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This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the Securities Act, and may not be offered or sold in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. The Company does not intend to make any public offering of securities in the United States.

Ronshine China Holdings Limited
融信中國控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3301)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Reference is made to the announcement of Ronshine China Holdings Limited (融信中國控股有限公司) (the "**Company**") dated July 30, 2020 in respect of the Notes Issue (the "**Announcement**"). Unless the context herein defines otherwise, capitalized terms used in this announcement shall have the same meanings as defined in the Announcement.

Please refer to the attached final offering memorandum dated July 29, 2020 in relation to the Notes Issue (the "**Final Offering Memorandum**"), which is available on the website of the Singapore Exchange Securities Trading Limited as of August 6, 2020.

The posting of the Final Offering Memorandum on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.10B of the Listing Rules, and not for any other purposes.

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

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

By order of the board
Ronshine China Holdings Limited
Ou Zonghong
Chairman

Hong Kong, August 7, 2020

As at the date of this announcement, Mr. Ou Zonghong, Ms. Yu Lijuan, Ms. Zeng Feiyan, Mr. Ruan Youzhi and Mr. Zhang Lixin are the executive Directors; Ms. Chen Shucui is the non-executive Director; and Mr. Qu Wenzhou, Mr. Ren Yunan and Mr. Ruan Weifeng are the independent non-executive Directors.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES

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

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

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

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

RONSHINE CHINA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

US$200,000,000 6.75% Senior Notes due 2024

Issue Price: 100%

The 6.75% senior notes due 2024 in the aggregate principal amount of US$200,000,000 (the "Notes") will be issued by Ronshine China Holdings Limited (the "Company") and bear interest from August 5, 2020 at 6.75% per annum, payable semi-annually in arrear on February 5 and August 5 of each year, beginning on February 5, 2021. The Notes will mature on August 5, 2024.

The Notes are senior obligations of the Company, guaranteed by certain of its existing subsidiaries (the "Subsidiary Guarantors" and, such Guarantees, the "Subsidiary Guarantees"), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in the section entitled "Description of the Notes." Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (the "JV Subsidiary Guarantee"). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

At any time and from time to time on or after August 5, 2022, the Company may on any one or more occasions redeem the Notes, in whole or in part, at the redemption prices set forth in the section entitled "Description of the Notes—Optional Redemption" plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to August 5, 2024, the Company may at its option redeem up to 35% of the Notes, at a redemption price of 106.75% of the principal amount of the Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date in each case, using the net cash proceeds from sales of certain kinds of capital stock of the Company. In addition, the Company may redeem the Notes, in whole but not in part, at any time prior to August 5, 2022, at a 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 the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes (the "Indenture")), the Company must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) at least *pari passu* in right of payment of the Existing Pari Passu Secured Indebtedness (as defined in "Description of the Notes") and all other unsecured, unsubordinated indebtedness (as defined in the Indenture) of the Company (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law), (2) senior in right of payment to any future obligations of the Company expressly subordinated in right of payment to the Notes, (3) effectively subordinated to the 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 securing the Notes), and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in "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 167 of this offering memorandum.

Investing in the Notes involves risks. See the section entitled "Risk Factors" beginning on page 18 of this offering memorandum.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

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 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 only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). For a description of certain restrictions on offers and sale of the Notes and the distribution of this offering memorandum, see the section entitled "Plan of Distribution" and "Transfer Restrictions."

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知發改外資[2015]2044號》) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, the Company has registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated February 24, 2020 evidencing such registration. Pursuant to the registration certificate, the Company will cause relevant information relating to the issue of the Notes to be reported to the NDRC within ten PRC working days after the issue date of the Notes.

It is expected that the delivery of the Notes will be made on or about August 5, 2020 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") against payment therefor in immediately available funds.

