Note 33.

Borrowings include RMB3,891,117,000 (2018: RMB4,453,828,000) variable rate borrowings which carry interest ranging from 2.9% to 10.0% (2018: 2.1% to 8.5%) per annum as at 31 December 2019, and exposed the Group to cash flow interest rate risk. The remaining borrowings are arranged at fixed rate, the effective interest rates ranged from 4.6% to 15.0% (2018: 3.8% to 13.4%) per annum as at 31 December 2019, and exposed the Group to fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28 SENIOR NOTES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Carrying amount at the beginning of the year	5,613,877	4,693,958
Net proceeds from issuance of 2018 USD Notes (note (a))	–	2,198,839
Net proceeds from issuance of 2019 USD Notes I (note (b))	1,012,714	–
Net proceeds from issuance of 2019 USD Notes II (note (c))	1,349,312	–
Net proceeds from issuance of 2019 USD Notes III (note (d))	1,347,453	–
Exchange loss	179,790	176,205
Other finance costs	9,557	20,817
Redemption	(2,827,704)	(1,475,942)
Carrying amount at the end of the year	6,684,999	5,613,877
Less: Current portion of senior notes	(2,379,120)	(3,286,031)
	4,305,879	2,327,846

(a) 2018 USD Notes

On 5 March 2018, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$350,000,000 (equivalent to approximately RMB2,372,755,000) (the "2018 USD Notes"), at 100.0% of the principal amount of the 2018 USD Notes, which carry fixed interest at 8.0% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 5 March 2021.

The above senior notes are listed on the Singapore Stock Exchange, are senior obligations of the Company, and guaranteed by certain of the Company's existing subsidiaries other than those established under the laws of the PRC. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of assets serving as security.

At any time prior to 5 March 2021, the Company may at its option redeem the 2018 USD Notes, in whole but not in part, at a price equal to 100.0% of the principal amount of the 2018 USD Notes plus the applicable premium (which is defined as to the greater of (1) 1.0% of the principal amount of such senior notes and (2) the excess of (A) the present value at such redemption date of the principal amount of such senior notes, plus all required remaining scheduled interest payments due on such senior notes through the maturity date of such senior notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to an adjusted treasury rate plus 100 basis points, over (B) the principal amount of such senior note on such redemption date.

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For the year ended 31 December 2019

28 SENIOR NOTES (Continued)

(a) 2018 USD Notes (Continued)

At any time prior to 5 March 2021, the Company may redeem up to 35.0% of the principal amount of the 2018 USD Notes at a redemption price of 108.0% of the principal amount of the 2018 USD Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65.0% of the aggregate principal amount of the 2018 USD 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.

In the opinion of the Directors of the Company, the fair value of the early redemption options is insignificant at initial recognition and the end of the reporting period.

(b) 2019 USD Notes I

On 2 January 2019, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$150,000,000 (approximately RMB1,029,465,000) (the "2019 USD Notes I") at 100.0% of the principal amount, which carry fixed interest at a rate of 15.5% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 2 July 2020.

The 2019 USD Notes I are listed on the Singapore Stock Exchange, are senior obligations of the Company, and guaranteed by certain of the Company's existing subsidiaries established under the laws of the PRC. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of asset serving as security.

At any time prior to 2 July 2020, the Company may at its option redeem the 2019 USD Notes I, in whole but not in part, at a price equal to 100.0% of the principal amount of the 2019 USD Notes I plus the applicable premium, which is defined as to the greater of (1) 1.0% of the principal amount of such senior notes and (2) the excess of (A) the present value at such redemption date of the principal amount of such senior notes, plus all required remaining scheduled interest payments due on such senior notes through the maturity date of such senior notes (but excluding accrued and unpaid interest to the redemption date, computed using a discount rate equals to an adjusted treasury rate plus 100 basis points, over (B) the principal amount of such senior note on such redemption date.

At any time prior to 2 July 2020, the Company may redeem up to 35.0% of the principal amount of the 2019 USD Notes I at a redemption price of 115.5% of the principal amount of the 2019 USD Notes I, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

In the opinion of the Directors of the Company, the fair value of the early redemption options is insignificant at initial recognition and the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28 SENIOR NOTES (Continued)

(c) 2019 USD Notes II

On 20 February 2019, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$200,000,000 (approximately RMB1,338,020,000) (the "2019 USD Notes II") at 101.7% of the principal amount plus accrued interest from (and including) 2 January 2019 to (but excluding) 27 February 2019, which will be consolidated and form a single series with the 2019 USD Notes I as described in Note 28(b), which carry fixed interest at a rate of 15.5% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 2 July 2020.

The 2019 USD Notes II are listed on the Singapore Stock Exchange, are senior obligations of the Company, and guaranteed by certain of the Company's existing subsidiaries established under the laws of the PRC. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of asset serving as security.

At any time prior to 2 July 2020, the Company may at its option redeem the 2019 USD Notes II, in whole but not in part, at a price equal to 100.0% of the principal amount of the 2019 USD Notes II plus the applicable premium, which is defined as to the greater of (1) 1.0% of the principal amount of such senior notes and (2) the excess of (A) the present value at such redemption date of the principal amount of such senior notes, plus all required remaining scheduled interest payments due on such senior notes through the maturity date of such senior notes (but excluding accrued and unpaid interest to the redemption date, computed using a discount rate equals to an adjusted treasury rate plus 100 basis points, over (B) the principal amount of such senior note on such redemption date.

At any time prior to 2 July 2020, the Company may redeem up to 35.0% of the principal amount of the 2019 USD Notes II at a redemption price of 115.5% of the principal amount of the 2019 USD Notes II, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

In the opinion of the Directors of the Company, the fair value of the early redemption options is insignificant at initial recognition and the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28 SENIOR NOTES (Continued)

(d) 2019 USD Notes III

On 25 April 2019, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$203,797,000 (approximately RMB1,371,696,000) (the "2019 USD Notes III") at 100.3% of the principal amount, which carry fixed interest at a rate of 12.9% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 25 October 2021.

The 2019 USD Notes III are listed on the Singapore Stock Exchange, are senior obligations of the Company, and guaranteed by certain of the Company's existing subsidiaries established under the laws of the PRC. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of asset serving as security.

At any time prior to 25 October 2021, the Company may at its option redeem the 2019 USD Notes III, in whole but not in part, at a price equal to 100.0% of the principal amount of the 2019 USD Notes III plus the applicable premium, which is defined as to the greater of (1) 1.0% of the principal amount of such senior notes and (2) the excess of (A) the present value at such redemption date of the principal amount of such senior notes, plus all required remaining scheduled interest payments due on such senior notes through the maturity date of such senior notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to an adjusted treasury rate plus 100 basis points, over (B) the principal amount of such senior note on such redemption date.

At any time prior to 25 October 2021, the Company may redeem up to 35.0% of the principal amount of the 2019 USD Notes III at a redemption price of 112.9% of the principal amount of the 2019 USD Notes III, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

In the opinion of the Directors of the Company, the fair value of the early redemption options is insignificant at initial recognition and the end of the reporting period.

29 CORPORATE BONDS

On 24 April 2016, the Group issued corporate bonds to the public with aggregate nominal value of RMB1,000,000,000 at 97.8% of the principal amount, which carry fixed interest of 6.4% per annum (interest payable annually in arrears), out of which the Group redeemed RMB881,762,000 on 28 April 2019 and the remaining balances will be repayable by 20 April 2021.

On 30 July 2019, the Group issued corporate bonds to the public with aggregate nominal value of RMB880,000,000 at 98.7% of the principal amount, which carry fixed interest of 7.8% per annum (interest payable annually in arrears) and will be due on 30 July 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30 SHARE CAPITAL

	Number of shares '000	Amount USD'000	Equivalent to RMB'000
Ordinary shares of US\$0.01 each			
Authorised:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	8,000,000	80,000	524,014
Issued and fully paid:			
At 1 January 2018	2,768,291	27,674	173,932
Exercise of share options (note)	21,628	216	1,409
At 31 December 2018 and 1 January 2019	2,789,919	27,890	175,341
Exercise of share options (note)	5,075	51	352
At 31 December 2019	2,794,994	27,941	175,693

Note: During the year ended 31 December 2019, share options were exercised to subscribe for 4,635,250 and 440,000 ordinary shares of the Company at HK\$1.041 and HK\$1.045 (equivalent to approximately RMB0.9234 and RMB0.9201) per share, with the aggregate proceeds of HK\$5,285,000 (equivalent to approximately RMB4,685,000). During the year ended 31 December 2018, share options were exercised to subscribe for 994,000, 1,622,500 and 19,011,600 ordinary shares of the Company at HK\$1.041, HK\$1.045 and HK\$1.138 (equivalent to approximately RMB0.879, RMB0.838 and RMB0.948) per share, with the aggregate proceeds of HK\$24,365,000 (equivalent to approximately RMB20,263,000). Details of the share options are summarised in Note 36.

31 RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group entities in the PRC contribute funds which are calculated at a certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32 ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Beijing Runjin Real Estate Development Co., Ltd. (“Beijing Runjin”)

Beijing Runjin is a property development company. The Group held 50.98% equity interests in Beijing Runjin, with the remaining 49.02% equity interest held by two other independent parties as at 31 December 2018. Pursuant to the Articles of Association of Beijing Runjin, the relevant business activities of Beijing Runjin required unanimous consent of the shareholders and the board of directors. Therefore, Beijing Runjin was accounted for as a joint venture of the Group as at 31 December 2018.

During the year ended 31 December 2019, the Group entered into an agreement with the other two shareholders, whereby it was agreed that, among other things, major decisions of Beijing Runjin shall be resolved at the directions of the Group. Since then, the Group has obtained control over Beijing Runjin, which therefore has become a non-wholly-owned subsidiary of the Group.

The following table summaries the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Total RMB'000
Property, plant and equipment	461
Intangible assets	7
Properties under development for sale	5,028,400
Trade and other receivables, deposits and prepayments	1,755,026
Bank balances and cash	652,094
Trade and other payables, deposits received and accrued charges	(2,590,832)
Contract liabilities	(2,626,730)
Bank and other borrowings	(1,500,000)
Deferred tax liabilities	(206,749)
Identifiable net assets acquired	511,677
Fair value of pre-existing interests in joint ventures (note)	(260,853)
Non-controlling interests	(250,824)
Total consideration satisfied by cash	—
Net cash inflow arising on acquisitions:	
Cash paid	—
Bank balances and cash acquired	652,094
	652,094

Note: The remeasurement to fair value of the Group's pre-existing interest in these acquiree resulted in a gain of RMB293,669,000, which has been included in “Other income, gain and losses”(see Note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32 ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of Heze Haigang Real Estate Development Co., Ltd. (“Heze Haigang”)

Heze Haigang is a property development company. The Group acquired 100% equity interests in Heze Haigang from a third party as at 31 December 2019.

The following table summaries the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Total RMB'000
Property, plant and equipment	626
Properties under development for sale	954,000
Deferred tax assets	12,501
Trade and other receivables, deposits and prepayments	149,310
Bank balances and cash	16,630
Trade and other payables, deposits received and accrued charges	(552,432)
Contract liabilities	(469,989)
Deferred tax liabilities	(26,117)
Identifiable net assets acquired	84,529
Total consideration satisfied by cash	81,780
Net cash inflow arising on acquisitions:	
Cash paid	(81,780)
Bank balances and cash acquired	16,630
	(65,150)

The difference between consideration transferred and fair value of identified net assets resulted in a gain of RMB2,749,000, which has been included in “Other income, gain and losses”.

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For the year ended 31 December 2019

33 PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group and mortgage loans granted to buyers of sold properties at the end of reporting period:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Investment properties	1,260,225	559,232
Properties under development for sale	14,212,663	9,092,742
Completed properties held for sale	879,866	364,990
Property, plant and equipment	190,620	–
Equity interests in subsidiaries	2,348,660	475,828
Restricted cash	1,276,469	1,741,168
Guarantee deposits for housing provident fund loans provided to customers	18,733	16,777
	20,187,236	12,250,737

34 CAPITAL AND OTHER COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Contracted but not provided for in the consolidated financial statements:		
Expenditure in respect of properties under development for sale	15,453,216	7,864,247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35 CONTINGENT LIABILITIES

- (a) The Group has provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is a default of the mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the date of grant of the mortgage loan and ends after the purchaser has obtained the individual property ownership certificate. In the opinion of the Directors of the Company, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

The amounts of the outstanding guarantees given to banks for mortgage facilities at the end of the reporting period are as follows:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Mortgage guarantees	13,474,323	11,587,338

- (b) The Group provided guarantees to bank loans and other loans of joint ventures amounting to RMBnil at 31 December 2019 (2018: RMB998,000,000).

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36 SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the share option scheme (the “Share Option Scheme”) adopted by the Company on 14 June 2013, the board of directors of the Company (the “Board”) may grant Share options to eligible participants entitling to subscribe for a total up to 279,084,340 shares, representing 10.0% of the total number of issued shares as at the date on which the resolution regarding the refreshment of the scheme mandate limit under the Share Option Scheme was passed at the annual general meeting held on 18 June 2019, being 2,790,843,400 shares.

The maximum entitlement of each participant under the scheme in any 12-month period up to the date of grant shall not exceed 1.0% of the shares in issue as of the date of grant. The exercise price of the options shall be at least the highest of: (a) the official closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange on the date of grant; (b) the average of the official closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share.

On 4 September 2014, the Company granted an aggregate of 25,700,000 options to two directors and six employees to subscribe for an aggregate of 25,700,000 shares in the Company, representing approximately 1.6% of the shares issued by the Company as at the date of grant.

On 10 July 2015, the Company granted an aggregate of 60,100,000 options to two directors and fifteen employees to subscribe for an aggregate of 60,100,000 shares in the Company, representing approximately 3.4% of the shares issued by the Company as at the date of grant (“Plan A”).

On 10 July 2015, the Company granted an aggregate of 45,500,000 options to twelve employees to subscribe for an aggregate of 45,500,000 shares in the Company, representing approximately 2.6% of the shares issued by the Company as at the date of grant (“Plan B”).

On 28 September 2016, the Company granted an aggregate of 43,000,000 options to two directors and twenty-six employees to subscribe for an aggregate of 43,000,000 shares in the Company, representing approximately 1.9% of the shares issued by the Company as at the date of grant.

At 31 December 2019, the number of shares in respect of which options has been granted and remained outstanding under the Share Option Scheme was 24,912,500 (31 December 2018: 63,092,000), representing 0.9% (31 December 2018: 2.3%) of the shares of the Company in issue at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The details of the options granted are as follows:

	Number of options*	Vesting period	Contractual life of options
Share options granted to directors			
On 4 September 2014	15,290,000	25% from the date of grant to 3 September 2015	2 years
		25% from the date of grant to 3 September 2016	5 years
		25% from the date of grant to 3 September 2017	5 years
		25% from the date of grant to 3 September 2018	5 years
On 10 July 2015 Plan A	4,840,000	33% from the date of grant to 10 July 2016	3 years
		67% from the date of grant to 10 July 2017	3 years
On 28 September 2016	8,580,000	25% from the date of grant to 28 September 2017	5 years
		25% from the date of grant to 28 September 2018	5 years
		25% from the date of grant to 28 September 2019	5 years
		25% from the date of grant to 28 September 2020	5 years
Share options granted to employees			
On 4 September 2014	12,980,000	25% from the date of grant to 3 September 2015	2 years
		25% from the date of grant to 3 September 2016	5 years
		25% from the date of grant to 3 September 2017	5 years
		25% from the date of grant to 3 September 2018	5 years
On 10 July 2015 Plan A	61,270,000	33% from the date of grant to 10 July 2016	3 years
		67% from the date of grant to 10 July 2017	3 years
On 10 July 2015 Plan B	50,050,000	25% from the date of grant to 10 July 2016	1.5 year
		25% from the date of grant to 31 December 2016	4 years
		25% from the date of grant to 30 June 2017	4 years
		25% from the date of grant to 30 June 2018	4 years
On 28 September 2016	38,720,000	25% from the date of grant to 28 September 2017	5 years
		25% from the date of grant to 28 September 2018	5 years
		25% from the date of grant to 28 September 2019	5 years
		25% from the date of grant to 28 September 2020	5 years
Total share options	191,730,000		
Exercisable at 31 December 2018	36,389,500		
Exercisable at 31 December 2019	17,130,000		

The exercise of the share options by the eligible directors and employees is conditional upon the fulfilment of certain financial indicators as set out by the Company.

* The number of options are adjusted after the bonus issue of share on 9 October 2017.

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36 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the Company's share options held by directors and employees during the year ended 31 December 2019 and 2018:

Option type	Exercise price	Outstanding at 1 January 2019	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31 December 2019
2014	HK\$1.041	17,444,500	(4,635,250)	-	(12,809,250)	-
2015 Plan B	HK\$1.138	15,400,000	-	(2,750,000)	(12,650,000)	-
2016	HK\$1.045	30,247,500	(440,000)	(4,895,000)	-	24,912,500
		63,092,000	(5,075,250)	(7,645,000)	(25,459,250)	24,912,500

Option type	Exercise price	Outstanding at 1 January 2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31 December 2018
2014	HK\$1.041	18,438,500	(994,000)	-	-	17,444,500
2015 Plan A	HK\$1.138	29,562,000	(18,186,600)	(1,870,000)	(9,505,400)	-
2015 Plan B	HK\$1.138	22,275,000	(825,000)	(6,050,000)	-	15,400,000
2016	HK\$1.045	39,680,000	(1,622,500)	(7,810,000)	-	30,247,500
		109,955,500	(21,628,100)	(15,730,000)	(9,505,400)	63,092,000

Note: The weighted average share price at the date of exercise for share options exercised during the year is HK\$1.041 (2018: HK\$1.383).

The Group reversed total expense of RMB7,557,000 (2018: reversed total expense of RMB3,406,000) for the year ended 31 December 2019 in relation to share options under the Share Option Scheme granted by the Company.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the binomial option pricing model. The contractual life of the share option is used as an input into this model.

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37 RELATED PARTY BALANCES AND TRANSACTIONS

- (a) At the end of the reporting period, the Group has amounts receivable from the following related parties and the details are set out below:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Amount due from companies controlled by Mr. Zhang Lei	8,812	7,703
Amounts due from joint ventures and their subsidiaries	345,383	317,018
Total non-trade balance (note i)	354,195	324,721
Amount due from companies controlled by Mr. Zhang Lei	68,666	16,391
Amounts due from joint ventures and their subsidiaries	342,022	12,429
Total trade balance (note ii)	410,688	28,820
	764,883	353,541
Loans to joint ventures (note iii)	5,161,445	5,455,094

Notes:

- (i) Balances at 31 December 2019 and 2018 are of non-trade nature, unsecured, interest free and repayable on demand.
- (ii) Trade receivables from related parties at 31 December 2019 and 2018 are unsecured, interest free and repayable on demand. The following is an ageing analysis of amounts due from related parties of trade nature based on invoice date which approximated the revenue recognition date, at the end of each reporting period:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Less than 1 year	396,918	28,280
1-2 years	13,770	540
	410,688	28,820

- (iii) The terms of loans to joint ventures are disclosed in Note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(b) At the end of the reporting period, the Group has amounts payable to the following related parties and the details are set out below:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Amounts due to an associate	24,594	–
Amounts due to joint ventures and their subsidiaries	3,436,740	1,552,351
Total non-trade balance (note i)	3,461,334	1,552,351
Amount due to companies controlled by Mr. Zhang Lei	53,603	11,721
Amounts due to joint ventures and their subsidiaries	1,972	–
Total trade balance (note ii)	55,575	11,721
	3,516,909	1,564,072

Notes:

- (i) Balances at 31 December 2019 and 2018 are of non-trade nature, unsecured, interest free and repayable on demand.
- (ii) Trade payables to related parties are unsecured, interest free and repayable on demand. The following is an ageing analysis of amounts due to related parties of trade nature based on invoice date at the end of each reporting period:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Less than 1 year	53,962	11,721
1–2 years	1,613	–
	55,575	11,721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(c) During the year, the Group entered into the following transactions with its related parties:

Nature of related party	Nature of transaction	2019 RMB'000	2018 RMB'000
Companies controlled by Mr. Zhang Lei	Rental income	1,412	1,252
Companies controlled by Mr. Zhang Lei	Energy-saving advisory expenses	16,460	7,901
Companies controlled by Mr. Zhang Lei	Property management service expenses	123,639	142,724
Companies controlled by Mr. Zhang Lei	Property contracting service expenses	13,156	4,751
Companies controlled by Mr. Zhang Lei	Sales of properties revenue	11,174	–
Joint venture	Income from provision of technical know-how	–	493
Joint venture	Income from real estate agency services	344,933	13,837
Joint venture	Interest income	–	6,179
Joint venture	Management service income	2,845	10,546

(d) Transaction with key management personnel

	2019 RMB'000	2018 RMB'000
Key management compensation		
Short-term benefits	25,566	19,586
Post-employment benefits	521	369
Share-based payment	426	1,336
	26,513	21,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(e) The Listing Rules relating to connected transactions

The related party transactions in respect of rental income from related parties, and property management service expenses, property contracting service expenses and energy-saving advisory expenses charged by related parties above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section Continuing Connected Transactions of the Directors' Report.