The Notes are expected to be rated "BB-" by Fitch Ratings Ltd. ("Fitch") and "BB+" by China Chengxin (Asia Pacific) Credit Ratings Company Limited ("China Chengxin"). The Company has been assigned a corporate credit rating of "B+" with a stable outlook by S&P Global Ratings, a division of S&P Global Inc. ("S&P"), "B1" with a stable outlook by Moody's Investors Service, Inc., a subsidiary of Moody's Corporation ("Moody's"), "BB-" with a stable outlook by Fitch and "BB+" with a stable outlook by China Chengxin. These ratings do not constitute a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Credit Suisse **Citigroup** **Guotai Junan International** **Haitong International** **Orient Securities (Hong Kong)** **UBS**

The date of this offering memorandum is July 29, 2020

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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.

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

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

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

IN CONNECTION WITH THIS OFFERING, ANY INITIAL PURCHASER APPOINTED AND ACTING IN ITS CAPACITY AS A STABILIZATION MANAGER ON BEHALF OF THE INITIAL PURCHASERS 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 INITIAL PURCHASERS, 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.

No representation or warranty, express or implied, is made by Credit Suisse (Hong Kong) Limited, Citigroup Global Markets Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Orient Securities (Hong Kong) Limited and UBS AG Hong Kong Branch, incorporated in Switzerland (the "Initial Purchasers"), Citicorp International Limited, as trustee (the "Trustee"), Citibank, N.A., London Branch, as paying and transfer agent (the "Paying Agent" and the "Transfer Agent") and registrar (the "Registrar", the "Paying Agent", the "Transfer Agent", collectively, the "Agents") or any person who controls any of them, or any of their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation by the Initial Purchasers, the Trustee, the Agents or any of their respective affiliates or advisors whether as to the past or the future. The Trustee, the Agents and each person who controls any of them and each of their respective directors, officers, employees, representatives, agents, advisers and affiliates have not independently verified all of such information and they assume no responsibility for its accuracy or completeness.

You should rely only on the information contained in this offering memorandum. Neither we nor the Initial Purchasers, the Trustee or the Agents or any person who controls any of them or each of their respective directors, officers, employees, representatives, agents, advisers and affiliates have 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 Agents or any person who controls any of them or each of their respective directors, officers, employees,representatives, agents, advisers and affiliates.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee, the Agents or any person affiliated with the 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 (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 Agents or any person who controls any of them nor each of their respective directors, officers, employees, representatives, agents, advisers and affiliates. Notwithstanding anything herein to the contrary, the Agents are sole 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 U.S. 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" below.

This offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the 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 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.

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

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 Ronshine China Holdings Limited itself, or Ronshine China Holdings 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 respective 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 Renminbi, the official currency of the People's Republic of China ("China" or the "PRC").

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.9618 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2019, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK$7.7894 to US$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2019. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see 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" or "State" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") which differ in certain respects from generally accepted accounting principles in 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.

References to "2016 Notes" are to our 6.95% senior notes due 2019 issued on December 8, 2016 in the aggregate principal amount of US$175,000,000 and further issued on February 21, 2017 in the aggregate principal amount of US$225,000,000, which have been fully repaid upon maturity.

References to "Anhui Hailiang" are to Anhui Hailiang Property Company Limited (安徽海亮房地產有限公司), a limited liability company established in the PRC, and its subsidiaries.

References to "April 2019 Notes" are to our 8.75% senior notes due 2022 issued on April 25, 2019 in an aggregate principal amount of US$200,000,000, further issued on June 13, 2019 in the aggregate principal amount of US$235,000,000 and on October 15, 2019 in the aggregate principal amount of US$265,000,000 which were consolidated and form a single class with the notes issued on April 25, 2019.

References to "ASP" are to average selling price.

References to "Asset-backed Securities" are to the series of asset-backed securities issued by our PRC subsidiary, Rongxin Fujian.

References to "December 2019 Notes" are to our 8.10% senior notes due 2023 issued on December 9, 2019 in the aggregate principal amount of US$324,000,000.

References to "Existing Notes" are to the February 2018 Notes, the February 2019 Notes, the March 2019 Notes, the April 2019 Notes, the July 2019 Notes, the December 2019 Notes and the June 2020 Notes.

References to "Facilities Agreement" are to the facilities agreement dated September 23, 2019 by and between, among others, the Company as borrower and Hang Seng Bank Limited as agent and security agent.

References to "Facility Letter" are to the facility letter issued by China CITIC Bank International Limited as the lender on June 24, 2020 to the Company as borrower in respect of a US$10,000,000 revolving loan facility.

Reference to "February 2018 Notes" are to our 8.25% senior notes due 2021 issued on February 1, 2018 in the aggregate principal amount of US$325,000,000, further issued on February 27, 2018 in the aggregate principal amount of US$100,000,000, further issued on July 12, 2018 in the aggregate principal amount of US$225,000,000 and further issued on September 4, 2018 in the aggregate principal amount of US$150,000,000 which were collectively consolidated and form a single class with the notes issued on February 1, 2018.

References to "February 2019 Notes" are to our 11.25% senior notes due 2021 issued on February 22, 2019 in the aggregate principal amount of US$600,000,000, consisting of US$392,238,000 (which includes Capitalized Interest) principal amount of such notes issued pursuant to the Exchange Offer and the US$207,762,000 principal amount of such notes issued pursuant to the Concurrent New Money Issuance.

References to the "Hong Kong Stock Exchange" are to The Stock Exchange of Hong Kong Limited.

References to "Huacao Group" are to Shanghai Kaichang Property Development Co., Ltd. (上海愷暢房地產開發有限公司), Shanghai Kairi Property Development Co., Ltd. (上海愷日房地產開發有限公司) and Shanghai Kaichong property Development Co., Ltd. (上海愷崇房地產開發有限公司) which became our consolidated subsidiaries since March 2016 after the controlling rights of the jointly controlled projects have been transferred to our Group. We currently indirectly own a 50% equity interest in Shanghai Kaichang Property Development Co., Ltd. and Shanghai Kairi Property Development Co., Ltd., respectively, and own a 25% equity interest in Shanghai Kaichong Property Development Co., Ltd.

References to "January 2019 Notes" are to our 11.5% senior notes due 2020 issued on January 3, 2019 in the aggregate principal amount of US$200,000,000, which have been fully repaid upon maturity.

References to "July 2019 Notes" are to our 8.95% senior notes due 2023 issued on July 22, 2019 in the aggregate principal amount of US$300,000,000 and further issued on October 24, 2019 in the aggregate principal amount of US$120,000,000 which were consolidated and form a single class with the notes issued on July 22, 2019.

References to "June 2020 Notes" are to our 7.35% senior notes due 2023 issued on June 15, 2020 in the aggregate principal amount of US$250,000,000 and further issued on July 2, 2020 in the aggregate principal amount of US$160,000,000 which were consolidated and form a single class with the notes issued on June 15, 2020.

References to "March 2019 Notes" are to our 10.5% senior notes due 2022 issued on March 1, 2019 in the aggregate principal amount of US$300,000,000 and further issued on May 6, 2019 in the aggregate principal amount of US$200,000,000 which were consolidated and form a single class with the notes issued on March 1, 2019.

References to "Ningbo Hailiang" are to Ningbo Hailiang Property Investment Company Limited (寧波海亮房地產投資有限公司), a limited liability company established in the PRC, and its subsidiaries.

References to "Perpetual Capital Instruments" are to the perpetual capital instruments issued by our PRC subsidiary, Rongxin Fujian, which have been fully repaid.

References to "Private Corporate Bonds" are to the series of private corporate bonds issued by Rongxin Fujian to qualified investors only.

References to "Public Corporate Bonds" are to the series of public corporate bonds issued by Rongxin Fujian to qualified investors only.

References to "Qingdao Ronshine" are to Qingdao Ronshine Rongmei Property Development Co., Ltd. (青島融信融美房地產開發有限公司), a wholly-owned subsidiary of the Company.

References to "Qingdao Tianhe" are to Qingdao Xihaian Tianhe Construction Development Co., Ltd. (青島西海岸天和建設發展有限公司), a company established in the PRC and wholly-owned by Qingdao Xifa Real Estate Co., Ltd. (青島西發置業有限公司) ("Qingdao Xifa").

References to "Qingdao Tianye" are to Qingdao Xihaian Tianye Construction Development Co., Ltd. (青島西海岸天業建設發展有限公司), a company established in the PRC and wholly-owned by Qingdao Xifa.