38 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings, senior notes and corporate bonds disclosed in Notes 27, 28 and 29, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits. The capital structure of the Company consists of net debt, which includes the borrowings, senior notes and corporate bonds, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors of the Company review the capital structure on a regular basis. As part of this review, the Directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to balance its overall capital structure.

39 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
The Group		
Financial assets		
Loans and receivables (including bank balances and cash)	17,217,054	13,788,271
Equity investments at FVOCI	44,641	60,085
Financial liabilities		
Liabilities measured at amortised cost	35,341,279	26,559,163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, other equity investment at FVOCI, restricted cash, bank balances and cash, trade and other payables, amounts due to related parties, bank and other borrowings, senior notes and corporate bonds. Details of these financial instruments are set out in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates, foreign currency exchange rates risks and other price risk (see below).

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk over the year.

(1) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and deposits, restricted cash and bank borrowings which carry at prevailing deposit interest rates and variable rate based on the interest rates quoted by the People's Bank of China, London Interbank Offered Rate and Hongkong Interbank Offered Rate.

The Group's fair value interest rate risk relates primarily to its fixed rate senior notes, corporate bonds and other borrowings.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(1) Interest rate risk (Continued)

Interest rate sensitivity

The sensitivity analysis below has been prepared based on the exposure to interest rates on bank balances and deposits, restricted cash and variable rate bank borrowings at the end of each reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. A 20 basis points increase or decrease in interest rate for variable rate borrowings and a 10 basis points increase or decrease in interest rate for bank balances and deposits and restricted cash are used when reporting interest rate risk internally to key management personnel.

If interest rates had been increased/decreased by 20 basis points in respect of variable rate bank borrowings and all other variables were held constant, the Group's profit after tax (net of interest capitalisation effect) and retained profits would decrease/increase by approximately RMB1,550,000 (2018: RMB5,982,000) for the year ended 31 December 2019.

If interest rates had been increased/decreased by 10 basis points in respect of bank balances and deposits and restricted cash and all other variables were held constant, the Group's profit after tax and retained profits would increase/decrease by approximately RMB8,537,000 (2018: RMB7,288,000) for the year ended 31 December 2019.

(2) Price risk

The Group is exposed to equity price risks through its other non-current financial assets. At 31 December 2019, the management considers that the Group's exposure to fluctuation in equity price is minimal. Accordingly, no sensitivity analysis is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(3) Foreign currency risk

The functional currency of the major subsidiaries of the Company is RMB in which most of the transactions are denominated. Foreign currencies denominated transactions arise from the Group's overseas operation, such as purchases of land held for further development and certain expenses incurred. Certain bank balances and bank borrowings are denominated in foreign currencies, while senior notes are issued in US\$ and expose the Group to currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	At 31 December		At 31 December	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	equivalent	equivalent	equivalent	equivalent
US\$	82,488	554,663	7,236,321	6,147,467
HK\$	13,830	21,636	481,506	1,241,985

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following tables detail the Group's sensitivity to a change of 5.0% in exchange rate of each foreign currency against RMB while all other variables are held constant. 5.0% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5.0% change in foreign currency exchange rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(3) Foreign currency risk (Continued)

An analysis of sensitivity to currency risk for the Group is as follows:

	2019 RMB'000	2018 RMB'000
(Decrease)/increase in post-tax profit for the year and retained profits		
— if RMB weakens against US\$	(357,692)	(279,640)
— if RMB weakens against HK\$	(23,384)	(61,017)
— if RMB strengthens against US\$	357,692	279,640
— if RMB strengthens against HK\$	23,384	61,017

Credit risk management

At 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in Note 35. In order to minimise the credit risk, monitoring procedures are carried out to ensure that follow up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of trade and other receivables and amounts due from related parties at the end of each reporting period. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the credit standing of customers and the economic environment on an ongoing basis.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

For properties that are pre-sold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 80.0% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resell the repossessed properties. Therefore, management considers that it would likely recover any loss incurred arising from such guarantee provided by the Group. Management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the Directors of the Company consider that the Group's credit risk is generally insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk management (Continued)

For the receivables from properties sold, the Group holds the title of the property units as collateral over those balances and the Group considers that the credit risk arising from these trade receivables is significantly mitigated by related property units held as collateral, with reference to the estimated market value of those property units.

For trade receivables without collateral, which primarily represent receivable for rental income and project management, the Group measure loss allowances at an amount equal to lifetime ECLs, which is calculated using a provision matrix. At 31 December 2018 and 2019, the Group's exposure to credit risk and ECLs for these trade receivables are insignificant.

For receivables due from associates and joint ventures, or related to other property development projects, the Group considers that the credit risk arising from these receivables is significantly mitigated by related property development projects, with reference to the estimated market value of those property development projects.

The credit risk on cash at bank is considered to be limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The Directors of the Company closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's projects and operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The amounts included below for non-derivative variable rate financial liabilities is subject to changes if changes in interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 1 year RMB'000	1-3 years RMB'000	Over 3 years RMB'000	Total undiscounted cashflows RMB'000	Carrying amount RMB'000
Non-interest bearing	8.7	16,845,301	-	-	16,845,301	16,845,301
Fixed interest rate instruments	6.8	9,239,525	9,408,720	127,877	18,776,122	14,604,861
Variable interest rate instruments		2,061,842	2,751,716	-	4,813,558	3,891,117
At 31 December 2019		28,146,668	12,160,436	127,877	40,434,981	35,341,279
Financial guarantee contracts		13,227,167	-	-	13,227,167	-
Non-interest bearing	-	10,631,005	-	-	10,631,005	10,631,005
Fixed interest rate instruments	9.4	7,586,516	4,665,470	-	12,251,986	10,639,490
Variable interest rate instruments	5.5	2,549,075	3,343,037	162,507	6,054,619	5,288,668
At 31 December 2018		20,766,596	8,008,507	162,507	28,937,610	26,559,163
Financial guarantee contracts	-	12,585,338	-	-	12,585,338	-

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty suffer credit losses.

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximated their respective fair values at 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

40 FINANCIAL INFORMATION OF THE COMPANY

(a) Financial information of the financial position of the Company:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Non-current assets		
Investments in subsidiaries	14,445,329	13,938,932
Current assets		
Prepayments and other receivables	247,994	246,956
Amounts due from related parties	227,975	222,786
Bank balances and cash	82,117	49,497
	558,086	519,239
Current liabilities		
Accrued charges and other payables	121,587	119,725
Amounts due to subsidiaries	1,266,513	1,406,742
Bank borrowings due within one year	780,685	1,644,146
Senior notes — due within one year	2,379,120	3,286,031
	4,547,905	6,456,644
Net current liabilities	(3,989,819)	(5,937,405)
Total assets less current liabilities	10,465,510	8,001,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

40 FINANCIAL INFORMATION OF THE COMPANY (Continued)

(a) Financial information of the financial position of the Company:
(Continued)

	Note	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Capital and reserves			
Share capital		175,693	175,341
Reserves	40(b)	5,983,938	5,498,340
Total equity		6,159,631	5,673,681
Non-current liabilities			
Senior notes — due after one year		4,305,879	2,327,846
		10,465,510	8,001,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

40 FINANCIAL INFORMATION OF THE COMPANY (Continued)

(b) Movement of capital and reserves of the Company:

	Note	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018		173,932	796,299	28,817	4,241,534	5,240,582
Share-based payment		-	-	(7,417)	4,011	(3,406)
Issue of shares on exercise of share options	30	1,409	24,057	(5,203)	-	20,263
Profit and total comprehensive income for the year		-	-	-	557,266	557,266
Dividend	11	-	-	-	(141,024)	(141,024)
At 31 December 2018 and 1 January 2019		175,341	820,356	16,197	4,661,787	5,673,681
Share-based payment		-	-	(13,615)	6,058	(7,557)
Issue of shares on exercise of share options	30	352	5,355	(1,022)	-	4,685
Profit and total comprehensive income for the year		-	-	-	631,048	631,048
Dividend	11	-	-	-	(142,226)	(142,226)
At 31 December 2019		175,693	825,711	1,560	5,156,667	6,159,631

(c) Distributability of reserves:

At 31 December 2019, the aggregate amount of reserves available for distribution to the owners of the Company was RMB5,982,378,000 (2018: RMB5,482,143,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2019 and 2018 are as follows:

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
Indirect subsidiaries					
Nanchang Xinjian Development Co., Ltd.* (note i) 南昌新建房地產開發有限公司	PRC 11 September 2013	100%	100%	Registered RMB230,000,000 Paid up capital RMB230,000,000	Property development
Nanchang Moma Development Co., Ltd.* (note i) 南昌摩碼置業有限公司	PRC 15 April 2016	100%	100%	Registered RMB400,000,000 Paid up capital RMB400,000,000	Property development
Modern Green Development Co., Ltd.* (note i) 當代節能置業股份有限公司	PRC 21 September 2000	100%	100%	Registered RMB3,000,000,000 Paid up capital RMB1,150,000,000	Property development, investment and hotel operation
Beijing Modern Real Estate Development Co., Ltd.* (note i) 北京當代房地產開發有限公司	PRC 15 February 2000	100%	100%	Registered RMB60,000,000 Paid up capital RMB60,000,000	Property development and investment
Beijing Dongjun Real Estate Development Co., Ltd.* (note i) 北京東君房地產開發有限公司	PRC 13 November 2001	100%	100%	Registered RMB569,000,000 Paid up capital RMB569,000,000	Property development
New Power (Beijing) Architectural Technology Co., Ltd.* (note i) 新動力(北京)建築科技有限公司	PRC 22 March 2006	100%	100%	Registered RMB30,000,000 Paid up capital RMB30,000,000	Technology development and consulting
Shanxi Modern Green Development Co., Ltd.* (note i) 山西當代紅華置業有限公司	PRC 16 August 2007	100%	100%	Registered RMB190,000,000 Paid up capital RMB190,000,000	Property development
Shanxi Modern Green Real Estate Development Co., Ltd.* (note i) 山西當代紅華房地產開發有限公司	PRC 16 August 2007	100%	100%	Registered RMB150,000,000 Paid up capital RMB150,000,000	Property development
Hunan Modern Green Development Co., Ltd.* (note i) 當代置業(湖南)有限公司	PRC 14 September 2005	100%	100%	Registered RMB200,000,000 Paid up capital RMB200,000,000	Property development
Jiangxi Modern Green Development Co., Ltd.* (note i) 江西當代節能置業有限公司	PRC 22 December 2009	100%	100%	Registered RMB180,000,000 Paid up capital RMB180,000,000	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
Jiujiang Moma Development Co., Ltd.* (note i) 九江摩碼置業有限公司	PRC 22 December 2010	100%	100%	Registered RMB140,000,000 Paid up capital RMB140,000,000	Property development
Hubei Wanxing Development Co., Ltd.* (note i) 湖北萬星置業有限公司	PRC 27 January 2010	82%	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Jiujiang Modern Green Development Co., Ltd.* (note i) 九江當代綠建置業有限公司	PRC 18 February 2014	100%	100%	Registered RMB300,000,000 Paid up capital RMB300,000,000	Property development
Beijing Modern Moma Investment Management Co., Ltd.* (note i) 北京當代摩碼投資管理有限公司	PRC 11 January 2011	100%	100%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Investment holding
Zhangjiakou Modern Haoheshan Real Estate Development Co., Ltd.* (note i) 張家口當代好河山房地產開發有限公司	PRC 30 December 2016	51%	51%	Registered RMB60,000,000 Paid up capital RMB0	Property development
Wuhan Green Development Co., Ltd.* (note i) 武漢綠建節能置業有限公司	PRC 12 March 2014	99.02%	99.02%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Beijing Green Spring Equity Investment Fund, LLP* ("Green Fund")* (note i) 北京綠色春天股權投資基金(有限合夥)	PRC 17 April 2014	100%	100%	Registered RMB500,000,000 Paid up capital RMB500,000,000	Investment management and consulting
Beijing Modern Moma Development Co., Ltd.* (note i) 北京當代摩碼置業有限公司	PRC 8 January 2014	100%	100%	Registered RMB200,000,000 Paid up capital RMB200,000,000	Property development
Modern Pinye (Beijing) Real Estate Brokerage Co., Ltd.* (note i) 當代品業(北京)房地產經紀有限公司	PRC 9 October 2014	100%	100%	Registered RMB100,000 Paid up capital RMB100,000	Real estate brokerage services
America Modern Green Development (Houston), LLC 美國當代綠色發展(休斯頓)有限責任公司	Texas, US 15 October 2012	100%	100%	100% of issued and outstanding membership interest in consideration at an aggregate contribution of US\$100	Property development

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For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
Beijing Modern Green Investment Fund Management Co., Ltd.* (note i) 北京當代綠色投資基金管理有限公司	PRC 3 December 2013	100%	100%	Registered RMB30,000,000 Paid up capital RMB30,000,000	Investment holding
Crown Point Regional Center, LLC	Texas, US 31 March 2010	100%	100%	Authorised US\$100 Paid up capital US\$100	Investment immigration services
Beijing CIFI Modern* (notes i) 北京旭輝當代置業有限公司	PRC 10 March 2014	50%	50%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Modern Green Development (Suzhou) Co., Ltd.* (note i) 當代節能置業(蘇州)有限公司	PRC 6 June 2015	100%	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Jiaxing Modern Qinglv Asset Management Co., Ltd.* (note i) 嘉興當代墨綠資產管理有限公司	PRC 23 July 2015	100%	100%	Registered RMB50,000,000 Paid up capital RMB0	Investment holding
Crown Point (Beijing) Advisory Co., Ltd.* (note i) 鳳觀(北京)諮詢有限公司	PRC 8 October 2015	100%	100%	Registered RMB10,000,000 Paid up capital RMB0	Immigration advisory
Anhui Moma Development Co., Ltd.* (note i) 安徽摩碼置業有限公司	PRC 1 January 2016	100%	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Wuhan Modern Green Development Co., Ltd.* (note i) 武漢當代節能置業有限公司	PRC 27 June 2016	100%	100%	Registered RMB200,000,000 Paid up capital RMB200,000,000	Property development
Hunan Modern Moma Development Co., Ltd.* (note i) 湖南當代摩碼置業有限公司	PRC 1 November 2016	100%	100%	Registered RMB20,000,000 Paid up capital RMB20,000,000	Property development
Hunan Modern Green Development Co., Ltd.* (note i) 湖南當代綠建置業有限公司	PRC 1 November 2016	100%	100%	Registered RMB20,000,000 Paid up capital RMB20,000,000	Property development
Nanjing Xinlei Development Co., Ltd.* (note i) 南京鑫磊房地產開發有限公司	PRC 20 June 2016	51%	51%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development