References to "Rongxin Fujian" are to Rongxin (Fujian) Investment Company Limited (融信(福建)投資集團有限公司), an indirect wholly-owned PRC subsidiary of our Company.

References to "share" are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK$0.1, in the share capital of our Company.

References to "Shiou Group" are to Fujian Shiou Property Development Co., Ltd. (福州世歐房地產開發有限公司) and its subsidiaries, including Fujian Shiou Investment Company Limited (福建世歐投資發展有限公司) and Fuzhou Shiou Investment Development Company Limited (福州世歐投資發展有限公司), which collectively were the 50% owned joint ventures of our Group and became our 50% owned consolidated subsidiaries since March 2016 after the controlling rights of the jointly controlled projects have been transferred to our Group.

References to "sq.m." are to square meters.

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 represent the site area and GFA of the entire project, including those attributable to the minority shareholders of our non-wholly owned project companies.

Unless the context otherwise requires, all references to "affiliate" are to person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to "subsidiary" are used with the meaning ascribed to it in the Rules

Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended (the "Listing Rules"), which includes: (i) a "subsidiary undertaking" as defined in the twenty-third schedule to the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Companies Ordinance"), (ii) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable, and (iii) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable; all references to "associate" are used with the meaning ascribed thereto under the Listing Rules, which includes: (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power, (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding companies and subsidiaries of such holding companies together exercise at least 30% voting power and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a director, chief executive or substantial shareholder of a listed issuer; and all references to "controlling shareholder" are used with the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meetings or are in a position to control the composition of a majority of our board of directors, and "controlling interest" will be construed accordingly.

In this offering memorandum, 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 works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property 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 planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection; and a property 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 contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include statements relating to:

- 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;
- our business and operating strategies and our ability to implement such strategies;
- various business opportunities that we may pursue;
- changes in competitive conditions and our ability to compete under these conditions;
- our ability to further develop and manage our projects as planned;
- our capital expenditure plans, particularly plans relating to primarily land development, acquisition of land for our property development and the development of our projects;
- our operations and business prospects, including development plans for our existing and new businesses;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- the future competitive environment for the PRC property and retail industries;
- the regulatory environment in terms of changes in laws and PRC government regulations, policies, approval processes in the regions where we develop or manage our projects as well as the general outlook for the PRC property and retail industries;
- exchange rate fluctuations and restrictions;
- future developments and the competitive environment in the PRC property and retail industries;
- the general economic trend of the PRC and, in particular, the cities in which we operate; and
- other factors beyond our control.

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

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability and each Subsidiary Guarantor and JV Subsidiary Guarantor (if any) is also incorporated or may be incorporated, as the case may be, outside the United States, such as in the British Virgin Islands or in 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 Law Debenture Corporate Service 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.

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

(a) was obtained by fraud;

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

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

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

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

Further, we have been advised by our PRC legal adviser, FenXun Partners, that according to the Law on Civil Procedure of the PRC, in the case of an application or request for recognition and enforcement of a legally effective judgment or written order of a foreign court, the PRC courts shall, after examining in accordance with the international treaties concluded or acceded to by the PRC or with the principle of reciprocity and arriving at the conclusion that it does not contradict the primary principles of the law of the PRC nor violates state sovereignty, security and social and public interest of the country, recognize the validity of the judgment or written order, and, if required, issue a writ of execution to execute it in accordance with the relevant provisions of this Law; if the application or request contradicts the primary principles of the law of the PRC or violates state sovereignty, security and social and public interest of the country, the courts of the PRC shall not recognize and execute it. However, there is no bilateral or multilateral treaty concluded or accepted between the PRC and the United States as to the reciprocal enforcement of

judgments with the United States. Therefore, there is uncertainty as to whether the courts of the PRC would (i) recognize each judgment made by the courts of U.S. Federal or New York State, (ii) 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 (iii) 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.