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For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
Foshan Modern Green Development Co., Ltd.* (note i) 佛山當代綠色置業有限公司	PRC 14 January 2016	100%	51%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Hubei Moma Development Co., Ltd.* (note i) 湖北摩碼置業有限公司	PRC 13 February 2014	100%	100%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Investment holding
Shanghai Mantingchun Real Estate Company Limited.* (note i) 上海滿庭春置業有限公司	PRC 5 March 2015	100%	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Jiangsu Yuzun Property development Co., Ltd.* (note i) 江蘇御尊房地產開發有限公司	PRC 25 April 2011	100%	100%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Zhanlan Tuozhan Property (Beijing) Co., Ltd.* (note i) 綻藍拓展置業(北京)有限公司	PRC 13 March 2017	60%	60%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Investment holding
Fujian Shengshi Lianbang Real Estate Development Co., Limited.* (note i) 福建盛世聯邦置業發展有限公司	PRC 30 August 2013	60%	60%	Registered RMB67,105,000 Paid up capital RMB67,105,000	Property development
Foshan Changxin Hongchuang Real Estate Development Co., Limited.* (note i) 佛山市長信宏創房地產有限公司	PRC 19 January 2016	100%	100%	Registered RMB60,000,000 Paid up capital RMB4,081,700	Property development
Foshan Xinlong Property Investment Co., Limited.* (note i) 佛山市信隆置業投資有限公司	PRC 10 December 2017	100%	100%	Registered RMB60,000,000 Paid up capital RMB60,000,000	Property development
Huojian Zhiye Investment (Beijing) Co., Ltd.* (note i) 火箭智業投資(北京)有限公司	PRC 9 July 2015	100%	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Investment holding
Hefei Modern Land Yinghe Real Estate Company Limited* (note i) 合肥當代英赫置業有限公司	PRC 14 December 2015	100%	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
Wuhan Zhonglian Shengming Real Estate Company Limited* (note i) 武漢中聯晟鳴置業有限公司	PRC 5 May 2014	75%	75%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Shanxi North Star Modern Development Co., Ltd.* (note i) 山西北辰當代置業有限公司	PRC 27 April 2016	50%	50%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Shanxi Modern North Star Development Co., Ltd.* (note i) 山西當代北辰置業有限公司	PRC 5 December 2016	51%	51%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Shanxi Wanxing Modern Development Co., Ltd.* (note i) 山西萬興當代置業有限公司	PRC 7 February 2017	70%	70%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Hubei Mingliang Development Co., Ltd.* (note i) 湖北明亮置業有限公司	PRC 8 June 2012	0%	51%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Wuhan Sanqing Kaiwen Development Co., Ltd.* (note i) 武漢三慶凱文實業發展有限公司	PRC 29 September 2011	20%	20%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Guangshen Development Co., Ltd.* (note i) 廣深置業(北京)有限公司	PRC 22 April 2016	100%	100%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Yuanjing Nengdong Investment (Beijing) Co., Ltd.* (note i) 遠景能動投資(北京)有限公司	PRC 29 January 2015	0%	20%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Investment holding
Suzhou Modern MOMA Development Co., Ltd.* (note i) 蘇州當代摩碼置業有限公司	PRC 27 April 2016	100%	20%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Shengeng Hongye Development Co., Ltd.* (note i) 深耕鴻業置業(北京)有限公司	PRC 18 April 2016	51%	51%	Registered RMB10,000,000 Paid up capital RMB14,720,324	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
Wuhan Modern Shangcheng Wanguofu Development Co., Ltd.* (note i) 武漢當代尚城萬國府置業有限公司	PRC 21 July 2016	51%	51%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Liaoning Dongdaihe Modern Development Co., Ltd.* (note i) 遼寧東戴河新區當代置業有限公司	PRC 28 January 2008	100%	100%	Registered RMB16,660,000 Paid up capital RMB16,660,000	Property development
Anhui Modern Wanguofu Development Co., Ltd.* (note i) 安徽當代萬國府置業有限公司	PRC 21 December 2016	30.6%	30.6%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Chuanglv Development Co., Ltd.* (note i) 創綠置業(北京)有限公司	PRC 11 May 2016	100%	100%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Fujian Modern Development Co., Ltd.* (note i) 福建當代置業有限公司	PRC 1 March 2017	51%	51%	Registered RMB40,000,000 Paid up capital RMB40,000,000	Property development
Zhangjiakou Green Development Co., Ltd.* (note i) 張家口原綠房地產開發有限公司	PRC 31 March 2017	35%	35%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Huizhou Modern Culture & Travelling Development Co., Ltd.* (note i) 惠州當代文旅房地產開發有限公司	PRC 15 June 2017	65%	65%	Registered RMB20,000,000 Paid up capital RMB20,000,000	Property development
Jingzhou Modern Jindao Development Co., Ltd.* (note i) 荊州市當代金島置業有限公司	PRC 5 July 2017	30%	30%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Hunan Green Development Co., Ltd.* (note i) 湖南原綠置業有限公司	PRC 7 August 2017	70%	70%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Lianjing Xianmao Industrial Co., Ltd.* (note i) 連江賢茂實業有限公司	PRC 31 January 2018	51%	51%	Registered RMB160,000,000 Paid up capital RMB0	Property development
Shishi Jipeng Real Estate Development Co., Ltd.* (note i) 石獅吉鵬房地產開發有限公司	PRC 28 December 2015	75%	75%	Registered RMB20,000,000 Paid up capital RMB20,000,000	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
Hubei Zhengtian Development Co., Ltd.* (note i) 湖北正天置業有限公司	PRC 6 September 2017	52.5%	52.5%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Jiaxing Hangxin Real Estate Development Co., Ltd.* (note i) 嘉興航信房地產開發有限公司	PRC 24 November 2016	51%	51%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Qianxi Nanzhou Green Real Estate Development Co., Ltd.* (note i) 黔西南州原綠房地產開發有限公司	PRC 30 December 2017	60%	60%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Huzhou Dongjun Construction and Development Co., Ltd.* (note i) 湖州東馬建設開發有限公司	PRC 18 October 2017	69.15%	69.15%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Huzhou Dongju Construction and Development Co., Ltd.* (note i) 湖州東聚建設開發有限公司	PRC 2 November 2017	65.24%	65.24%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Jinzhong Modern Junmao Real Estate Development Co., Ltd.* (note i) 晉中當代君茂房地產開發有限公司	PRC 11 June 2014	49%	49%	Registered RMB34,000,000 Paid up capital RMB34,000,000	Property development
Suzhou Modern Zhongxiang Development Co., Ltd.* (note i) 蘇州當代中翔置業有限公司	PRC 14 November 2016	80%	80%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Suzhou Modern Green Development Co., Ltd.* (note i) 蘇州當代原綠置業有限公司	PRC 15 August 2018	80%	80%	Registered RMB50,000,000 Paid up capital RMB0	Property development
Anhui Modern Jiuka Development Co., Ltd.* (note i) 安徽當代九開置業有限公司	PRC 27 June 2017	51%	51%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Guizhou Moma Modern Green Development Co., Ltd.* (note i) 貴州摩碼當代節能置業有限公司	PRC 29 August 2017	62.2%	62.2%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Fuyang Green Development Co., Ltd.* (note i) 阜陽原綠置業有限公司	PRC 30 July 2018	74%	74%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
Huzhou Modern Green Development Co., Ltd.* (note i) 湖州當代綠建置業有限公司	PRC 7 March 2018	40%	40%	Registered RMB125,000,000 Paid up capital RMB0	Property development
Shandong Green Development Co., Ltd.* (note i) 山東當代原綠置業有限公司	PRC 30 July 2018	100%	100%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Jiangxi Moma Changan Real Estate Development Co., Ltd.* (note i) 江西摩碼常安置業房地產開發有限公司	PRC 15 December 2018	51%	51%	Registered RMB25,000,000 Paid up capital RMB25,000,000	Property development
Tianjin Moma Hantang Real Estate Development Co., Ltd.* (note i) 天津摩碼瀚棠置業有限公司	PRC 28 August 2018	70%	70%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Tianjin Haiyiyuan Real Estate Development Co., Ltd.* (note i) 天津海逸源房地產開發有限公司	PRC 17 April 2014	70%	70%	Registered RMB160,000,000 Paid up capital RMB160,000,000	Property development
Xuchang Zhanlan Chengjian Development Co., Ltd.* (note i) 許昌綻藍城建置業有限公司	PRC 8 May 2019	60%	0%	Registered RMB16,000,000 Paid up capital RMB0	Property development
Wuhan Green Yinghe Development Co., Ltd.* (note i) 武漢原綠英赫置業有限公司	PRC 7 May 2019	100%	0%	Registered RMB30,000,000 Paid up capital RMB30,000,000	Property development
Linqun Honghao Development Co., Ltd.* (note i) 臨泉洪浩置業有限公司	PRC 11 January 2019	26.01%	0%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Qingdao Modern Ruixiang Development Co., Ltd.* (note i) 青島當代瑞祥置業有限公司	PRC 6 November 2019	34.17%	0%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Heze Haigang Real Estate Development Co., Ltd.* (note i) 荷澤市海港房地產開發有限公司	PRC 29 August 2003	100%	0%	Registered RMB51,000,000 Paid up capital RMB51,000,000	Property development
Changzhou Minghong Development Co., Ltd.* (note i) 常州明宏置業有限公司	PRC 27 September 2019	50%	0%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/registered and issued and fully paid/paid-up capital	Principal activities
		2019	2018		
Wuhan Green Shijia Development Co., Ltd.* (note i) 武漢原綠世嘉置業有限公司	PRC 13 June 2019	100%	0%	Registered RMB100,000,000 Paid up capital RMB0	Property development
Jiangxi Blue Development Co., Ltd.* (note i) 江西深藍置業有限公司	PRC 18 November 2019	51%	0%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Hefei Lvheng MOMA Development Co., Ltd.* (note i) 合肥綠恒摩碼置業有限公司	PRC 11 June 2019	51%	0%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Hunan Modern Gaoke Development Co., Ltd.* (note i) 湖南當代高科置業有限公司	PRC 19 December 2019	56%	0%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Xingyang Jianhai Modern Development Co., Ltd.* (note i) 滎陽市建海當代置業有限公司	PRC 17 June 2019	49%	0%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Hebei Tongfu Green Real Estate Development Co., Ltd.* (note i) 河北同福原綠房地產開發有限公司	PRC 4 June 2019	90%	0%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Tianjin Ninghe Haikuotiankong Development Co., Ltd.* (note i) 天津寧海關天空建設開發有限公司	PRC 24 December 2014	100%	0%	Registered RMB575,000,000 Paid up capital RMB575,000,000	Property development
Beijing Runjin Real Estate Development Co., Ltd.* (note i) 北京潤錦房地產開發有限公司	PRC 19 November 2010	50.98%	50.98%	Registered RMB204,000,000 Paid up capital RMB100,000,000	Property development

Notes:

- (i) These companies are PRC limited liability companies.
 - (ii) These companies are wholly foreign-owned companies.
- * The English names of the companies which operate in the PRC are for reference only and have not been registered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

42 EVENT AFTER THE END OF THE REPORTING PERIOD

(i) Issuance of senior notes

On 19 February 2020, the Company entered into an offering memorandum to issue guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$200,000,000 (equivalent to RMB1,400,240,000, approximately), at 98.2% of the principal amount, which carried fixed interest at 11.8% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 26 February 2022. The issuance was completed on 26 February 2020.

On 26 February 2020, the Company entered into an offering memorandum to issue guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$150,000,000 (equivalent to RMB1,051,890,000, approximately), at 97.3% of the principal amount, which carried fixed interest at 12.0% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 4 March 2024. The issuance was completed on 4 March 2020.

(ii) Outbreak of Coronavirus Disease 2019 (“COVID-19”)

Following the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. The Group will pay close attention to the development of the COVID-19 outbreak and its impact and will continue to perform relevant assessments on the financial position and operating results of the Group and take proactive measures as appropriate.

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 December				
	2019 RMB million	2018 RMB million	2017 RMB million	2016 RMB million	2015 RMB million
RESULT					
Revenue	14,552	9,338	8,506	8,458	6,350
Profit before taxation	2,670	1,405	1,358	1,083	1,340
Income taxes expense	(1,616)	(743)	(531)	(369)	(739)
Profit for the year	1,054	662	827	714	601
Attributable to:					
Owners of the Company	730	525	706	664	578
Non-controlling interests	324	137	121	50	23
	1,054	662	827	714	601
Earning per share (basic), RMB cents	26.2	18.9	25.6	27.9	30.5
ASSETS AND LIABILITIES					
Total assets	68,537	53,629	45,171	28,507	15,723
Total liabilities	(59,933)	(46,047)	(38,154)	(23,776)	(11,948)
	8,604	7,582	7,017	4,731	3,775
Equity attributable to					
owners of the Company	6,159	5,674	5,178	4,648	3,765
Non-controlling interests	2,445	1,908	1,839	83	10
	8,604	7,582	7,017	4,731	3,775



INDEPENDENT AUDITOR'S REPORT



To the shareholders of Modern Land (China) Co., Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Modern Land (China) Co., Limited ("the Company") and its subsidiaries ("the Group") set out on pages 97 to 219, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Valuation of investment properties

Refer to Note 13 to the consolidated financial statements and the accounting policies on page 131.

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group held investment properties with a total carrying amount of RMB2,129 million as at 31 December 2018, which accounted for 4.0% of the Group's total assets as at that date.</p> <p>The net changes in fair value of investment properties recorded in the consolidated statement of profit or loss and other comprehensive income represented 9.4% of the Group's profit before taxation for the year ended 31 December 2018.</p> <p>The investment properties principally comprise retail properties mainly located in tier 1 and tier 2 cities in Mainland China.</p> <p>The fair values of investment properties as at 31 December 2018 were assessed by the board of directors based on independent valuations prepared by a qualified external property valuer based on certain estimates, including capitalisation rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates.</p>	<p>Our audit procedures to assess the valuation of investment properties included:</p> <ul style="list-style-type: none"> • evaluating the independence, competence, capability and experience of the external property valuer which included making inquiries regarding interests and relationships that may have created a threat to the external property valuer's objectivity; • meeting the external property valuer to assess the approach to the valuations and the conclusions reached, inspecting management's instructions to the external property valuer and assessing whether there were any limitations of scope or restrictions placed upon the work of the external property valuer; • assessing whether the properties held by the Group were valued on a consistent basis using a consistent methodology by inquiry of management and the external property valuer;



INDEPENDENT AUDITOR'S REPORT

Valuation of investment properties

Refer to Note 13 to the consolidated financial statements and the accounting policies on page 131.

The Key Audit Matter

We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the net changes in fair value of investment properties to the Group's profit before taxation and because determining the fair values of investment properties involves a significant degree of judgement and could be subject to management bias.

How the matter was addressed in our audit

- involving our internal valuation specialists to assist us in assessing the valuations prepared by the external property valuer by evaluating the valuation methodology adopted, challenging the assumptions adopted, including those relating to capitalisation rates, comparable market transactions and prevailing market rents for comparable properties in the same location and condition, by comparing these against market available data and government produced market statistics, and considering the possibility of management bias in the selection of assumptions adopted;
- comparing inputs to the valuation model, on a sample basis, with the Group's records, which included underlying lease agreements and documentation, details of the number of property units held for investment purposes and current rents; and
- considering whether the disclosures in the consolidated financial statements in respect of the valuation of investment properties reflected the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT

Assessing the net realisable value of properties under development for sale and properties held for sale

Refer to Notes 19 and 20 to the consolidated financial statements and the accounting policies on page 134.

The Key Audit Matter	How the matter was addressed in our audit
<p>The carrying value of properties under development for sale and properties held for sale totalled RMB26,078 million as at 31 December 2018, which accounted for 48.6% of the Group's total assets as at that date.</p> <p>Properties under development for sale and properties held for sale of the Group are primarily residential and retail projects, located mainly in tier 1 and tier 2 cities in Mainland China, and are stated at the lower of cost and net realisable value.</p> <p>The assessment of the net realisable value of properties under development for sale and properties held for sale involves the exercise of significant management judgement, particularly in estimating forecast development costs and forecast selling prices. Forecast development costs and selling prices are inherently uncertain due to changes in market conditions.</p>	<p>Our audit procedures to assess the net realisable value of properties under development for sale and properties held for sale included:</p> <ul style="list-style-type: none"> • evaluating the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project; • conducting site visits to property development sites, on a sample basis, and discussing with management the progress of each project and challenging management's development budgets reflected in the latest forecasts for each project with reference to market available data about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;



INDEPENDENT AUDITOR'S REPORT

Assessing the net realisable value of properties under development for sale and properties held for sale

Refer to Notes 19 and 20 to the consolidated financial statements and the accounting policies on page 134.

The Key Audit Matter	How the matter was addressed in our audit
<p>Current property market cooling measures imposed by the local governments in certain cities in Mainland China, which include increased percentages for mortgage down payments and home purchase restrictions, could lead to volatility in property prices in these cities.</p> <p>We identified assessing the net realisable value of properties under development for sale and properties held for sale as a key audit matter because the inherent uncertainties involved in assessing the net realisable value require a significant degree of management judgement and could be subject to error or management bias.</p>	<ul style="list-style-type: none"> • assessing the accuracy of management's historical forecasts of net realisable value by comparing the actual selling prices achieved in the current year with forecasts prepared in previous periods and by comparing forecast selling prices as at 31 December 2018 with actual prices achieved subsequent to the end of the reporting period; • challenging the forecast property selling prices as estimated by management with reference to independent third party house price indices for properties of a similar type and size and in a similar location; and • evaluating the sensitivity analyses performed by management for the key assumptions adopted in the net realisable value estimations, including forecast selling prices and forecast construction costs, and considering the possibility of error or management bias.



INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Chung Chuen.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

11 March 2019



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 – (Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Revenue	5	9,337,650	8,506,328
Cost of sales		(7,167,052)	(6,716,111)
Gross profit		2,170,598	1,790,217
Other income, gains and losses	6	206,814	652,518
Recognition of changes in fair value of properties held for sale and properties under development for sale upon transfer to investment properties	13	65,150	27,883
Changes in fair value of investment properties, net	13	67,072	74,307
Selling and distribution expenses		(432,719)	(300,682)
Administrative expenses		(574,141)	(479,220)
Finance costs	7	(257,845)	(393,189)
Share of gains/(losses) of joint ventures	16	161,809	(7,021)
Share of losses of associates	15	(1,833)	(6,898)
Profit before taxation		1,404,905	1,357,915
Income tax expense	8	(742,644)	(531,376)
Profit for the year	9	662,261	826,539

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3(b).

The notes on pages 109 to 219 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 – (Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Other comprehensive income for the year:			
<i>Item that will not be reclassified to profit or loss:</i>			
Gain on revaluation of owner-occupied properties upon transfer to investment properties		–	5,676
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations, net of nil tax		19,480	(8,268)
Total comprehensive income for the year		681,741	823,947
Profit for the year attributable to:			
Owners of the Company		524,791	705,999
Non-controlling interests		137,470	120,540
		662,261	826,539
Total comprehensive income attributable to:			
Owners of the Company		544,271	703,407
Non-controlling interests		137,470	120,540
		681,741	823,947
Earnings per share, in Renminbi cents:			
Basic	12	18.9	25.6
Diluted	12	18.8	25.6

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3(b).

The notes on pages 109 to 219 form part of these financial statements. Details of dividends payable to owners of the Company attributable to the profit for the year are set out in Note 11.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018 – (Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Non-current assets			
Investment properties	13	2,128,610	1,965,000
Property, plant and equipment	14	472,477	483,613
Intangible assets		2,436	2,302
Freehold land held for future development		31,980	29,732
Interests in associates	15	112,984	106,664
Interests in joint ventures	16	2,430,885	2,698,333
Loans to joint ventures	16	5,455,094	3,190,116
Other non-current financial assets	17	60,085	50,085
Deferred tax assets	18	751,306	421,242
		11,445,857	8,947,087
Current assets			
Inventories and other contract costs		64,924	7,263
Properties under development for sale	19	23,764,203	20,173,043
Properties held for sale	20	2,314,191	2,396,366
Trade and other receivables, deposits and prepayments	22	5,969,034	3,009,880
Amounts due from related parties	38(a)	353,541	227,391
Restricted cash	23	2,983,945	2,876,247
Bank balances and cash	24	6,733,265	7,533,713
		42,183,103	36,223,903

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3(b).

The notes on pages 109 to 219 form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018 – (Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Current liabilities			
Trade and other payables, deposits received and accrued charges	25	9,094,513	16,846,552
Contract liabilities	21	16,918,562	–
Amounts due to related parties	38(b)	1,564,072	2,550,226
Taxation payable	26	2,285,403	1,939,709
Bank and other borrowings – due within one year	27	5,550,716	5,234,810
Senior notes – due within one year	28	3,286,031	1,478,140
		38,699,297	28,049,437
Net current assets			
		3,483,806	8,174,466
Total assets less current liabilities			
		14,929,663	17,121,553
Capital and reserves			
Share capital	31	175,341	173,932
Reserves		5,498,341	5,003,879
Equity attributable to owners of the Company			
		5,673,682	5,177,811
Non-controlling interests			
		1,908,277	1,838,963
Total equity			
		7,581,959	7,016,774

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3(b).

The notes on pages 109 to 219 form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018 – (Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Non-current liabilities			
Bank and other borrowings – due after one year	27	3,731,390	5,284,320
Senior notes – due after one year	28	2,327,846	3,215,818
Corporate bond	29	1,032,175	1,027,672
Long term payables	30	–	334,711
Deferred tax liabilities	18	256,293	242,258
		7,347,704	10,104,779
		14,929,663	17,121,553

Approved and authorised for issue by the board of directors on 11 March 2019.

Zhang Lei
Director

Zhang Peng
Director

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3(b).

The notes on pages 109 to 219 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018 – (Expressed in Renminbi)

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Revaluation reserve	Share option reserve	Statutory surplus reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note a)	(note b)								
At 31 December 2017*	173,932	796,299	330,070	40,060	28,817	467,482	(5,694)	3,346,845	5,177,811	1,838,963	7,016,774
Impact on initial application of IFRS 15 (Note 3)	-	-	-	-	-	-	-	62,771	62,771	39,286	102,057
At 1 January 2018	173,932	796,299	330,070	40,060	28,817	467,482	(5,694)	3,409,616	5,240,582	1,878,249	7,118,831
Exchange differences on translating foreign operations	-	-	-	-	-	-	19,480	-	19,480	-	19,480
Other comprehensive income	-	-	-	-	-	-	19,480	-	19,480	-	19,480
Profit for the year	-	-	-	-	-	-	-	524,791	524,791	137,470	662,261
Total comprehensive income for the year	-	-	-	-	-	-	19,480	524,791	544,271	137,470	681,741
Share-based payment	-	-	-	-	(7,417)	-	-	4,011	(3,406)	-	(3,406)
Issue of shares on exercises of share options (Note 31(c))	1,409	24,057	-	-	(5,203)	-	-	-	20,263	-	20,263
Contribution from a company controlled by a shareholder (note b)	-	-	407	-	-	-	-	-	407	-	407
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	19,362	19,362
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(5,650)	(5,650)
Acquisition of additional interest in a subsidiary	-	-	12,589	-	-	-	-	-	12,589	(200,589)	(188,000)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	147,435	147,435
Appropriations to reserves (note c)	-	-	-	-	-	117,572	-	(117,572)	-	-	-
Dividend (Note 11)	-	-	-	-	-	-	-	(141,024)	(141,024)	-	(141,024)
Dividend distribution to non-controlling interest	-	-	-	-	-	-	-	-	-	(68,000)	(68,000)
At 31 December 2018	175,341	820,356	343,066	40,060	16,197	585,054	13,786	3,679,822	5,673,682	1,908,277	7,581,959

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3(b).

The notes on pages 109 to 219 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018 – (Expressed in Renminbi)

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000 (note a)	Special reserve RMB'000 (note b)	Revaluation reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000	Foreign			Non-controlling interests RMB'000	Total equity RMB'000
							translation	Retained	Total		
							reserve	profits	RMB'000		
At 1 January 2017	156,459	799,559	345,480	34,384	15,095	400,449	2,574	2,894,293	4,648,293	83,173	4,731,466
Gain on revaluation of owner-occupied properties	-	-	-	5,676	-	-	-	-	5,676	-	5,676
Exchange differences on translating foreign operations	-	-	-	-	-	-	(8,268)	-	(8,268)	-	(8,268)
Other comprehensive income	-	-	-	5,676	-	-	(8,268)	-	(2,592)	-	(2,592)
Profit for the year	-	-	-	-	-	-	-	705,999	705,999	120,540	826,539
Total comprehensive income for the year	-	-	-	5,676	-	-	(8,268)	705,999	703,407	120,540	823,947
Share-based payment	-	-	-	-	14,327	-	-	-	14,327	-	14,327
Bonus issue of shares (Note 31(b))	16,613	(16,613)	-	-	-	-	-	-	-	-	-
Issue of shares on exercises of share options (Note 31(c))	860	13,353	-	-	(605)	-	-	-	13,608	-	13,608
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	1,730,198	1,730,198
Contribution from a company controlled by a shareholder (note b)	-	-	407	-	-	-	-	-	407	-	407
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	27,094	27,094
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(1,784)	(1,784)
Acquisition of additional interest in a subsidiary	-	-	(15,817)	-	-	-	-	-	(15,817)	10,817	(5,000)
Appropriations to reserves (note c)	-	-	-	-	-	67,033	-	(67,033)	-	-	-
Dividend (Note 11)	-	-	-	-	-	-	-	(186,414)	(186,414)	-	(186,414)
Dividend distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	(131,075)	(131,075)
At 31 December 2017	173,932	796,299	330,070	40,060	28,817	467,482	(5,694)	3,346,845	5,177,811	1,838,963	7,016,744

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3(b).

The notes on pages 109 to 219 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018 – (Expressed in Renminbi)

Notes:

- (a) Pursuant to article 134 of the Company's Articles of Association, the Company is permitted to pay out final dividend from share premium account.
- (b) Special reserve relates to acquisition of additional interests in subsidiaries, deemed acquisition of a subsidiary, disposals of partial interests in subsidiaries, contribution from a company controlled by a shareholder of the Company and deemed contribution from a shareholder of the Company.

Pursuant to the agreement dated 29 November 2010 entered into between Modern Green Development Co., Ltd. 當代節能置業股份有限公司 (formerly known as Beijing Modern Hongyun Real Estate Development Co., Ltd. 北京當代鴻運房地產經營開發有限公司) ("Modern Green Development") and an employee of Modern Green Development, the employee can use the property developed by Beijing Modern City Real Estate Development Co., Ltd. 北京當代城市房地產開發有限公司 ("Beijing Modern City Real Estate"), a company controlled by a shareholder of the Company. The title of the property will be transferred to the employee upon his completion of service with Modern Green Development for 10 years commencing from 30 October 2010. As at 29 November 2010, the market value of the property was RMB4,071,000. The Group recognised this transaction as staff cost and contribution from a company controlled by a shareholder amounted to RMB407,000 for the year ended 31 December 2018 (2017: RMB407,000).

- (c) In accordance with the Articles of Association of certain entities established in the People's Republic of China ("PRC") now comprising the Group, these entities are required to transfer 10% of the profit after taxation, prepared in accordance with PRC generally accepted accounting principles, to the statutory surplus reserve until the reserve reaches 50% of the registered capital of the respective entities. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the entities.

The notes on pages 109 to 219 form part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018 – (Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Operating activities			
Profit before taxation		1,404,905	1,357,915
Adjustments for:			
Finance costs	7	257,845	393,189
Interest income	6	(110,147)	(89,620)
Dividend income from available-for-sale investments	6	–	(7,073)
Depreciation of property, plant and equipment	9(b)	25,993	28,959
Amortisation of intangible assets	9(b)	278	198
Share-based payment	9(a)	(3,406)	14,327
Gain on disposal of subsidiaries	6	(20,386)	(22,765)
Gain on disposal of joint ventures	6	(213,346)	(42,570)
Gain on disposal of an associate	6	–	(147,195)
Gain on acquisition of subsidiaries		(12,680)	–
Fair value gain upon transfer from properties held for sale and properties under development for sale to investment properties		(65,150)	(27,883)
Changes in fair value of investment properties, net		(67,072)	(74,307)
Allowance for doubtful debts	9(b)	38	668
Gain on disposal of property, plant and equipment	6	(29)	(1,283)
Contribution from a company controlled by a shareholder, recognised as staff cost		407	407
Share of losses of associates		1,833	6,898
Share of (gains)/losses of joint ventures		(148,529)	7,021
Gain on re-measurement to fair value of pre-existing interest in acquirees	6	–	(116,988)
Gain on disposal of investment properties		(4,343)	(17,112)
Unrealised exchange loss/(gain), net		214,522	(359,485)
Operating cash flows before movements in working capital		1,260,733	903,301

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3(b).

The notes on pages 109 to 219 form part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018 – (Expressed in Renminbi)

	2018 RMB'000	2017 (Note) RMB'000
Movements in working capital:		
Increase in inventories and other contract costs	(25,536)	(2,526)
Increase in properties under development for sale and properties held for sale	(2,905,249)	(7,084,217)
(Increase)/decrease in trade and other receivables, deposits and prepayments	(2,259,433)	574,666
Decrease in amounts due from related parties	7,247	42,724
Increase in contract liabilities	6,121,948	–
Increase in trade and other payables, deposits received and accrued charges	2,956,952	1,975,746
Increase in amounts due to related parties	4,229	3,080
Cash generated from/(used in) operating activities	5,160,891	(3,587,226)
Income tax paid	(782,143)	(808,352)
Net cash generated from/(used in) operating activities	4,378,748	(4,395,578)

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3(b).

The notes on pages 109 to 219 form part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018 – (Expressed in Renminbi)

	2018 RMB'000	2017 (Note) RMB'000
Investing activities		
Interest received	106,732	89,620
Dividend received from available-for-sale investments	–	7,073
Purchase of other non-current financial assets	(10,000)	(3,735)
Purchase of property, plant and equipment	(16,358)	(10,590)
Purchase of intangible assets	(412)	(45)
Proceeds on disposal of property, plant and equipment	1,579	5,879
Net cash inflow from disposal of interests in joint ventures	373,000	50,200
Net cash (outflow)/inflow from acquisition of subsidiaries	(190,000)	184,634
Proceeds on disposal of an associate	–	147,195
Net cash inflow/(outflow) from disposals of subsidiaries	8,386	(5,062)
Investment in joint ventures	(47,622)	(1,491,355)
Proceeds on return of capital from a joint venture	318,996	–
Loans to joint ventures	(2,700,010)	(1,411,704)
Repayments from joint ventures	560,155	505,979
Advances to related parties	(232,619)	(183,712)
Repayments from related parties	99,223	670,455
Proceeds on disposal of investment properties	56,343	49,222
Increase in investment properties	(8,853)	(22,052)
Increase in restricted cash, net	(107,698)	(698,301)
Net cash used in investing activities	(1,789,158)	(2,116,299)

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3(b).

The notes on pages 109 to 219 form part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018 – (Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Financing activities			
Interest paid		(1,264,558)	(1,142,625)
Dividend paid to owners of the Company		(140,587)	(185,886)
Dividend paid to a non-controlling interests		(68,000)	(131,075)
Repayments of bank borrowings	24(b)	(3,225,533)	(4,730,286)
Repayments of other borrowings	24(b)	(2,631,380)	(4,080,000)
New bank borrowings raised	24(b)	1,492,792	8,061,133
New other borrowings raised	24(b)	3,088,780	5,780,000
Net proceeds from issue of senior notes	24(b)	2,198,839	2,531,514
Repayments of senior notes	24(b)	(1,475,942)	(848,378)
Repayments to related parties	24(b)	(1,482,852)	(237,987)
Advances from related parties	24(b)	492,469	1,963,600
Advances from non-controlling interests	24(b)	709,454	1,622,420
Repayments to non-controlling interests	24(b)	(1,070,063)	(873,597)
Proceeds from issue of shares upon exercise of share options	31(c)	20,263	13,608
Return of capital to non-controlling interests		(188,000)	(5,000)
Capital contribution from non-controlling interests		141,835	1,730,198
Net cash (used in)/generated from financing activities		(3,402,483)	9,467,639
Net (decrease)/increase in cash and cash equivalents		(812,893)	2,955,762
Cash and cash equivalents at the beginning of the year		7,533,713	4,584,391
Effects of exchange rate changes on the balance of cash held in foreign currencies		12,445	(6,440)
Cash balance and cash equivalents at the end of the year	24	6,733,265	7,533,713

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3(b).

The notes on pages 109 to 219 form part of these financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 GENERAL

Modern Land (China) Co., Limited (the "Company") was incorporated in the Cayman Islands on 28 June 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its parent is Super Land Holdings Limited, a company incorporated in the British Virgin Islands ("BVI") and its ultimate holding company is Fantastic Energy Ltd., a company incorporated under the laws of Commonwealth of the Bahamas. These entities do not produce financial statements available for public use.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in real estate development, property investment, hotel operation, project management, real estate agency services, and other services in the People's Republic of China (the "PRC") and the United States (the "US").

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the group entities operate (the functional currency of the major subsidiaries of the Company).

2 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

	Effective for accounting periods beginning on or after
IFRS 16, <i>Leases</i>	1 January 2019
IFRIC 23, <i>Uncertainty over income tax treatments</i>	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
Amendments to IAS 28, <i>Long-term interest in associates and joint ventures</i>	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group does not anticipate that the application of these amendments, new standards and interpretations will have significant impact on the Group's consolidated financial statements. Further details of the expected impacts are discussed below.

Under IFRS 16, a lessee is required to recognise at its inception a right-of-use asset and a lease liability in the statement of financial position, and the related depreciation charge on the right-of-use asset and the related interest expenses on the lease liability in the statement of profit or loss and other comprehensive income. Management has initially assessed that the adoption of IFRS 16 would affect the leases of properties as a lessee currently classified as operating leases, which would result in an increase in both assets and liabilities and would impact on the timing of recognition in the statement of profit or loss and other comprehensive income over the period of the leases. As the Group's future minimum lease payments under non-cancellable operating leases are limited, therefore, the Group does not expect that the changes in accounting policies according to IFRS 16 as described above could have a significant impact on the Group's financial results upon initial implementation of IFRS 16.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and investments in debt and equity securities (see Note 3(o)) which are measured at fair value, as explained in the accounting policies set out below.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- (i) IFRS 9, *Financial instruments*
- (ii) IFRS 15, *Revenue from contracts with customers*
- (iii) IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

(i) IFRS 9, *Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The impact of transition to IFRS 9 does not have any material impact on retained earnings of the Group at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a *Classification of financial assets and financial liabilities*

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

(i) IFRS 9, *Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation* (Continued)

a *Classification of financial assets and financial liabilities* (Continued)

	IAS 39 Carrying amount at 31 December 2017 RMB'000	Reclassification RMB'000	IFRS 9 Carrying amount at 1 January 2018 RMB'000
Financial assets carried at amortised cost			
Bank balances and cash	7,533,713	–	7,533,713
Trade and other receivables	1,435,896	–	1,435,896
Amounts due from related parties	227,391	–	227,391
Restricted cash	2,876,247	–	2,876,247
	12,073,247	–	12,073,247
Financial assets measured at FVOCI (non-recyclable)			
Equity securities	–	50,085	50,085
	50,085	(50,085)	–
Financial assets classification as available-for-sale under IAS 39 (note)			

Note: Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its all above investments at FVOCI, as these investments are held for strategic purposes (see Note 17).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

(i) IFRS 9, *Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation* (Continued)

a *Classification of financial assets and financial liabilities* (Continued)

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under IFRS 9, see respective accounting policy notes in Note 3(o).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b *Credit losses*

IFRS 9 replaces the “incurred loss” model in IAS 39 with the expected credit loss (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in IAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, restricted cash and amounts due from related parties).

For further details on the Group’s accounting policy for accounting for credit losses, see Notes 3(p)(i) and (ii).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

(i) IFRS 9, *Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation* (Continued)

c Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):
 - the determination of the business model within which a financial asset is held; and
 - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

(ii) IFRS 15, Revenue from contracts with customers (Continued)

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to IFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	RMB'000
Retained earnings	
Earlier revenue and profit recognition for sales of properties	87,970
Capitalisation of sales commissions as other contract costs	32,125
Related tax	(57,324)
Net increase in retained earnings at 1 January 2018	62,771
Non-controlling interests	
Net increase in non-controlling interests at 1 January 2018	39,286

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. *Timing of revenue recognition*

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

(ii) IFRS 15, Revenue from contracts with customers (Continued)

a. Timing of revenue recognition (Continued)

- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The timing of revenue recognition for sales of properties is affected as follows:

- Currently the Group's property development activities are mainly carried out in the PRC. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment in the PRC, the property sales contracts that require advance payment in full of the total consideration qualify for recognising revenue over time. Before the adoption of IFRS 15, revenue from sale of properties under all contracts in the ordinary course of business is recognised when the construction of respective properties have been completed and the significant risks and rewards of ownership of the properties are transferred to the customers, that is when the customers completed the necessary procedures to acknowledge receipts of delivery of properties in accordance with the terms under the respective sales and purchases agreements, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Under the transfer-of-control approach in IFRS 15, for sales of properties with full payment in advance before the construction of respective properties are completed, the management determined that the customers obtain control of the corresponding property development activities upon settlement of the total consideration. This is because under those circumstances, properties are made to a customer's specification as detailed in the terms of the agreements. The adoption of IFRS 15 has no impact on the timing of revenue recognition for sales of properties other than those with full payment in advance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

(ii) IFRS 15, Revenue from contracts with customers (Continued)

a. Timing of revenue recognition (Continued)

- Therefore, revenue from those contracts that require advance payment in full of the total consideration and the associated costs are recognised over time, which would result in revenue and the associated costs for these agreements being recognised in profit or loss earlier under IFRS 15 than under IAS 18.
- As a result of this change in accounting policy, the Group has made adjustments to the opening balances at 1 January 2018 which increased retained earnings by RMB38,677,000, increased non-controlling interests by RMB39,286,000, decreased trade and other payables, deposits received and accrued charges by RMB11,337,686,000, increased contract liabilities by RMB10,796,614,000, increased deferred tax liabilities by RMB71,425,000 and decreased properties under development for sale by RMB391,685,000.

b. Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

In assessing whether advance payments include a significant financing component, the Group has considered the difference between the length of time between the payment date and the date when the customers obtain control of the properties based on the typical arrangements entered into with the customers.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under IAS 23, *Borrowing costs*, if significant.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

(ii) IFRS 15, Revenue from contracts with customers (Continued)

c. Sales commissions payable related to property sales contracts

The Group previously recognised sales commissions payable related to property sales contracts as distribution costs when they were incurred. Under IFRS 15, the Group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as distribution costs at that time.

As a result of this change in accounting policy, the Group has capitalised sales commissions payable related to property sales contracts amounting to RMB32,125,000 as other contract costs included within "inventories and other contract costs", increased deferred tax liabilities by RMB8,031,000 and increased retained earnings by RMB24,094,000 at 1 January 2018.

d. Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, the Group's properties under development and properties held for sale were included within "properties under development for sale" or "properties held for sale" until customers complete the necessary procedures to acknowledge receipts of delivery of properties and the revenue was recognised for the reasons explained in paragraph a above.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

(ii) IFRS 15, Revenue from contracts with customers (Continued)

d. Presentation of contract assets and liabilities (Continued)

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

- (i) “Deposits received and receipt in advance from property sales” amounting to RMB10,796,614,000, which were previously included in trade and other payables, deposits received and accrued charges are now included under contract liabilities; and
- (ii) As explained in (i) above, adjustments to opening balances have been made to increase contract liabilities by RMB10,796,614,000 and decrease trade and other payables, deposits received and accrued charges by RMB10,796,614,000.

e. Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018.

The following tables summarise the estimated impact of adoption of IFRS 15 on the Group’s consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under IFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under IAS 18 if those superseded standards had continued to apply to 2018 instead of IFRS15. These tables show only those line items impacted by the adoption of IFRS 15:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

(ii) IFRS 15, Revenue from contracts with customers (Continued)

- e. Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018. (Continued)

	Amounts reported in accordance with IFRS 15 (A) RMB'000	Hypothetical amounts under IAS 18 (B) RMB'000	Difference: estimated impact of adoption of IFRS 15 (A)-(B) RMB'000
Line item in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 impact by the adoption of IFRS 15			
Revenue	9,337,650	8,733,535	604,115
Cost of sales	(7,167,052)	(6,707,473)	(459,579)
Gross profit	2,170,598	2,026,062	144,536
Selling and distribution expenses	(432,719)	(456,380)	23,661
Profit before taxation	1,404,905	1,236,708	168,197
Income tax expense	(742,644)	(655,919)	(86,725)
Profit for the year	662,261	580,789	81,472
Profit attributable to owners of the Company	524,791	484,443	40,348
Total comprehensive income for the year	681,741	600,269	81,472
Total comprehensive income attributable to owners of the Company	544,271	503,923	40,348
Earnings per share, in Renminbi ("RMB") cents:			
Basic	18.9	17.4	1.5
Diluted	18.8	17.3	1.5
Line item in the consolidated statement of financial position at 31 December 2018 impacted by the adoption of IFRS 15:			
Deferred tax assets	751,306	804,622	(53,316)
Total non-current assets	11,445,857	11,499,173	(53,316)
Properties under development for sale	23,764,203	24,639,834	(875,631)
Inventories and other contract costs	64,924	9,137	55,787
Total current assets	42,183,103	43,002,947	(819,844)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

(ii) IFRS 15, Revenue from contracts with customers (Continued)

- e. Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018. (Continued)

	Amounts reported in accordance with IFRS 15 (A) RMB'000	Hypothetical amounts under IAS 18 (B) RMB'000	Difference: estimated impact of adoption of IFRS 15 (A)-(B) RMB'000
Trade and other payables, deposits received and accrued charges	9,094,513	27,182,630	(18,088,117)
Contract liabilities	16,918,562	–	16,918,562
Total current liabilities	38,699,297	39,868,852	(1,169,555)
Net current assets	3,483,806	3,134,095	349,711
Total assets less current liabilities	14,929,663	14,633,268	296,395
Reserves	5,498,341	5,395,221	103,120
Total equity attributable to owners of the Company	5,673,682	5,570,562	103,120
Non-controlling interests	1,908,277	1,827,867	80,410
Total equity	7,581,959	7,398,429	183,530
Deferred tax liabilities	256,293	143,428	112,865
Total non-current liabilities	7,347,704	7,234,839	112,865
Line item in the reconciliation of profit before taxation to cash generated from operations for the year ended 31 December 2018 impact by the adoption of IFRS 15:			
Profit before taxation	1,404,905	1,236,708	168,197
Increase in properties under development and properties held for sale	(2,905,249)	(3,389,195)	483,946
Increase in inventories and other contract costs	(25,536)	(1,874)	(23,662)
Increase in trade and other payables, deposits received and accrued charges	2,956,952	9,707,382	(6,750,430)
Increase in contract liabilities	6,121,948	–	6,121,948

The significant differences arise as a result of the changes in accounting policies described above.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

(iii) IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

(c) Change in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in subsidiaries that do not result in losing control over the subsidiaries are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests will be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). When the Group loses control of a subsidiary, it is accounted for as a disposed of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(o)) or, where appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 3 (e)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investments in associates and joint ventures (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(o)). The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue and other income

Income is classified by the group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accrued on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue arising from the sale of properties with full payment in advance before the construction of respective properties are completed are recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual construction costs incurred relative to the estimated total construction costs.

Revenue arising from the sale of properties other than those with full payment in advance is recognised when legal assignment is complete, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see Note 3(n)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue and other income (Continued)

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the IAS 23, *Borrowing Costs*, in accordance with the policies set out in Note 3(r), if significant.

In the comparative period, revenue from sale of properties under all contracts in the ordinary course of business is recognised when the construction of respective properties have been completed and the significant risks and rewards of ownership of the properties are transferred to the customers, that is when the customers completed the necessary procedures to acknowledge receipts of delivery of properties in accordance with the terms under the respective sales and purchases agreements, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Deposits and instalments received on properties sold prior to the date of revenue recognition were included in the statement of financial position under trade and other payables and no interest expense was accrued on payments received in advance. The change in accounting policy for accruing interest on payments in advance does not have any material impact on the Group's opening balances as at 1 January 2018.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Revenue from hotel accommodation, food and beverage sales and other ancillary services is recognised when the services are rendered.