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 in the PRC that is headquartered in Shanghai and focuses on the development of residential properties in nine regions, including the Western Taiwan Straits Economic Zone, the Yangtze River Delta region, the Guangdong Hong Kong-Macau Greater Bay Area, the Beijing-Tianjin-Hebei region, the Central China region, the Chengdu-Chongqing region, Northwestern cities and the Middle Reaches of Yangtze River. The Western Taiwan Straits Economic Zone and the Yangtze River Delta region are areas often associated with entrepreneurship and economic growth. We believe we have a leading market position in Fujian province and cities such as Fuzhou, the capital city of Fujian province and Hangzhou, the capital city of Zhejiang Province. In 2019, we ranked fifth among "China Real Estate Top 100 Growth Top 10" by China Real Estate Top10 Research Group and sixth among "China Top 10 Comprehensive Developments of Real Estate Development Enterprises" by China Real Estate Association, Shanghai E-house Real Estate Research Institute and China Real Estate Appraisal Center as well as among "Top 20 in Comprehensive Strength of China's Typical Real Estate Enterprises" and were also awarded the "China Listed Real Estate Enterprises Brand Value Award." We were recognized among the "2018 Best 10 of Development of China Real Estate Developers in Fujian" and were ranked 22nd nationwide in the "China's Top 30 Real Estate Developers in 2018" by China Real Estate Industry Association, Shanghai E-house Real Estate Research Institute and China Real Estate Appraisal. We were also ranked among the "China's Top 23 Most Competitive Listed Real Estate Developers in 2018 (2018 中國房地產上市公司綜合實力23強)", "China's Top 2 Fastest Growing Listed Real Estate Developers in 2018 (2018中國房地產上市公司發展速度TOP 2)" at the "2018 Press Conference for Evaluation of China's Listed Property Developers and Summit of Listed Property Developers (2018 中國房地產上市公司測評成果發佈會暨上市房企高峰論壇)" jointly organized by China Real Estate Association and China Real Estate Appraisal Center of Shanghai E-House Real Estate Research Institute, "2018 Best 30 of China Real Estate Developers Brand Value" by the China Real Estate Industry Association and also 5th among the "2018 China Top 100 Real Estate Developers Growth Enterprises Top 10" by the Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy. We have been listed on the Hong Kong Stock Exchange since January 2016. On September 5, 2016, we became a constituent stock of the Hang Seng Composite Small Cap Index.

We are primarily engaged in the development of mid to high-end residential properties targeting middle to upper-middle income households with a demand for home upgrades. We also develop commercial properties integrated with or in the vicinity of our residential properties, including office buildings, retail shops and other commercial properties, which we believe will not only diversify our source of income, but also enhance the attractiveness of and facilitate demand for our residential properties. We intend to selectively sell certain commercial properties and hold others as long-term investments.

We commenced our business in 2003 and have historically focused our property development in the Western Taiwan Straits Economic Zone, capturing the opportunities presented by its rapidly

growing economy. We have a well-established development portfolio in this area, including projects in Fuzhou, Zhangzhou and Xiamen. Leveraging our success and experience in the Western Taiwan Straits Economic Zone, we have expanded into Shanghai and Hangzhou, which are important economic centers in the Yangtze River Delta region. We intend to solidify our market position in the Western Taiwan Straits Economic Zone and enhance our position in Shanghai and Hangzhou while continuing our further expansion in a prudent manner into other first and second-tier cities.

We believe our success is attributable to our product quality and strong brand name. We focus on developing properties that cater to the demands of our target customers for high-quality homes that feature appealing designs, convenience and comfort, and adjust our property offerings based on customer feedback through market surveys and research on the latest market trends and development. As a result, we have received various awards in recognition of our product quality and our achievements as a property developer. We also strive to shorten our project development cycle to improve our operating efficiency, expedite asset turnover, enhance liquidity position and achieve sustainable growth, by adopting standardized property development procedures and closely monitoring the entire property development cycle. We typically target to commence pre-sale of a property within 130 days from the commencement of construction.

In 2017, 2018 and 2019, our revenue was RMB30,341.4 million, RMB34,366.5 million and RMB51,462.5 million (US$7,392.1 million), respectively, and the profit attributable to our owners was RMB1,679.5 million, RMB2,149.7 million and RMB3,154.1 (US$453.1 million), respectively.