Other service income is recognised when the services are provided.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue and other income (Continued)

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(g) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Where properties held for sale transferred to investment properties when there is a change of intention to hold the property to earn rentals or/and capital appreciation, which is evidenced by the commencement of an operating lease to another party, any difference between the carrying amount and fair value of that item at the date of transfer is recognised in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any recognised impairment losses.

Properties in the course of construction for production, supply or administrative purpose are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives after taking into account of their estimated residual values, using the straight-line method.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

(i) Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

(k) Freehold land held for future development

The freehold land held for future development represents parcels of land owned by the Group for the purpose of development of properties for sale. The freehold land is initially recognised at cost and not depreciated. It would be transferred to properties under development for sale upon commencement of the related construction work in property development project.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

– **Property under development for sale**

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 3(r)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– **Completed property held for resale**

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 3(l)), property, plant and equipment (see Note 3(h)) or intangible assets (see Note 3(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 3(f).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 3(f)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 3(f)).

(o) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 40(c). These investments are subsequently accounted for as follows, depending on their classification.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Other investments in debt and equity securities (Continued)

(A) Policy applicable from 1 January 2018

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 3(f).

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities.

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in Note 3(f). Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see Note 3(p)(i) – policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, restricted cash and amounts due from related parties).

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs (Continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 3(f) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Basis of calculation of interest income (Continued)

At each reporting date, the Group assesses whether a financial asset is credit-impaired.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an “incurred loss” model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables and available-for-sale investments). Under the “incurred loss” model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognised as follows:

- For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(B) Policy applicable prior to 1 January 2018 (Continued)

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

- For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

Impairment losses recognised in profit or loss in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value could be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances were recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 3(p)(i) and (ii)).

(q) Leasing

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.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expenses 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Renminbi using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property*, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principle set out in IAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

(u) Retirement benefit costs

Payments to defined contribution retirement benefits scheme under the state-managed retirement benefit scheme in PRC are charged as an expense when employees have rendered service entitling them to the contributions.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Share-based payment transactions

Equity-settled share-based payment transactions with employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

(w) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(y) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are a joint venture of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidences of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

In determining the fair value, the valuers have taken into consideration the market conditions existed at the end of each reporting period or where appropriate, a method of valuation where involves, inter alia, certain estimates including market prices, prevailing market rents for comparable properties in the same location and condition, appropriate discount rate and expected future market rents. In relying on the valuation report, the management has exercised their judgement and are satisfied that the method of valuation is reflective of the prevailing market conditions as at the end of each reporting period.

(b) Write-down of completed properties held for sale and properties under development for sale

Management performs a regular review on the carrying amount of completed properties held for sale and properties under development for sale. Based on management's review, write-down of completed properties held for sale and properties under development for sale will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties held for sale and properties under development for sale, management refers to prevailing market data such as recent sales transactions as the basis for evaluation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(c) Income tax expense

Deferred tax assets of approximately RMB751,306,000 (2017: RMB421,242,000) mainly in relation to tax losses, land appreciation tax provisions, allowance for bad and doubtful debts, write-down of properties held for sale, advertising expenses, temporary differences on property sales and cost of sales and others have been recognised at 31 December 2018 as set out in Note 18. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The directors of the Company determine the deferred tax assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. The directors of the Company have reviewed the assumptions and profit projections at the end of the reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a recognition or reversal takes place.

(d) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(e) Revenue recognition

As explained in policy Note 3(f), revenue from the sale of properties with full payment in advance before the construction of respective properties are completed are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets do not include profit which the group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

In the comparative period, revenue from sale of properties under all contracts in the ordinary course of business is recognised when the construction of respective properties have been completed and the significant risks and rewards of ownership of the properties are transferred to the customers.

5 REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing on (a) sale of properties, (b) property investment, (c) hotel operation, (d) project management, (e) real estate agency services and (f) other services. The operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision maker of the Group ("CODM"), Mr. Zhang Peng, who is the President of the Group. The CODM mainly reviews the revenue information on sales of properties from property development, leasing properties from property investment, hotel operation, project management, real estate agency services and other services. However, other than revenue information, no operating results and other discrete financial information is available for the assessment of performance of the respective types of revenue. The CODM reviews the overall results and organization structure of the Group as a whole to make decision about resources allocation. Accordingly, no analysis of this single reportable and operating segment is presented.

Revenue represents the fair value of the consideration received or receivable.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5 REVENUE AND SEGMENT INFORMATION (Continued)

Entity-wide information

An analysis of the Group's revenue by type is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sale of properties	9,043,504	8,282,941
Real estate agency services	106,900	68,690
Project management	49,410	13,162
Hotel operation	71,813	67,608
Other services	1,928	14,371
	9,273,555	8,446,772
Property investment	64,095	59,556
	9,337,650	8,506,328
Disaggregated by timing of revenue recognition		
Point in time	7,832,707	8,506,328
Over time (note)	1,504,943	–
	9,337,650	8,506,328

Note: Out of the above revenue recognised over time, RMB564,175,000 is related to properties completed and delivered to customers during 2018. As detailed in Note 3(b)(ii)e, hypothetical revenue of these properties for the year ended 31 December 2018 under IAS 18 would be RMB900,828,000.

Geographic information

The Group's operations are substantially located in the PRC, therefore no geographical segment reporting is presented.

No revenue from transaction with single external customer amounted to 10% or more of the Group's revenue for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6 OTHER INCOME, GAINS AND LOSSES

	2018 RMB'000	2017 RMB'000
Interest income	110,147	89,620
Dividend income from available-for-sale investments	–	7,073
Government grants (note a)	1,510	2,833
Remeasurement to fair value of pre-existing interest in acquirees (note b)	–	116,988
Net exchange (loss)/gain (note d)	(205,237)	205,102
Gain on disposal of subsidiaries	20,386	22,765
Gain on disposal of joint ventures (note c)	212,746	42,570
Gain on disposal of an associate (note e)	–	147,195
Gain on disposal of property, plant and equipment	29	1,283
Others	67,233	17,089
	206,814	652,518

Notes:

- (a) Government grants represent incentive subsidies from various PRC governmental authorities. There are no conditions or future obligations attached to these subsidies.
- (b) For the year ended 31 December 2017, the Group acquired two subsidiaries which were joint ventures of the Group before the acquisition. The remeasurement to fair value of the Group's pre-existing interest in the acquirees resulted in a gain of RMB116,988,000.
- (c) For the year ended 31 December 2018, the Group disposed of the interests in two joint ventures for a total consideration of RMB373,000,000, which resulted in a gain of RMB212,746,000.
- For the year ended 31 December 2017, the Group disposed of the interest in a joint venture for a consideration of RMB50,200,000, which resulted in a gain of RMB42,570,000.
- (d) The net exchange (loss)/gain for the years ended 31 December 2018 and 2017 mainly arose from retranslation of senior notes issued by the Company denominated in US\$ due to (depreciation)/appreciation of RMB against US\$.
- (e) For the year ended 31 December 2017, the Group disposed of the interest in an associate for a consideration of RMB150,000,000, which resulted in a gain of RMB147,195,000.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7 FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on bank and other borrowings	(755,662)	(685,178)
Interest expense on senior notes and corporate bond	(572,139)	(508,085)
	(1,327,801)	(1,193,263)
Less: Amount capitalised in properties under development for sale	1,069,956	800,074
	(257,845)	(393,189)

The borrowing costs have been capitalised at a rate of 2.10%-13.44% (2017: 1.27%-11.50%) per annum.

8 INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax		
PRC Corporate Income Tax	(791,072)	(501,578)
Land appreciation tax ("LAT")	(357,725)	(164,343)
Deferred tax (Note 18)	395,484	128,739
Over-provision of PRC Corporate Income Tax in respect of prior years	10,669	5,806
Income tax expense	(742,644)	(531,376)

In accordance with the Corporate Income Tax Law of the PRC, the income tax rate applicable to the Company's subsidiaries in the PRC is 25%.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided on the appreciated amount at progressive rates ranging from 30% to 60%, with certain allowable exemptions and deductions.

Pursuant to the rules and regulation of BVI and the Cayman Islands, the Group is not subject to any income tax in BVI and the Cayman Islands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

8 INCOME TAX EXPENSE (Continued)

No provision for Hong Kong profits tax has been made as the income generated from the Group neither arose in, nor was derived from, Hong Kong for the years ended 31 December 2018 and 2017.

The tax charge for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2018 RMB'000	2017 RMB'000
Profit before taxation	1,404,905	1,357,915
PRC corporate income tax at 25%	(351,226)	(339,479)
Provision for LAT	(357,725)	(164,343)
Tax effect of LAT deductible for PRC Corporate Income Tax	89,431	41,085
Tax effect of share of gains/(losses) of joint ventures	40,452	(1,755)
Tax effect of share of losses of associates	(458)	(1,725)
Tax effect of non-deductible expenses	(209,496)	(104,642)
Tax effect of non-taxable income	65,233	97,230
Tax effect of unused tax losses not recognised	(29,524)	(63,553)
Over provision of PRC Corporate Income Tax in respect of prior years	10,669	5,806
Tax charge	(742,644)	(531,376)

9 PROFIT FOR THE YEAR

	2018 RMB'000	2017 RMB'000
Profit for the year has been arrived at after charging/ (crediting):		
(a) Staff cost		
Salaries, wages and other benefits	404,197	328,482
(Reversal of)/equity-settled share based payment expenses (Note 37)	(3,406)	14,327
	400,791	342,809
(b) Other items		
Depreciation of property, plant and equipment recognised in profit and loss	25,993	28,959
Amortisation of intangible assets	278	198
Operating lease rentals	23,951	15,026
Auditors' remuneration		
– Audit services	6,010	5,770
– Non-audit services	180	180
Allowance for doubtful debts	38	668
Cost of properties held for sale	7,069,585	6,651,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Year ended 31 December 2018	Directors' fee RMB'000	Basic	Retirement		Share-based payment RMB'000	Total RMB'000
		salaries and allowance RMB'000	Bonus RMB'000	benefit contribution RMB'000		
Name of director						
Executive Directors						
Zhang Lei	-	2,255	2,235	51	357	4,898
Zhang Peng	-	2,259	2,371	64	466	5,160
Chen Yin	-	898	349	-	-	1,247
Non-executive Directors						
Fan Qingguo	160	-	-	-	-	160
Chen Zhiwei	-	-	-	-	-	-
Chen Anhua	-	-	-	-	-	-
Independent non-executive Directors						
Cui Jian	175	-	-	-	-	175
Hui Chun Ho, Eric	175	-	-	-	4	179
Qin Youguo	175	-	-	-	-	175
Zhong Bin	175	-	-	-	-	175
	860	5,412	4,955	115	827	12,169
Year ended 31 December 2017						
Name of director						
Executive Directors						
Zhang Lei	-	1,774	1,085	51	907	3,817
Zhang Peng	-	1,774	1,093	51	828	3,746
Chen Yin	-	903	321	-	-	1,224
Non-executive Directors						
Fan Qingguo	160	-	-	-	-	160
Zhong Tianxiang (resigned on 7 July 2017)	93	-	-	-	-	93
Chen Zhiwei	-	-	-	-	-	-
Chen Anhua (appointed on 27 January 2017)	-	-	-	-	-	-
Independent non-executive Directors						
Cui Jian	167	-	-	-	-	167
Hui Chun Ho, Eric	167	-	-	-	34	201
Qin Youguo	167	-	-	-	-	167
Zhong Bin (appointed on 27 January 2017)	155	-	-	-	-	155
	909	4,451	2,499	102	1,769	9,730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Notes:

Mr. Zhang Lei is the Chairman of the Company and his emoluments disclosed above include those for services rendered by him as the Chairman.

Mr. Zhang Peng is the President of the Company and his emoluments disclosed above include those for services rendered by him as the President.

Mr. Chen Yin is the Chief Technology Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Technology Officer.

The bonus is determined by the management with reference to the Group's operating results, individual performance and prevailing market conditions.

The share-based payments are estimated value of the share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 3(v) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

No directors waived any emoluments during the years ended 31 December 2018 and 2017.

Five highest paid individuals

The five highest paid individuals included 2 directors for the year ended 31 December 2018 (2017: 2 directors). The emoluments of the remaining 3 highest paid individuals for the year ended 31 December 2018 (2017: remaining 3 highest paid individuals) are as follows:

	2018 RMB'000	2017 RMB'000
Employees		
– Basic salaries and allowances	3,811	4,154
– Bonus	1,681	2,737
– Share-based payment	409	1,178
– Retirement benefit contributions	153	152
	6,054	8,221

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Five highest paid individuals (Continued)

The emoluments of the remaining highest paid individuals are within the following bands:

	2018	2017
HK\$2,000,001 to HK\$2,500,000	2	–
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	–	1

11 DIVIDEND

(i) Dividends payable to owners of the Company attributable to the year

	2018 RMB'000	2017 RMB'000
Interim dividend declared and paid of HK2.3 cents per ordinary share (2017: HK2.3 cents per ordinary share)	56,465	49,065
Final dividend proposed after the end of the reporting period of HK1.98 cents per ordinary share (2017: HK3.6 cents per ordinary share)	48,402	80,740
	104,867	129,805

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year

	2018 RMB'000	2017 RMB'000
Final dividend in respect of previous financial year, approved and paid during the year, of HK3.6 cents per share (2017: HK6.3 cents per share)	84,559	137,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11 DIVIDEND (Continued)

(iii) Bonus issue

A resolution on a bonus share issue of 1 bonus share for every 10 then existing was duly passed by the shareholders by way of poll at an extraordinary general meeting held on 18 September 2017.

12 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2018 RMB'000	2017 RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	524,791	705,999
	2018 '000	2017 '000
Number of shares (basic)		
Issued ordinary shares at 1 January	2,768,291	2,503,405
Effect of bonus issue	–	251,321
Effect of share options exercised	15,010	3,113
Weighted average number of ordinary shares at 31 December	2,783,301	2,757,839
Number of shares (diluted)		
Number of ordinary shares for the purpose of calculating basic earnings per share	2,783,301	2,757,839
Effect of dilutive potential ordinary shares:		
– Share options (note)	16,068	5,714
Number of ordinary shares for the purpose of calculating diluted earnings per share	2,799,369	2,763,553

Note: The computation of the diluted earnings per share for the year ended 31 December 2018 has taken into consideration the weighted average number of 16,068,000 shares (2017: 5,714,000 shares) deemed to be issued at nil consideration as if all outstanding share options had been exercised.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13 INVESTMENT PROPERTIES

	Properties under construction	Completed properties	Total
	RMB'000	RMB'000	RMB'000
Fair value:			
At 1 January 2017	78,160	1,741,840	1,820,000
Additions	22,052	–	22,052
Transfer from properties under development for sale and completed properties held for sale	46,751	15,000	61,751
Transfer from property, plant and equipment	–	19,000	19,000
Transfer to completed properties	(50,000)	50,000	–
Net change in fair value recognised in profit or loss	4,197	70,110	74,307
Disposals	–	(32,110)	(32,110)
At 31 December 2017 and 1 January 2018	101,160	1,863,840	1,965,000
Additions	8,853	–	8,853
Transfer from completed properties held for sale	–	139,685	139,685
Transfer to completed properties	(124,160)	124,160	–
Net change in fair value recognised in profit or loss	14,147	52,925	67,072
Disposals	–	(52,000)	(52,000)
At 31 December 2018	–	2,128,610	2,218,610

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties. The investment properties are all situated in the PRC. The lease terms of land on which the investment properties are situated range from 40 to 50 years.

The Group had pledged investment properties of RMB559,232,000 (2017: RMB274,110,000) at 31 December 2018 to secure certain banking facilities granted to the Group as set out in Note 33.

At 31 December 2018, the amount transferred from properties held for sale upon change in use included the cost of the properties held for sale amounted to RMB74,535,000 (2017: the cost of the properties held for sale and properties under development for sale amounted to RMB33,868,000) with fair value gain of approximately RMB65,150,000 (2017: RMB27,883,000) based on valuation performed at the respective dates of transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13 INVESTMENT PROPERTIES (Continued)

The fair value of the Group's investment properties at the respective dates of transfer and as at 31 December 2018 and 2017 has been arrived at on the basis of a valuation at each of those dates carried out by Cushman & Wakefield Limited, independent qualified professional valuers not connected to the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's property manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

For the completed investment properties, the valuations were arrived at with adoption of investment approach by capitalisation of the rental income derived from the existing tenancies with due allowance for reversionary income potential of the properties. There has been no change from the valuation technique used in the prior year for the completed investment properties. For the investment properties under development, the valuations were arrived at using the residual method. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

In estimating the fair value of an asset, the Group uses market-observable data to the extent available.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2018 and 2017 are as follows:

	Fair value as at 31 December	
	Level 3 RMB'000	2018 RMB'000
Investment properties located in the PRC	2,218,610	2,218,610

	Fair value as at 31 December	
	Level 3 RMB'000	2017 RMB'000
Investment properties located in the PRC	1,965,000	1,965,000



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13 INVESTMENT PROPERTIES (Continued)

There were no transfers into or out of Level 3 during the year. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Investment properties held by the Group in the consolidated statement of financial position	Valuation technique (s) and key input (s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment properties located in Beijing, Changsha, Nanchang, Jiujiang, Taiyuan, and Xiantao, PRC (mainly retails)	Investment approach	Capitalisation rate, from 3.75% to 6% (2017: 3.75% to 6%)	The higher the capitalisation rate, the lower the market value.
	The key inputs are: 1. Capitalisation rate; 2. Unit rent of individual unit	Unit rent, from RMB49 to RMB416 (2017: from RMB48 to RMB397) per sqm. per month	The higher the unit rent, the higher the market value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Motor vehicles RMB'000	Electronic equipment and furniture RMB'000	Properties under construction RMB'000	Total RMB'000
Cost:					
At 1 January 2017	587,416	31,767	20,704	6,503	646,390
Additions	–	5,352	3,017	2,234	10,603
Transfer	6,389	–	–	(6,389)	–
Acquisition of subsidiaries	–	605	142	–	747
Transfer to investment property	(12,823)	–	–	–	(12,823)
Disposals	(7,741)	(2,246)	(848)	–	(10,835)
Exchange differences	(19)	(3)	(9)	–	(31)
At 31 December 2017 and 1 January 2018	573,222	35,475	23,006	2,348	634,051
Additions	751	11,794	3,667	146	16,358
Disposals	–	(1,742)	(5,127)	–	(6,869)
Exchange differences	32	10	22	–	64
At 31 December 2018	574,005	45,537	21,568	2,494	643,604
Accumulated depreciation:					
At 1 January 2017	93,938	21,552	13,627	–	129,117
Charge for the year	20,550	4,421	3,988	–	28,959
Transfer to investment property	(1,391)	–	–	–	(1,391)
Eliminated on disposals	(2,711)	(2,289)	(1,239)	–	(6,239)
Exchange differences	(3)	(1)	(4)	–	(8)
At 31 December 2017 and 1 January 2018	110,383	23,683	16,372	–	150,438
Charge for the year	17,926	4,793	3,274	–	25,993
Eliminated on disposals	–	(1,561)	(3,758)	–	(5,319)
Exchange differences	6	4	5	–	15
At 31 December 2018	128,315	26,919	15,893	–	171,127
Carrying amount:					
At 31 December 2018	445,690	18,618	5,675	2,494	472,477
At 31 December 2017	462,839	11,792	6,634	2,348	483,613



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Note:

The Group has entered into agreements with the eligible employees in connection with certain properties developed by the Group (the "Scheme"). Under the Scheme, the eligible employees can use the properties while remain with the Group for a service period ranging from 1.5 to 15 years, the title of the properties will be transferred to the eligible employees upon the completion of the service period as stated under the Scheme. As at 31 December 2018, the carrying amount of leasehold land and buildings which were being occupied by the eligible employees under the Scheme was RMB11,985,000 (2017: RMB14,730,000).

The above items of property, plant and equipment, other than properties under construction, are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Leasehold land and buildings	Over the shorter of unexpired lease term of land and 30 years
Leasehold land and buildings under the Scheme	1.5 to 15 years
Motor vehicles	19%
Electronic equipment and furniture	19.00% – 31.67%

15 INTERESTS IN ASSOCIATES

Details of the Group's interests in associates are as follows:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Share of net assets	112,984	106,664

The associates are accounted for using the equity method in these consolidated financial statements. None of the Group's associates is individually material.

Aggregate information of associates that are not individually material:

	2018 RMB'000	2017 RMB'000
Aggregate amounts of the Group's share of those associates' losses and total comprehensive income for the year	(1,833)	(6,898)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

Details of the Group's interests in joint ventures are as follows:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Cost of investment in joint ventures	2,178,632	2,678,210
Share of post-acquisition profits and other comprehensive income	252,253	20,123
	2,430,885	2,698,333
Loans to joint ventures, gross	5,561,361	3,241,816
Less: Share of post-acquisition losses that are in excess of cost of the investments	(106,267)	(51,700)
	5,455,094	3,190,116

Loans to joint ventures are unsecured and have no fixed term of repayment. The balances as at 31 December 2018 are interest free (2017: RMB79,794,000 bear interest at fixed rate of 13% per annum and the remaining balances are interest free). All the loans to joint ventures are expected to be recovered after one year and, in substance, form part of the Group's net investments in these joint ventures.

Details of the Group's material joint ventures as at 31 December 2018 are as follows:

Name of company	Place of establishment	Effective interests attributable to the Group		Principal activities
		2018	2017	
Changsha Pengyue Real Estate Development Co., Limited* ("Changsha Pengyue") 長沙鵬躍房地產開發有限公司	PRC	51%	51%	Property development
Yango Yuegang Limited* ("Yango Yuegang") 陽光城粵港有限公司	PRC	51%	51%	Property development

* The English names of the companies which operate in the PRC are for reference only and have not been registered.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

(Continued)

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' unaudited financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Changsha Pengyue

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Current assets	1,659,439	2,179,830
Non-current assets	8,702	8,794
Current liabilities	(1,272,856)	(1,769,297)
Non-current liabilities	–	(200,000)
Net assets	395,285	219,327
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	253,681	255,399
	2018 RMB'000	2017 RMB'000
Revenue	1,339,398	1,024,573
Gain/(loss) and total comprehensive income for the year	175,958	(67,996)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Changsha Pengyue recognised in the consolidated financial statements:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Net assets of Changsha Pengyue	395,285	219,327
Proportion of the Group's ownership interest in Changsha Pengyue	51%	51%
Carrying amount of the Group's interest in Changsha Pengyue	201,595	111,857

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

(Continued)

Summarised financial information of material joint ventures (Continued)

Yango Yuegang

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Current assets	6,878,674	6,567,699
Non-current assets	185,718	5,731
Current liabilities	(726,785)	(429,304)
Non-current liabilities	(2,383,324)	(2,157,834)
Net assets	3,954,283	3,986,292
Attributable to equity shareholders	2,970,217	2,985,439
Non-controlling interest	984,066	1,000,853
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	5,761	6,756
	31 December 2018 RMB'000	For the period from 15 September 2017 to 31 December 2017 RMB'000
Revenue	–	–
Loss and total comprehensive income for the year/period	(32,009)	(17,125)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Yango Yuegang recognised in the consolidated financial statements:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Net assets of Yango Yuegang	2,970,217	2,985,439
Proportion of the Group's ownership interest in Yango Yuegang	51%	51%
Carrying amount of the Group's interest in Yango Yuegang	1,514,811	1,522,574



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16 INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

(Continued)

Aggregate information of joint ventures that are not individually material

	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	714,479	1,063,902
Aggregate amounts of the Group's share of those joint ventures' gains and total comprehensive income	88,395	36,391

17 OTHER NON-CURRENT FINANCIAL ASSETS

	At 31 December 2018 RMB'000	At 1 January 2018 RMB'000	At 31 December 2017 RMB'000
Equity securities designated at FVOCI (non-recycling)			
– Unlisted equity securities	60,085	50,085	–
	60,085	50,085	–
Available-for-sale financial assets			
– Unlisted equity securities	–	–	50,085
	–	–	50,085

Available-for-sale financial assets were reclassified to equity securities designated at FVOCI (non-recycling) upon the initial application of IFRS 9 at 1 January 2018 (see Note 3(b)(i)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18 DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Investment properties	Tax loss	Land appreciation tax provision	Temporary differences on property sales and cost of sales	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	(274,152)	38,195	247,661	135,223	(50,856)	96,071
(Charged)/credited to profit or loss (Note 8)	(27,225)	9,070	(69,535)	133,396	83,033	128,739
Charged to reserve	(1,892)	-	-	-	-	(1,892)
Acquisition of subsidiaries	-	55,501	(9,706)	28,234	(117,963)	(43,934)
At 31 December 2017	(303,269)	102,766	168,420	296,853	(85,786)	178,984
Impact on initial application of IFRS15	-	-	-	-	(79,455)	(79,455)
At 1 January 2018	(303,269)	102,766	168,420	296,853	(165,241)	99,529
(Charged)/credited to profit or loss (Note 8)	(25,030)	41,162	(20,902)	263,708	136,546	395,484
At 31 December 2018	(328,299)	143,928	147,518	560,561	(28,695)	495,013

For the purpose of presentation in the consolidated statement of financial position. The following is the analysis of the deferred tax balances for financial reporting purpose:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Deferred tax assets	751,306	421,242
Deferred tax liabilities	(256,293)	(242,258)
	495,013	178,984



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18 DEFERRED TAXATION (Continued)

(a) Deferred tax assets not recognised

No deferred tax asset has been recognised in respect of the following unutilised tax losses due to the uncertainty of future profit streams. The unrecognised tax losses will expire in the following years:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Expiring on:		
31 December 2018	–	6,086
31 December 2019	16,426	16,426
31 December 2020	78,521	78,521
31 December 2021	105,705	105,705
31 December 2022	254,212	254,212
31 December 2023	118,096	–
Total unused tax losses not recognised as deferred tax assets	572,960	460,950

(b) Deferred tax liabilities not recognised

Under the Corporate Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB6,242,704,000 (2017: RMB5,206,516,000) as at 31 December 2018, as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits earned subsequent to 1 January 2008 will not be distributed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

19 PROPERTIES UNDER DEVELOPMENT FOR SALE

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
At the beginning of the year	20,173,043	10,331,289
Additions	10,677,635	14,539,310
Transfer to properties held for sale upon completion	(7,080,211)	(6,780,086)
Transfer to investment properties	–	(28,080)
Acquisition of subsidiaries	–	4,164,276
Disposal of subsidiaries	(6,264)	(2,053,666)
At the end of the year	23,764,203	20,173,043

The properties under development are located in the PRC with lease terms ranging from 40 to 70 years.

The Group has pledged properties under development for sale of RMB9,092,742,000 at 31 December 2018 to secure certain banking and other facilities granted to the Group (2017: RMB10,112,937,000 to secure certain banking and other facilities granted to the Group) as set out in Note 33.

As at 31 December 2018, properties under development for sale with carrying value of RMB8,438,547,000 (2017: RMB7,561,994,000) are expected to be completed after more than one year.

20 PROPERTIES HELD FOR SALE

The Group's properties held for sale are stated at cost and situated in the PRC.

As at 31 December 2018, properties held for sale of RMB364,990,000 (2017: RMB380,000,000) are pledged to secure certain banking facilities granted to the Group as set out in Note 33.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

21 CONTRACT LIABILITIES

	Note	At 31 December 2018 RMB'000	At 1 January 2018(i) RMB'000	At 31 December 2017(i) RMB'000
Sales deposits	(ii)	16,918,562	10,796,614	–
		16,918,562	10,796,614	–

Notes:

- (i) The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.
- (ii) Upon the adoption of IFRS 15, these amounts were reclassified from "Trade and other payables, deposits received and accrued charges" (Note 25) to contract liabilities (see Note 3(b)(ii)).
- (iii) The amount of revenue recognised during the year ended 31 December 2018 that was included in the balance of sales deposits as at 31 December 2017 is RMB5,732,038,000. As at 31 December 2018 the sales deposits expected to be recognised as income after more than one year is RMB7,469,136,000. (2017: RMB5,064,576,000, which were included under "trade and other payables, deposits received and accrued charges").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables mainly are rental receivable and receivable from sale of properties.

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Trade receivables, net of allowance	601,800	167,157
Other receivables, net of allowance	3,323,945	1,234,943
Guarantee deposits for housing provident fund loans provided to customers (note)	16,777	33,796
Loans and receivables	3,942,522	1,435,896
Prepayments to suppliers of construction materials	277,389	151,053
Deposits paid for acquisition of land use rights	374,308	40,000
Deposits paid for acquisition of subsidiaries	–	428,859
Prepaid taxation	1,374,815	954,072
	5,969,034	3,009,880

Note: Guarantee deposits for housing provident fund loans provided to customers represent amounts placed with Housing Provident Fund Management Center, a state-owned organisation responsible for the operation and management of housing provident fund, to secure the housing provident fund loans provided to customers and will be refunded to the Group upon customers obtaining the property individual ownership certificate.

The following is an ageing analysis of trade receivables based on due date for rental receivables and revenue recognition dates for receivables from properties sold, at the end of each reporting period:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Less than 1 year	554,611	134,729
1 - 2 years	47,189	32,428
	601,800	167,157



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

All of the above trade receivables are overdue rental receivables and receivables from properties sold but not impaired at the end of the reporting period. For the overdue rental receivables, the Group does not hold any collateral over those balances. For the receivables from properties sold, the Group holds the title of the property units as collateral over those balances.

Movements in the allowance for doubtful debts on trade receivables are set out as follows:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
At the beginning and the end of the year	4,041	4,041

Movements in the allowance for doubtful debts on other receivables are set out as follows:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
At the beginning of the year	3,431	2,763
Provided during the year	38	668
At the end of the year	3,469	3,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23 RESTRICTED CASH

	Note	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Guarantee deposits for mortgage loans provided to customers	(i)	116,131	135,143
Guarantee deposits for construction of pre-sold properties	(ii)	1,242,777	1,192,032
Guarantee deposits for bank borrowings	(iii)	1,571,286	1,549,072
Guarantee deposits for notes payable		53,751	–
Balance of restricted cash		2,983,945	2,876,247

Notes:

- (i) Guarantee deposits for mortgage loans provided to customers represent restricted cash placed with the banks to secure the mortgage guarantees provided to customers and will be released upon customers obtaining the individual property ownership certificate.
- (ii) In accordance with relevant documents issued by the PRC local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place the proceeds received from pre-sale of properties as guarantee deposits for construction of properties. The deposits can only be used to pay for construction fees and purchase of construction materials of the relevant projects when approvals are obtained from the PRC local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.
- (iii) During the year, the Group obtained certain bank borrowings secured by pledged deposits.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

24 BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION

(a) Bank balances and cash

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Cash at bank and in hand	9,717,210	10,409,960
Less: Restricted cash	(2,983,945)	(2,876,247)
	6,733,265	7,533,713

Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

The deposits carry variable rates of 0.35% – 2.50% per annum as at 31 December 2018 and 2017.

Bank balances and cash at 31 December 2018 were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

24 BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other borrowings	Senior notes	Corporate bond	Amounts due to related parties	Amounts due to non- controlling interests	Total
	RMB'000 (Note 27)	RMB'000 (Note 28)	RMB'000 (Note 29)	RMB'000 (Note 38(b))	RMB'000 (Note 25)	RMB'000
At 1 January 2018	10,519,130	4,693,958	1,027,672	2,542,734	2,306,511	21,090,005
Changes from financing cash flows:						
New bank borrowings raised	1,492,792	-	-	-	-	1,492,792
Repayments of bank borrowings	(3,225,533)	-	-	-	-	(3,225,533)
New other borrowings raised	3,088,780	-	-	-	-	3,088,780
Repayments of other borrowings	(2,631,380)	-	-	-	-	(2,631,380)
Net proceeds from issue of senior notes	-	2,198,839	-	-	-	2,198,839
Repayments of senior notes	-	(1,475,942)	-	-	-	(1,475,942)
Advances from related parties	-	-	-	492,469	-	492,469
Repayments to related parties	-	-	-	(1,482,852)	-	(1,482,852)
Repayments to non-controlling interests	-	-	-	-	(1,070,063)	(1,070,063)
Advances from non-controlling interests	-	-	-	-	709,454	709,454
	9,243,789	5,416,855	1,027,672	1,552,351	1,945,902	19,186,569
Exchange adjustments	38,317	176,205	-	-	-	214,522
Other changes:						
Finance costs	-	20,817	4,503	-	-	25,320
Total other changes	-	20,817	4,503	-	-	25,320
At 31 December 2018	9,282,106	5,613,877	1,032,175	1,552,351	1,945,902	19,426,411



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

25 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Trade and notes payables	2,277,935	1,534,024
Accrued expenditure on construction	845,742	562,754
Amounts due to non-controlling interests	1,945,902	2,306,511
Accrued interest on senior notes	118,480	80,557
Accrued payroll	20,377	31,858
Dividend payable	2,085	1,648
Other payables	3,876,792	1,343,128
Financial liabilities measured at amortised cost	9,087,313	5,860,480
Deposits received and receipt in advance from property sales (Note 21)	–	10,796,614
Other tax payables	7,200	189,458
	9,094,513	16,846,552

Trade payables and accrued expenditure on construction comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe, if any.

The following is an ageing analysis of trade payables based on invoice date at the end of the reporting period:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Less than 1 year	1,935,105	1,037,273
1 to 2 years	338,346	327,314
More than 2 years and up to 3 years	4,484	169,437
	2,277,935	1,534,024



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For the year ended 31 December 2018

26 TAXATION PAYABLE

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
LAT payable	1,475,528	1,079,924
Income tax payable	809,875	859,785
	2,285,403	1,939,709

27 BANK AND OTHER BORROWINGS

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Bank loans, secured	5,634,706	6,276,130
Other loans, secured	3,647,400	3,290,000
Other loans, unsecured	–	953,000
	9,282,106	10,519,130



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For the year ended 31 December 2018

27 BANK AND OTHER BORROWINGS (Continued)

The borrowings are repayable:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Within one year or on demand	5,550,716	5,234,810
More than one year, but not exceeding two years	3,031,390	3,344,440
More than two years, but not exceeding five years	630,000	1,849,880
More than five years	70,000	90,000
	9,282,106	10,519,130
Less: Amount due within one year shown under current liabilities	(5,550,716)	(5,234,810)
Amount due after one year	3,731,390	5,284,320
Analysis of borrowings by currency		
– Denominated in RMB	7,506,531	8,194,320
– Denominated in US\$	533,590	1,168,870
– Denominated in HK\$	1,241,985	1,155,940
	9,282,106	10,519,130

Certain bank and other loans as at the end of the reporting period were secured by the pledge of assets as set out in Note 33.

Borrowings include RMB4,453,828,000 (2017: RMB3,006,810,000) variable rate borrowings which carry interest ranging from 2.1% to 8.5% (2017: 1.6% to 6.9%) per annum for the year ended 31 December 2018, and exposed the Group to cash flow interest rate risk. The remaining borrowings are arranged at fixed rate, the effective interest rate ranged from 3.8% to 13.4% (2017: 4.8% to 10.0%) per annum for the year ended 31 December 2018, and exposed the Group to fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28 SENIOR NOTES

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Carrying amount at the beginning of the year	4,693,958	3,245,630
Net proceeds from issuance of 2017 USD Notes I (note b)	–	994,646
Net proceeds from issuance of 2017 USD Private Notes (note c)	–	678,617
Net proceeds from issuance of 2017 USD Notes II (note d)	–	858,251
Net proceeds from issuance of 2018 USD Notes (note e)	2,198,839	–
Exchange loss/(gain)	176,205	(266,764)
Other finance costs	20,817	31,956
Redemption	(1,475,942)	(848,378)
Carrying amount at the end of the year	5,613,877	4,693,958
Less: Current portion of senior notes	(3,286,031)	(1,478,140)
	2,327,846	3,215,818

(a) 2016 USD Notes

On 20 October 2016, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$350,000,000 (equivalent to approximately RMB2,335,900,000,000) (the "2016 USD Notes"), at 99.667% of the principal amount of the 2016 USD Notes, which carried fixed interest at 6.875% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 20 October 2019.

The above senior notes are listed on the Singapore Stock Exchange, are senior obligations of the Company, and guaranteed by certain of the Company's existing subsidiaries other than those established under the laws of the PRC. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of assets serving as security.

At any time prior to 20 October 2019, the Company may at its option redeem the 2016 USD Notes, in whole but not in part, at a price equal to 100% of the principal amount of the 2016 USD Notes plus the applicable premium (which is defined as to the greater of (1) 1% of the principal amount of such senior notes and (2) the excess of (A) the present value at such redemption date of the principal amount of such senior notes, plus all required remaining scheduled interest payments due on such senior notes through the maturity date of such senior notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to an adjusted treasury rate plus 100 basis points, over (B) the principal amount of such senior note on such redemption date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28 SENIOR NOTES (Continued)

(a) 2016 USD Notes (Continued)

At any time prior to 20 October 2019, the Company may redeem up to 35% of the principal amount of the 2016 USD Notes at a redemption price of 106.875% of the principal amount of the 2016 USD Notes, 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 2016 USD 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.

In the opinion of the directors of the Company, the fair value of the early redemption options is insignificant at initial recognition and the end of the reporting period.

(b) 2017 USD Notes I

On 6 January 2017, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$150,000,000 (approximately RMB1,014,210,000) (the "2017 USD Notes I") at 98.193% of the principal amount plus accrued interest from (and including) 20 October 2016 to (but excluding) 6 January 2017, which will be consolidated and form a single series with the 2016 USD Notes as described in Note 28(a), the terms and conditions except for the issue date and issue price are the same.

(c) 2017 USD Private Notes

On 1 June 2017, the Company issued guaranteed private senior fixed rate notes with aggregate nominal value of US\$100,000,000 (approximately RMB689,000,000) (the "2017 USD Private Notes"), at 100% of the principal, which carry fixed interest at 6.5% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 31 May 2018.

The above senior notes are jointly guaranteed by certain of the Company's existing subsidiaries other than those established under the laws of the PRC. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of assets serving as security.

(d) 2017 USD Notes II

On 5 July 2017, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$130,000,000 (equivalent to approximately RMB884,000,000) (the "2017 USD Notes II"), at 100% of the principal amount of the 2017 USD Notes II, which carry fixed interest at 6.5% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 3 July 2018.

The above senior notes are listed on the Singapore Stock Exchange, are senior obligations of the Company, and guaranteed by certain of the Company's existing subsidiaries other than those established under the laws of the PRC. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of assets serving as security.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28 SENIOR NOTES (Continued)

(e) 2018 USD Notes

On 5 March 2018, the Company issued guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$350,000,000 (equivalent to approximately RMB2,372,755,000) (the "2018 USD Notes"), at 100% of the principal amount of the 2018 USD Notes, which carry fixed interest at 7.95% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 5 March 2021.

The 2018 USD Notes are listed on the Singapore Stock Exchange, are senior obligations of Modern Land (China) Co., Limited, and guaranteed by certain of the Company's existing subsidiaries other than those established under the laws of the PRC. The guarantees are effectively subordinated to the other secured obligations of each guarantor, to the extent of the value of assets serving as security.

At any time prior to 5 March 2021, the Company may at its option redeem the 2018 USD Notes, in whole but not in part, at a price equal to 100% of the principal amount of the 2018 USD Notes plus the applicable premium (which is defined as to the greater of (1) 1% of the principal amount of such senior notes and (2) the excess of (A) the present value at such redemption date of the principal amount of such senior notes, plus all required remaining scheduled interest payments due on such senior notes through the maturity date of such senior notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to an adjusted treasury rate plus 100 basis points, over (B) the principal amount of such senior note on such redemption date.