PROPERTY DEVELOPMENT PROJECTS

As of December 31, 2019, we had 200 property development projects, through our subsidiaries, joint ventures and associated companies, that are at various stages of development. The geographical footprint of our projects spans numerous provinces, including cities such as Fuzhou, Xiamen, Zhangzhou, Shanghai, Hangzhou, Nanjing, Suzhou, Chengdu, Tianjin, Zhengzhou, Jinhua, Shaoxing, Ningbo, Fuyang, Bangbu, Liuan, Hefei, Xi'an, Lanzhou, Yinchuan, Ganzhou, Jiaxing, Guangzhou, Chongqing and Huzhou. As of December 31, 2019, we had 98 projects or phases of projects under construction with an aggregate planned GFA attributable to us of approximately 8.3 million sq.m. As of the same date, our land bank for future development had an estimated aggregate GFA attributable to us of approximately 5.8 million sq.m. In particular, we acquired 46 new land parcels with an aggregate GFA attributable to us of 3.4 million sq.m. during the year ended December 31, 2019.

OUR BUSINESS STRENGTHS

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

- strong development capabilities with a track record of success in developing mid to high-end residential properties in the Western Taiwan Straits Economic Zone and the Yangtze River Delta region;
- quality land bank providing long-term development and growth opportunities;
- strong executive capabilities underpinned by standardized development procedures targeting to expedite asset turnover and enhance operating efficiency;

- well-recognized brand name with high quality projects facilitating expansion into new markets;
- comprehensive business operation management with prudent and effective management systems;
- diversified funding channels with strong financing capabilities; and
- sound corporate governance led by visionary, motivated and stable management team.

OUR BUSINESS STRATEGIES

Our goal is to become one of the most competitive and reputable property developers in the PRC. To achieve our goal, we intend to implement the following strategies:

- enhance our presence in existing markets and strategically expand into other first and second-tier cities while maintaining financial stability;
- adhere to prudent financial policy and adopt a proactive approach to capital structure management;
- continue to improve operating efficiency and expedite asset turnover;
- continue to focus on residential property development while pursuing product diversification; and
- continue to promote our brand recognition and image.

RECENT DEVELOPMENTS

Issuance of the June 2020 Notes

On June 15, 2020, we issued the June 2020 Notes in an aggregate amount of US$250,000,000 and further issued additional June 2020 Notes on July 2, 2020 in an aggregate principal amount of US$160,000,000 which were consolidated and form a single class with the June 2020 Notes issued on June 15, 2020. The total aggregate outstanding amount of the June 2020 Notes as of the date of this offering memorandum is US$410,000,000. For more details, see "Description of Material Indebtedness and Other Obligations."

Issuance of Rongxin Fujian April 2020 Asset-backed Securities

On April 30, 2020, our wholly owned subsidiary in the PRC, Rongxin Fujian, issued asset-backed securities in an aggregate principal amount of RMB1.1 billion (US$0.2 billion) in the PRC with a coupon rate of 5.9% per annum and are due on April 29, 2022. For more details, see "Description of Material Indebtedness and Other Obligations."

Partial Repurchase of Senior Notes

As of March 30, 2020, we made open market repurchases of certain of our senior notes in an aggregate principal amount of US$66 million, comprising (i) the January 2019 Notes in a principal amount of US$1 million; (ii) the February 2019 Notes in a principal amount of US$40 million; (iii) the March 2019 Notes in a principal amount of US$12 million; (iv) the July 2019 Notes in a principal amount of US$5 million; and (v) the December 2019 Notes in a principal amount of US$8 million. We cancelled the repurchased notes in accordance with the terms of the January 2019 Notes, the February 2019 Notes, the March 2019 Notes, the July 2019 Notes and the December 2019 Notes

and their respective governing indentures. Further details are contained in our announcements dated March 30, 2020 posted on the websites of the Hong Kong Stock Exchange and SGX-ST at www.hkexnews.hk and www.sgx.com.

Issuance of Rongxin Fujian March 2020 Asset-backed Securities

On March 13, 2020, our wholly owned subsidiary in the PRC, Rongxin Fujian, issued asset-backed securities in an aggregate principal amount of RMB1.3 billion (US$0.2 billion) in the PRC with a coupon rate of 5.9% per annum and are due on March 11, 2022. For more details, see "Description of Material Indebtedness and Other Obligations."