At any time prior to 5 March 2021, the Company may redeem up to 35% of the principal amount of the 2018 USD Notes at a redemption price of 107.95% of the principal amount of the 2018 USD Notes, 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 2018 USD 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.

In the opinion of the directors of the Company, the fair value of the early redemption options is insignificant at initial recognition and the end of the reporting period.

29 CORPORATE BOND

On 24 April 2016, the Company issued corporate bond with aggregate nominal value of RMB1,000,000,000, at 100.00% of its principal amount, which carried fixed interest at a rate of 6.4% per annum (interest payable annually in arrears) and will be due on 20 April 2021.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

30 LONG TERM PAYABLES

As at 31 December 2017, an aggregate of capital contribution ("Contribution") amounted to US\$51,224,480 (equivalent to approximately RMB334,711,000) was made by individual investors ("Immigrant Investors"), as limited partners, into three limited partnerships ("LPs") established in the US by the Group, for the purpose of making investment in newly established property development projects located in the US under the EB-5 Immigrant Investor Program ("EB-5 Program"). The EB-5 Program was created by the US Congress in 1990 to stimulate the US economy through job creation and capital investment by foreign investors. Pursuant to limited partnership agreements ("LPA") entered into between the Immigrant Investors and the LPs' general partner, who is in charge of operations of LPs and is also a wholly-owned subsidiary of the Group, the capital contribution made by the Immigrant Investors were to be invested into three property development projects located in Texas, held by wholly-owned subsidiaries of the Group.

During the year 2018, the Group has terminated the EB-5 Program and had returned the Contribution in full plus total interest expenses of US\$1,144,135 (equivalent to approximately RMB7,571,000) to the Immigrant Investors.

The directors of the Company consider that the above termination of EB-5 Program did not cause any significant contingent liabilities to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

31 SHARE CAPITAL

	Number of shares '000	Amount USD'000	Equivalent to RMB'000
Ordinary shares of US\$0.01 each			
Authorised:			
At 1 January 2017	3,000,000	30,000	184,404
Increase on 29 June 2017 (note a)	5,000,000	50,000	339,610
At 31 December 2017, 1 January 2018 and 31 December 2018			
	8,000,000	80,000	524,014
Issued and fully paid:			
At 1 January 2017	2,503,405	25,034	156,459
Bonus issue of shares (note b)	251,321	2,503	16,613
Exercise of share options (note c)	13,565	137	860
At 31 December 2017 and 1 January 2018			
Exercise of share options (note c)	2,768,291	27,674	173,932
	21,628	216	1,409
At 31 December 2018			
	2,789,919	27,890	175,341

Notes:

- (a) Pursuant to the resolutions passed in the Company's annual general meeting held on 29 June 2017, the authorised share capital of the Company was increased from US\$30,000,000 divided into 3,000,000,000 shares to US\$80,000,000 divided into 8,000,000,000 shares.
- (b) Pursuant to the bonus issue which was completed on 9 October 2017, a total of 251,321,000 bonus shares were issued on the basis of one bonus share for every ten shares then existing as at 26 September 2017.
- (c) During the year ended 31 December 2018, share options were exercised to subscribe for 994,000, 1,622,500 and 19,011,600 ordinary shares of the Company at HK\$1.041, HK\$1.045 and HK\$1.138 (equivalent to approximately RMB0.879, RMB0.838 and RMB0.948) per share, respectively, with the aggregate amount of HK\$24,365,000 (equivalent to approximately RMB20,263,000). During the year ended 31 December 2017, share options were exercised to subscribe for 2,312,500, 1,070,000, 7,490,000, 1,727,000 and 965,000 ordinary shares of the Company at HK\$1.145, HK\$1.041, HK\$1.252, HK\$1.138 and HK\$1.045 (equivalent to approximately RMB0.967, RMB0.879, RMB1.057, RMB0.961 and RMB0.882) per share, respectively with the aggregate amount of HK\$16,115,000 (equivalent to approximately RMB13,608,000). Details of the share options are summarised in Note 37.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

32 RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group entities in the PRC contribute funds which are calculated at a certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

33 PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group and mortgage loans granted to buyers of sold properties at the end of reporting period:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Investment properties	559,232	274,110
Properties under development for sale	9,092,742	10,112,937
Properties held for sale	364,990	380,000
Equity interests in subsidiaries	475,828	754,225
Bank deposits	1,741,168	1,684,215
Guarantee deposits for housing provident fund loans provided to customers	16,777	33,796
	12,250,737	13,239,283

The following assets were pledged to secure certain banking and other facilities granted to an associate and joint ventures at the end of reporting period:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Equity interests in joint ventures	-	76,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34 CAPITAL AND OTHER COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Contracted but not provided for in the consolidated financial statements:		
– Expenditure in respect of properties under development	7,864,247	5,105,179
– Expenditure in respect of acquisition of a subsidiary	–	1,844,829
– Expenditure in respect of acquisition of land use rights	–	570,000
	7,864,247	7,520,008

35 CONTINGENT LIABILITIES

- (a) The Group has provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is a default of the mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the date of grant of the mortgage loan and ends after the purchaser has obtained the individual property ownership certificate. In the opinion of the directors of the Company, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

The amounts of the outstanding guarantees given to banks for mortgage facilities at the end of the reporting period are as follows:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Mortgage guarantees	11,587,338	9,625,761

- (b) The Group provided guarantees to bank loans and other loans of a joint venture amounting to RMB998,000,000 at 31 December 2018 (2017: RMB1,898,000,000). At the end of the reporting period, the directors of the Company do not consider it probable that claims will be made against the Group under these guarantees. The Group has not recognised any deferred income in respect of these guarantees.



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36 OPERATING LEASE COMMITMENTS

The Group as a lessor

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments as follows:

	2018 RMB'000	2017 RMB'000
Within one year	79,176	59,600
In the second to five year inclusive	218,104	160,034
After five years	208,982	108,305
	506,262	327,939

37 SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the share option scheme (the "Share Option Scheme") adopted by the Company on 14 June 2013, the board of Directors of the Company (the "Board") may grant share options to eligible participants entitling to subscribe for a total up to 278,991,940 shares, representing 10% of the total number of issued shares as at the date on which the resolution regarding the refreshment of the scheme mandate limit under the Share Option Scheme was passed at the annual general meeting held on 19 June 2018, being 2,789,919,400 shares.

The maximum entitlement of each participant under the scheme in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant. The exercise price of the options shall be at least the highest of: (a) the official closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange on the date of grant; (b) the average of the official closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share.



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37 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

On 4 September 2014, the Company granted an aggregate of 25,700,000 options to two directors and six employees to subscribe for an aggregate of 25,700,000 shares in the Company, representing approximately 1.61% of the shares issued by the Company as at the date of grant.

On 10 July 2015, the Company granted an aggregate of 60,100,000 options to two directors and fifteen employees to subscribe for an aggregate of 60,100,000 shares in the Company, representing approximately 3.41% of the shares issued by the Company as at the date of grant ("Plan A").

On 10 July 2015, the Company granted an aggregate of 45,500,000 options to twelve employees to subscribe for an aggregate of 45,500,000 shares in the Company, representing approximately 2.59% of the shares issued by the Company as at the date of grant ("Plan B").

On 28 September 2016, the Company granted an aggregate of 43,000,000 options to two directors and twenty-six employees to subscribe for an aggregate of 43,000,000 shares in the Company, representing approximately 1.91% of the shares issued by the Company as at the date of grant.

At 31 December 2018, the number of shares in respect of which options has been granted and remained outstanding under the Share Option Scheme was 63,092,000 (31 December 2017: 109,735,500), representing 2.26% (31 December 2017: 3.96%) of the shares of the Company in issue at that date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The details of the options granted are as follows:

	Number of options	Vesting period	Contractual life of options
Share options granted to directors			
On 4 September 2014	15,290,000	25% from the date of grant to 3 September 2015	2 years
		25% from the date of grant to 3 September 2016	5 years
		25% from the date of grant to 3 September 2017	5 years
		25% from the date of grant to 3 September 2018	5 years
On 10 July 2015 Plan A	4,840,000	33% from the date of grant to 10 July 2016	3 years
		67% from the date of grant to 10 July 2017	3 years
On 28 September 2016	8,580,000	25% from the date of grant to 28 September 2017	5 years
		25% from the date of grant to 28 September 2018	5 years
		25% from the date of grant to 28 September 2019	5 years
		25% from the date of grant to 28 September 2020	5 years
Share options granted to employees			
On 4 September 2014	12,980,000	25% from the date of grant to 3 September 2015	2 years
		25% from the date of grant to 3 September 2016	5 years
		25% from the date of grant to 3 September 2017	5 years
		25% from the date of grant to 3 September 2018	5 years
On 10 July 2015 Plan A	61,270,000	33% from the date of grant to 10 July 2016	3 years
		67% from the date of grant to 10 July 2017	3 years
On 10 July 2015 Plan B	50,050,000	25% from the date of grant to 10 July 2016	1.5 year
		25% from the date of grant to 31 December 2016	4 years
		25% from the date of grant to 30 June 2017	4 years
		25% from the date of grant to 30 June 2018	4 years
On 28 September 2016	38,720,000	25% from the date of grant to 28 September 2017	5 years
		25% from the date of grant to 28 September 2018	5 years
		25% from the date of grant to 28 September 2019	5 years
		25% from the date of grant to 28 September 2020	5 years
<hr/>			
Total share options	191,730,000		
<hr/>			
Exercisable at 31 December 2017	38,117,800		
Exercisable at 31 December 2018	36,389,500		

The exercise of the share options by the eligible directors and employees is conditional upon the fulfilment of certain financial indicators as set out by the Company.

* The number of options are adjusted after the bonus issue of share on 9 October 2017.

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For the year ended 31 December 2018

37 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the Company's share options held by directors and employees during the year ended 31 December 2018:

Option type	Exercise price	Outstanding at 01/01/2018	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/2018
2014	HK\$1.041	18,438,500	(994,000)	–	–	17,444,500
2015 Plan A	HK\$1.138	29,562,000	(18,186,600)	(1,870,000)	(9,505,400)	–
2015 Plan B	HK\$1.138	22,275,000	(825,000)	(6,050,000)	–	15,400,000
2016	HK\$1.045	39,680,000	(1,622,500)	(7,810,000)	–	30,247,500
		109,955,500	(21,628,100)	(15,730,000)	(9,505,400)	63,092,000

Note: The average share price during the year ended 31 December 2018 is HK\$1.383 (2017: HK\$1.298).

The Group reversed total expense of RMB3,406,000 (2017: recognised total expense of RMB14,327,000) for the year ended 31 December 2018 in relation to share options under the Share Option Scheme granted by the Company.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the binomial option pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option pricing model.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38 RELATED PARTY BALANCES AND TRANSACTIONS

(a) At the end of the reporting period, the Group has amounts receivable from the following related parties and the details are set out below:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Amount due from companies controlled by Mr. Zhang Lei	7,703	29,223
Amounts due from joint ventures and their subsidiaries	317,018	162,101
Total non-trade balance (note i)	324,721	191,324
Amount due from companies controlled by Mr. Zhang Lei	16,391	1,784
Amount due from an associate	–	4,478
Amounts due from joint ventures and their subsidiaries	12,429	29,805
Total trade balance (note ii)	28,820	36,067
	353,541	227,391
Loans to joint ventures (note iii)	5,455,094	3,190,116

Notes:

- (i) Balances at 31 December 2018 and 2017 are of non-trade nature, unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(a) At the end of the reporting period, the Group has amounts receivable from the following related parties and the details are set out below:

(Continued)

Notes: (Continued)

- (ii) Trade receivables from related parties at 31 December 2018 and 2017 are unsecured, interest free and repayable on demand. The following is an ageing analysis of amounts due from related parties of trade nature based on invoice date which approximated the revenue recognition date, at the end of each reporting period:

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Less than 1 year	28,280	20,464
1-2 years	540	15,603
	28,820	36,067

- (iii) The terms of loans to joint ventures are disclosed in Note 16.

(b) At the end of the reporting period, the Group has amounts payable to the following related parties and the details are set out below:

	2018 RMB'000	2017 RMB'000
Amounts due to joint ventures and their subsidiaries	1,552,351	2,542,734
Total non-trade balance (note i)	1,552,351	2,542,734
Amount due to companies controlled by Mr. Zhang Lei	11,721	7,492
Total trade balance (note ii)	11,721	7,492
	1,564,072	2,550,226



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(b) At the end of the reporting period, the Group has amounts payable to the following related parties and the details are set out below: (Continued)

Notes:

- (i) Balances at 31 December 2018 and 2017 are of non-trade nature, unsecured, interest free and repayable on demand.
- (ii) Trade payables to related parties are unsecured, interest free and repayable on demand. The following is an ageing analysis of amounts due to related parties of trade nature based on invoice date at the end of each reporting period:

	2018 RMB'000	2017 RMB'000
Less than 1 year	11,721	7,492

(c) During the year, the Group entered into the following transactions with its related parties:

Nature of related party	Nature of transaction	2018 RMB'000	2017 RMB'000
Companies controlled by Mr. Zhang Lei	Rental income	1,252	1,719
Companies controlled by Mr. Zhang Lei	Energy-saving advisory expense	7,901	751
Companies controlled by Mr. Zhang Lei	Property management services expenses	142,724	66,036
Companies controlled by Mr. Zhang Lei	Property contracting services expenses	4,751	–
Joint venture	Income from provision of technical know-how	493	1,721
Joint venture	Income from real estate agency services	13,837	4,850
Joint venture	Interest income	6,179	21,103
Joint venture	Management services income	10,546	9,919
Associate	Interest income	–	611
Associate	Income from real estate agency services	–	3,906
Associate	Income from provision of technical know-how	–	13,537

The Group pledged certain assets to secure certain banking and other facilities granted to an associate and joint ventures as at 31 December 2017. Details are set out in Note 33.

As at 31 December 2018 and 2017, the Group provided guarantees to bank loans and other loans of joint ventures. Details are set out in Note 35(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(d) Transaction with key management personnel

	2018 RMB'000	2017 RMB'000
Key management compensation		
Short-term benefits	19,586	21,065
Post-employment benefits	369	532
Share-based payment	1,336	6,391
	21,291	27,988

(e) The Listing Rules relating to connected transactions

The related party transactions in respect of rental income from related parties, and property management services expense and energy-saving advisory expense charged by related parties above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section Continuing Connected Transactions of the directors' Report.

39 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings, senior notes and corporate bond disclosed in Notes 27, 28 and 29, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits. The capital structure of the Company consists of net debt, which includes the borrowings and senior notes, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to balance its overall capital structure.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
The Group		
Financial assets		
Loans and receivables (including bank balances and cash)	13,788,271	12,073,247
Other non-current financial assets	60,085	50,085
Financial liabilities		
Liabilities measured at amortised cost	26,559,163	24,954,316

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, other non-current financial assets, restricted cash, bank balances and cash, trade and other payables, amounts due to related parties, bank and other borrowings, senior notes and corporate bond. Details of these financial instruments are set out in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates, foreign currency exchange rates risks and other price risk (see below).

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk over the year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(1) *Interest rate risk*

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and deposits, restricted cash and bank borrowings which carry at prevailing deposit interest rates and variable rate based on the interest rates quoted by the People's Bank of China and London Interbank Offered Rate.

The Group's fair value interest rate risk relates primarily to its fixed rate senior notes, corporate bond and other borrowings.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analysis below has been prepared based on the exposure to interest rates on bank balances and deposits, restricted cash and variable rate bank borrowings at the end of each reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. A 20 basis points increase or decrease for variable rate bank borrowings and a 10 basis points increase or decrease for bank balances and deposits and restricted cash are used when reporting interest rate risk internally to key management personnel.

If interest rates had been increased/decreased by 20 basis points in respect of variable rate bank borrowings and all other variables were held constant, the Group's profit after tax (net of interest capitalisation effect) would decrease/increase by approximately RMB5,982,000 (2017: RMB1,519,000) for the year ended 31 December 2018.

If interest rates had been increased/decreased by 10 basis points in respect of bank balances and deposits and restricted cash and all other variables were held constant, the Group's profit after tax would increase/decrease by approximately RMB7,288,000 (2017: RMB7,807,000) for the year ended 31 December 2018.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(2) Price risk

The Group is exposed to equity price risks through its other non-current financial assets. At 31 December 2018, the management considers that the Group's exposure to fluctuation in equity price is minimal. Accordingly, no sensitivity analysis is presented.

(3) Foreign currency risk

The functional currency of the major subsidiaries of the Company is RMB in which most of the transactions are denominated. Foreign currencies denominated transactions arise from the Group's overseas operation, such as purchases of land held for further development and certain expenses incurred. Certain bank balances and bank borrowings are denominated in foreign currencies, while senior notes are issued in US\$ and expose the Group to currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	At 31 December		At 31 December	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
	equivalent	equivalent	equivalent	equivalent
US\$	554,663	1,161,809	6,147,467	5,862,828
HK\$	21,636	331,350	1,241,985	1,155,940

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following tables detail the Group's sensitivity to a change of 5% in exchange rate of each foreign currency against RMB while all other variables are held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency exchange rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(3) Foreign currency risk (Continued)

An analysis of sensitivity to currency risk for the Group is as follows:

	2018 RMB'000	2017 RMB'000
(Decrease) increase in post-tax profit for the year		
– if RMB weakens against US\$	(279,640)	(235,051)
– if RMB weakens against HK\$	(61,017)	(41,229)
– if RMB strengthens against US\$	279,640	235,051
– if RMB strengthens against HK\$	61,017	41,229

Credit risk management

At 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in Note 35. In order to minimise the credit risk, monitoring procedures are carried out to ensure that follow up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of trade and other receivables and amounts due from related parties at the end of each reporting period. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the credit standing of customers and the economic environment on an ongoing basis.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

For properties that are pre-sold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 80% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resell the repossessed properties. Therefore, management considers that it would likely recover any loss incurred arising from such guarantee provided by the Group. Management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is generally insignificant.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk management (Continued)

For the receivables from properties sold, the Group holds the title of the property units as collateral over those balances and the Group considers that the credit risk arising from these trade receivables is significantly mitigated by related property units held as collateral, with reference to the estimated market value of those property units.

For trade receivables without collateral, which primarily represent receivable for rental income and project management, the Group measure loss allowances at an amount equal to lifetime ECLs, which is calculated using a provision matrix. At 31 December 2017 and 2018, the Group's exposure to credit risk and ECLs for these trade receivables are insignificant.

For receivables due from associates and joint ventures, or related to other property development projects, the Group considers that the credit risk arising from these receivables is significantly mitigated by related property development projects, with reference to the estimated market value of those property development projects.

The credit risk on cash at bank is considered to be limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The directors of the Company closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's projects and operations.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The amounts included below for non-derivative variable rate financial liabilities is subject to changes if changes in interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 1 year RMB'000	1 – 3 years RMB'000	Over 3 years RMB'000	Total undiscounted cashflows RMB'000	Carrying amount RMB'000
Non-interest bearing	-	10,631,005	-	-	10,631,005	10,631,005
Fixed interest rate instruments	9.39	7,586,516	4,665,470	-	12,251,986	10,639,490
Variable interest rate instruments	5.47	2,549,075	3,343,037	162,507	6,054,619	5,288,668
Financial guarantee contracts	-	12,585,338	-	-	12,585,338	-
At 31 December 2018		33,351,934	8,008,507	162,507	41,522,948	26,559,163
Non-interest bearing	-	8,378,845	334,711	-	8,713,556	8,713,556
Fixed interest rate instruments	7.00	5,705,214	7,701,064	1,219,389	14,625,667	13,191,283
Variable interest rate instruments	4.28	1,934,430	1,303,923	-	3,238,353	3,006,810
Financial guarantee contracts	-	11,322,764	-	-	11,322,764	-
At 31 December 2017		27,341,253	9,339,698	1,219,389	37,900,340	24,911,649



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty suffer credit losses.

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximated their respective fair values at 31 December 2018 and 2017.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

41 FINANCIAL INFORMATION OF THE COMPANY

(a) Financial information of the financial position of the Company:

	Note	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Non-current assets			
Investments in subsidiaries		13,938,932	12,976,425
		13,938,932	12,976,425
Current assets			
Prepayments and other receivables		246,956	228,203
Amounts due from related parties		222,786	211,049
Bank balances and cash		49,497	256,585
		519,239	695,837
Current liabilities			
Accrued charges and other payables		119,725	61,839
Amounts due to subsidiaries		1,406,742	1,413,844
Bank borrowings due within one year		1,644,146	2,324,810
Senior notes – due within one year		3,286,031	1,478,140
		6,456,644	5,278,633
Net current liabilities		(5,937,405)	(4,582,796)
Total assets less current liabilities		8,001,527	8,393,629
Capital and reserves			
Share capital		175,341	173,932
Reserves	41(b)	5,498,340	5,003,879
Total equity		5,673,681	5,177,811
Non-current liabilities			
Senior notes		2,327,846	3,215,818
		8,001,527	8,393,629



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

41 FINANCIAL INFORMATION OF THE COMPANY (Continued)

(b) Movement of capital and reserves of the Company:

	Note	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017		156,459	799,559	15,095	3,677,150	4,648,263
Issue of shares		16,613	(16,613)	–	–	–
Share-based payment		–	–	14,327	–	14,327
Issue of shares on exercise of share options	31(c)	860	13,353	(605)	–	13,608
Profit and total comprehensive income for the year		–	–	–	688,027	688,027
Dividend	11	–	–	–	(186,414)	(186,414)
At 31 December 2017		173,932	796,299	28,817	4,178,763	5,177,811
Impact on initial application of IFRS 15	3	–	–	–	62,771	62,771
At 1 January 2018		173,932	796,299	28,817	4,241,534	5,240,582
Share-based payment		–	–	(7,417)	4,011	(3,406)
Issue of shares on exercise of share options	31(c)	1,409	24,057	(5,203)	–	20,263
Profit and total comprehensive income for the year		–	–	–	557,266	557,266
Dividend	11	–	–	–	(141,024)	(141,024)
At 31 December 2018		175,341	820,356	16,197	4,661,787	5,673,681

(c) Distributability of reserves:

At 31 December 2018, the aggregate amount of reserves available for distribution to the owners of the Company was RMB5,482,143,000 (2017: RMB4,975,062,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2018 and 2017 are as follows:

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
		2018	2017		
Direct subsidiaries					
Nanchang Xinjian Development Co., Ltd.* (note i) 南昌新建房地產開發有限公司	PRC 11 September 2013	100%	100%	Registered RMB230,000,000 Paid up capital RMB230,000,000	Property development
Nanchang Moma Development Co., Ltd.* (note i) 南昌摩媽置業有限公司	PRC 15 April 2016	100%	100%	Registered RMB400,000,000 Paid up capital RMB400,000,000	Property development
Indirect subsidiaries					
Modern Green Development Co., Ltd.* (note i) 當代節能置業股份有限公司	PRC 21 September 2000	100%	100%	Registered RMB3,000,000,000 Paid up capital RMB1,150,000,000	Property development, investment and hotel operation
Beijing Modern Real Estate Development Co., Ltd.* (note i) 北京當代房地產開發有限公司	PRC 15 February 2000	100%	100%	Registered RMB60,000,000 Paid up capital RMB60,000,000	Property development and investment
Beijing Dongjun Real Estate Development Co., Ltd.* (note i) 北京東君房地產開發有限公司	PRC 13 November 2001	100%	100%	Registered RMB569,000,000 Paid up capital RMB569,000,000	Property development



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
		2018	2017		
New Power (Beijing) Architectural Technology Co., Ltd.* (note i) 新動力(北京)建築科技有限公司	PRC 22 March 2006	100%	100%	Registered RMB30,000,000 Paid up capital RMB30,000,000	Technology development and consulting
Shanxi Modern Green Development Co., Ltd.* (note i) 山西當代紅華置業有限公司	PRC 16 August 2007	100%	100%	Registered RMB190,000,000 Paid up capital RMB190,000,000	Property development
Shanxi Modern Green Real Estate Development Co., Ltd.* (note i) 山西當代紅華房地產開發有限公司	PRC 16 August 2007	100%	100%	Registered RMB150,000,000 Paid up capital RMB150,000,000	Property development
Hunan Modern Green Development Co., Ltd.* (note i) 當代置業(湖南)有限公司	PRC 14 September 2005	100%	100%	Registered RMB200,000,000 Paid up capital RMB200,000,000	Property development
Jiangxi Modern Green Development Co., Ltd.* (note i) 江西當代節能置業有限公司	PRC 22 December 2009	100%	100%	Registered RMB180,000,000 Paid up capital RMB180,000,000	Property development
Jiujiang Moma Development Co., Ltd.* (note i) 九江摩碼置業有限公司	PRC 22 December 2010	100%	100%	Registered RMB140,000,000 Paid up capital RMB140,000,000	Property development
Hubei Wanxing Development Co., Ltd.* (note i) 湖北萬星置業有限公司	PRC 27 January 2010	100%	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development

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For the year ended 31 December 2018

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group		Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
		At 31 December 2018	2017		
Jiujiang Modern Green Development Co., Ltd.* (note) 九江當代綠建置業有限公司	PRC 18 February 2014	100%	100%	Registered RMB300,000,000 Paid up capital RMB300,000,000	Property development
Beijing Modern Moma Investment Management Co., Ltd.* (note i) 北京當代摩碼投資管理有限公司	PRC 11 January 2011	100%	100%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Investment holding
Zhangjiakou Modern Haohe Shan Real Estate Development Co., Ltd.* (note i) 張家口當代好河山房地產開發有限公司	PRC 30 December 2016	51%	51%	Registered RMB60,000,000 Paid up capital RMB0	Property development
Wuhan Green Development Co., Ltd.* (note i) 武漢綠建節能置業有限公司	PRC 12 March 2014	99.02%	99.02%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Beijing Green Spring Equity Investment Fund, LLP* ("Green Fund")* (note i) 北京綠色春天股權投資基金(有限合夥)	PRC 17 April 2014	100%	100%	Registered RMB500,000,000 Paid up capital RMB500,000,000	Investment management and consulting
Beijing Modern Moma Development Co., Ltd.* (note i) 北京當代摩碼置業有限公司	PRC 8 January 2014	100%	100%	Registered RMB200,000,000 Paid up capital RMB200,000,000	Property development
Modern Pinye (Beijing) Real Estate Brokerage Co., Ltd.* (note i) 當代品業(北京)房地產經紀有限公司	PRC 9 October 2014	100%	100%	Registered RMB100,000 Paid up capital RMB100,000	Real estate brokerage services
America Modern Green Development (Houston), LLC 美國當代綠色發展(休斯頓)有限責任公司	Texas, US 15 October 2012	100%	100%	100% of issued and outstanding membership interest in consideration at an aggregate contribution of US\$100	Property development



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For the year ended 31 December 2018

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
		2018	2017		
Beijing Modern Green Investment Fund Management Co., Ltd.* (note i) 北京當代綠色投資基金管理有限公司	PRC 3 December 2013	100%	100%	Registered RMB30,000,000 Paid up capital RMB30,000,000	Investment holding
Crown Point Regional Center, LLC	Texas, US 31 March 2010	100%	100%	Authorised US\$100 Paid up capital US\$100	Investment immigration services
Beijing CIFI Modern* (notes i) 北京旭輝當代置業有限公司	PRC 10 March 2014	50%	50%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Modern Green Development (Suzhou) Co., Ltd.* (note i) 當代節能置業(蘇州)有限公司	PRC 6 June 2015	100%	70%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Jiaxing Modern Qinglv Asset Management Co., Ltd.* (note i) 嘉興當代氫綠資產管理有限公司	PRC 23 July 2015	100%	100%	Registered RMB50,000,000 Paid up capital RMB0	Investment holding
Crown Point (Beijing) Advisory Co., Ltd.* (note i) 鳳觀(北京)諮詢有限公司	PRC 8 October 2015	100%	100%	Registered RMB10,000,000 Paid up capital RMB0	Immigration advisory
Anhui Moma Development Co., Ltd.* (note i) 安徽摩碼置業有限公司	PRC 1 January 2016	100%	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Wuhan Modern Green Development Co., Ltd.* (note i) 武漢當代節能置業有限公司	PRC 27 June 2016	100%	100%	Registered RMB200,000,000 Paid up capital RMB200,000,000	Property development

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For the year ended 31 December 2018

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group		Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
		At 31 December 2018	2017		
Hunan Modern Moma Development Co., Ltd.* (note i) 湖南當代摩碼置業有限公司	PRC 01 November 2016	100%	100%	Registered RMB20,000,000 Paid up capital RMB20,000,000	Property development
Hunan Modern Green Development Co., Ltd.* (note i) 湖南當代綠建置業有限公司	PRC 01 November 2016	100%	100%	Registered RMB20,000,000 Paid up capital RMB20,000,000	Property development
Nanjing Xinlei Development Co., Ltd.* (note i) 南京鑫磊房地產開發有限公司	PRC 20 June 2016	51%	51%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Foshan Modern Green Development Co., Ltd.* (note i) 佛山當代綠色置業有限公司	PRC 14 January 2016	51%	51%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Hubei Moma Development Co., Ltd.* (notes i) 湖北摩碼置業有限公司	PRC 13 February 2014	100%	100%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Investment holding
Shanghai Mantingchun Real Estate Company Limited.* (note i) 上海滿庭春置業有限公司	PRC 5 March 2015	100%	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Jiangsu Yuzun Property development Co., Ltd.* (note i) 江蘇御尊房地產開發有限公司	PRC 25 April 2011	100%	100%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Zhanlan Tuozhan Property (Beijing) Co., Ltd.* (note i) 綻藍拓展置業(北京)有限公司	PRC 13 March 2017	60%	60%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Investment holding



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42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
		2018	2017		
Fujian Shengshi Lianbang Real Estate Development Co., Limited.* (note i) 福建盛世聯邦置業發展有限公司	PRC 30 August 2013	60%	60%	Registered RMB67,105,000 Paid up capital RMB67,105,000	Property development
Foshan Changxin Hongchuang Real Estate Development Co., Limited.* (note i) 佛山市長信宏創房地產有限公司	PRC 19 January 2016	100%	100%	Registered RMB60,000,000 Paid up capital RMB4,081,700	Property development
Foshan Xinlong Property Investment Co., Limitd.* (note i) 佛山市信隆置業投資有限公司	PRC 10 December 2017	100%	26%	Registered RMB60,000,000 Paid up capital RMB60,000,000	Property development
Huojian Zhiye Investment (Beijing) Co., Ltd.* (note i) 火箭智業投資(北京)有限公司	PRC 9 July 2015	100%	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Investment holding
Hefei Modern Land Yinghe Real Estate Company Limited* (note i) 合肥當代英赫置業有限公司	PRC 14 December 2015	100%	100%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Wuhan Zhonglian Shengming Real Estate Company Limited* (note i) 武漢中聯晟鳴置業有限公司	PRC 5 May 2014	75%	75%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Shanxi North Star Modern Development Co., Ltd.* (note i) 山西北辰當代置業有限公司	PRC 27 April 2016	50%	50%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Shanxi Modern North Star Development Co., Ltd.* (note i) 山西當代北辰置業有限公司	PRC 5 December 2016	51%	51%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development

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For the year ended 31 December 2018

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
		2018	2017		
Shanxi Wanxing Modern Development Co., Ltd.* (note i) 山西萬興當代置業有限公司	PRC 7 February 2017	70%	70%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Hubei Mingliang Development Co., Ltd.* (note i) 湖北明亮置業有限公司	PRC 8 June 2012	51%	100%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Wuhan Sanqing Kaiwen Development Co., Ltd.* (note i) 武漢三慶凱文置業發展有限公司	PRC 29 September 2011	20%	16%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Guangshen Development Co., Ltd.* (note i) 廣深置業(北京)有限公司	PRC 22 April 2016	100%	100%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Yuanjing Nengdong Investment (Beijing) Co., Ltd.* (note i) 遠景能動投資(北京)有限公司	PRC 29 January 2015	20%	20%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Investment holding
Suzhou Modern MOMA Development Co., Ltd.* (note i) 蘇州當代摩碼置業有限公司	PRC 27 April 2016	20%	20%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Shengeng Hongye Development Co., Ltd.* (note i) 深耕鴻業置業(北京)有限公司	PRC 18 April 2016	51%	51%	Registered RMB10,000,000 Paid up capital RMB14,720,324	Property development
Wuhan Modern Shangcheng Wanguofu Development Co., Ltd.* (note i) 武漢當代尚城萬國府置業有限公司	PRC 21 July 2016	51%	51%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development



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For the year ended 31 December 2018

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
		2018	2017		
Liaoning Dongdaihe Modern Development Co., Ltd.* (note i) 遼寧東戴河新區當代置業有限公司	PRC 28 January 2008	100%	100%	Registered RMB16,660,000 Paid up capital RMB16,660,000	Property development
Anhui Modern Wanguofu Development Co., Ltd.* (note i) 安徽當代萬國府置業有限公司	PRC 21 December 2016	30.6%	30.6%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Chuanglv Development Co., Ltd.* (note i) 創綠置業(北京)有限公司	PRC 11 May 2016	100%	100%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Fujian Modern Development Co., Ltd.* (note i) 福建當代置業有限公司	PRC 1 March 2017	51%	51%	Registered RMB40,000,000 Paid up capital RMB40,000,000	Property development
Zhangjiakou Green Development Co., Ltd.* (note i) 張家口原綠房地產開發有限公司	PRC 31 March 2017	35%	35%	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Huizhou Modern Culture & Travelling Development Co., Ltd.* (note i) 惠州當代文旅房地產開發有限公司	PRC 15 June 2017	65%	65%	Registered RMB20,000,000 Paid up capital RMB20,000,000	Property development
Jingzhou Modern Jindao Development Co., Ltd.* (note i) 荊州市當代金島置業有限公司	PRC 5 July 2017	30%	30%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Hunan Green Development Co., Ltd.* (note i) 湖南原綠置業有限公司	PRC 7 August 2017	70%	70%	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development

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For the year ended 31 December 2018

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
		2018	2017		
Lianjing Xianmao Industrial Co., Ltd.* (note i) 連江賢茂實業有限公司	PRC 31 January 2018	51%	NA	Registered RMB160,000,000 Paid up capital RMB0	Property development
Shishi Jipeng Real Estate Development Co., Ltd.* (note i) 石獅吉鵬房地產開發有限公司	PRC 28 December 2015	75%	NA	Registered RMB20,000,000 Paid up capital RMB20,000,000	Property development
Hubei Zhengtian Development Co., Ltd.* (note i) 湖北正天置業有限公司	PRC 6 September 2017	52.5%	NA	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Jiaxing Hangxin Real Estate Development Co., Ltd.* (note i) 嘉興航信房地產開發有限公司	PRC 24 November 2016	51%	NA	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Qianxi Nanzhou Green Real Estate Development Co., Ltd.* (note i) 黔西南州原綠房地產開發有限公司	PRC 30 December 2017	60%	55%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Huzhou Dongjun Construction and Development Co., Ltd.* (note i) 湖州東雋建設開發有限公司	PRC 18 October 2017	69.15%	NA	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development
Huzhou Dongju Construction and Development Co., Ltd.* (note i) 湖州東聚建設開發有限公司	PRC 2 November 2017	65.24%	NA	Registered RMB50,000,000 Paid up capital RMB50,000,000	Property development



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For the year ended 31 December 2018

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
		2018	2017		
Jinzhong Modern Junmao Real Estate Development Co., Ltd.* (note i) 晉中當代君茂房地產開發有限公司	PRC 11 June 2014	49%	NA	Registered RMB34,000,000 Paid up capital RMB34,000,000	Property development
Suzhou Modern Zhongxiang Development Co., Ltd.* (note i) 蘇州當代中翔置業有限公司	PRC 14 November 2016	80%	NA	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Suzhou Modern Green Development Co., Ltd.* (note i) 蘇州當代原綠置業有限公司	PRC 15 August 2018	80%	NA	Registered RMB50,000,000 Paid up capital RMB0	Property development
Anhui Modern Jiukai Development Co., Ltd.* (note i) 安徽當代九開置業有限公司	PRC 27 June 2017	51%	51%	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Guizhou Moma Modern Green Development Co., Ltd.* (note i) 貴州摩碼當代節能置業有限公司	PRC 29 August 2017	62.20%	60%	Registered RMB10,000,000 Paid up capital RMB0	Property development
Fuyang Green Development Co., Ltd.* (note i) 阜陽原綠置業有限公司	PRC 30 July 2018	74%	NA	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Huzhou Modern Green Development Co., Ltd.* (note i) 湖州當代綠建置業有限公司	PRC 7 March 2018	40%	NA	Registered RMB125,000,000 Paid up capital RMB0	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December		Authorised/ registered and issued and fully paid/ paid-up capital	Principal activities
		2018	2017		
Shandong Green Development Co., Ltd*. (note i) 山東當代原綠置業有限公司	PRC 30 July 2018	100%	NA	Registered RMB10,000,000 Paid up capital RMB0	Property development
Jiangxi Moma Changan Real Estate Development Co., Ltd.* (note i) 江西摩碼常安置業房地產開發有限公司	PRC 15 December 2018	51%	NA	Registered RMB25,000,000 Paid up capital RMB25,000,000	Property development
Tianjin Moma Hantang Real Estate Development Co., Ltd.* (note i) 天津摩碼瀚棠置業有限公司	PRC 28 August 2018	70%	NA	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Tianjin Haiyiyuan Real Estate Development Co., Ltd.* (note i) 天津海逸源房地產開發有限公司	PRC 17 April 2014	70%	NA	Registered RMB160,000,000 Paid up capital RMB160,000,000	Property development

Notes:

(i) These companies are PRC limited liability companies.

(ii) These companies are wholly foreign-owned companies.

* The English names of the companies which operate in the PRC are for reference only and have not been registered.

The above table lists out those subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

43 EVENT AFTER THE END OF THE REPORTING PERIOD

(i) Issuance of senior notes

On 20 December 2018, the Company entered into an offering memorandum to issue guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$150,000,000 (equivalent to RMB1,034,040,000, approximately), at 100% of the principal amount, which carried fixed interest at 15.5% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 2 July 2020. The issuance was completed on 2 January 2019.

On 20 February 2019, the Company entered into an offering memorandum to issue guaranteed senior fixed rate notes to the public with aggregate nominal value of US\$200,000,000 (equivalent to RMB1,351,160,000, approximately), at 100% of the principal amount, which carried fixed interest at 15.5% per annum (interest payable semi-annually in arrears) and will be fully repayable at par by 2 July 2020. The issuance was completed on 27 February 2019.



SUMMARY OF FINANCIAL INFORMATION

	2018 RMB million	For the year ended 31 December			
		2017 RMB million	2016 RMB million	2015 RMB million	2014 RMB million
RESULT					
Revenue	9,338	8,506	8,458	6,350	4,079
Profit before taxation	1,405	1,358	1,083	1,340	1,167
Income taxes expense	(743)	(531)	(369)	(739)	(626)
Profit for the year	662	827	714	601	541
Attributable to:					
Owners of the Company	525	706	664	578	521
Non-controlling interests	137	121	50	23	20
	662	827	714	601	541
Earning per share (basic), RMB cents	18.9	25.6	27.9	30.5	32.6
ASSETS AND LIABILITIES					
Total assets	53,629	45,171	28,507	15,723	15,178
Total liabilities	(46,047)	(38,154)	(23,776)	(11,948)	(11,944)
	7,582	7,017	4,731	3,775	3,234
Equity attributable to owners of the Company	5,674	5,178	4,648	3,765	2,861
Non-controlling interests	1,908	1,839	83	10	373
	7,582	7,017	4,731	3,775	3,234

REGISTERED OFFICES

Registered Office	Corporate Headquarters	Place of Business in Hong Kong
Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands	No. 1, Xiangheyuan Road Dongcheng District Beijing PRC	505 ICBC Tower 3 Garden Road Central Hong Kong

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