GENERAL INFORMATION

We were incorporated in the Cayman Islands on September 11, 2014, as an exempted limited liability company. Our shares have been listed on the Main Board of the Hong Kong Stock Exchange since January 13, 2016. Our principal place of business in the PRC is at Building L1B, Hongqiao World Centre, No.1588 Zhuguang Road, Qingpu District, Shanghai, the PRC. Our place of business in Hong Kong is at Room 1210, 12/F, ICBC 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.rongxingroup.com. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

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

Issuer	Ronshine China Holdings Limited.
Notes Offered	US$200,000,000 aggregate principal amount of 6.75% Senior Notes due 2024 (the "Notes").
Offering Price	100% of the principal amount of the Notes.
Issue Date	August 5, 2020.
Maturity Date	August 5, 2024.
Interest	The Notes will bear interest from and including August 5, 2020 (the "Original Issue Date") at the rate of 6.75% per annum, payable semi-annually in arrear.
Interest Payment Dates	February 5 and August 5 of each year, commencing February 5, 2021.
Ranking of the Notes	The Notes are: • general obligations of the Company; • senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; • at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (including the Existing Pari Passu Secured Indebtedness (as defined in the "Description of the Notes")) (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);

- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under "Description of the Notes—The Subsidiary Guarantees and JV Subsidiary Guarantees" and in "Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral;"

- effectively subordinated to all existing and future 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 (except for the Collateral); and

A Subsidiary Guarantee may be released in certain circumstances. See ''Description of the Notes—Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.''

The initial Subsidiary Guarantors will consist of all of the Company's Restricted Subsidiaries other than (i) those Restricted Subsidiaries organized under the laws of the PRC and (ii) those Restricted Subsidiaries other than PRC Non-Guarantor Subsidiaries existing on the Original Issue Date that do not guarantee the Notes (the "Initial Offshore Non-Guarantor Subsidiaries").

All of the initial Subsidiary Guarantors are holding companies that do not have significant operations. 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."

Any future Restricted Subsidiary, other than PRC Restricted Subsidiaries, Exempted Subsidiaries and Listed Subsidiaries, will provide a guarantee of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor as soon as practicable after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary.

	Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such Person becomes a Restricted Subsidiary (each such Person, an "New Offshore Non-Guarantor Subsidiary" and, together with the PRC Non-Guarantor Subsidiaries, the Initial Offshore Non-Guarantor Subsidiaries, the Exempted Subsidiaries and the Listed Subsidiaries, the "Non-Guarantor Subsidiaries," *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for 20% of the Total Assets of the Company.
Ranking of Subsidiary Guarantees	The Subsidiary Guarantee of each Subsidiary Guarantor: • is a general obligation of such Subsidiary Guarantor; • is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (except for 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; • ranks at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (including the Existing Pari Passu Secured Indebtedness (as defined in the "Description of the Notes")) (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and • is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

	The Subsidiary Guarantee of the 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 Pledger, shared on a *pari passu* basis pursuant to the Intercreditor Agreement (as defined below) with holders of the Existing Pari Passu Secured Indebtedness and any Permitted Pari Passu Secured Indebtedness, as described below under "Description of the Notes—Security;" 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). See "Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and Collateral."
JV Subsidiary Guarantees	A JV Subsidiary Guarantee instead of a Subsidiary Guarantee may be provided by a Subsidiary Guarantor following (i) 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% of the issued Capital Stock of such Subsidiary Guarantor or (ii) a purchase by the Company or any of its Restricted Subsidiaries of the Capital Stock in an Independent Third Party, such that such Independent Third Party will become a Restricted Subsidiary following such purchase. 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 of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

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

- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law).

The Company may also deliver a JV Subsidiary Guarantee instead of a Subsidiary Guarantee on substantially similar conditions for certain Restricted Subsidiaries that are established after the Original Issue Date.

Security ..... The Company and the initial Subsidiary Guarantor Pledgor have pledged in favor of the Security Agent the capital stock of all of the initial Subsidiary Guarantors held directly by the Company or the initial Subsidiary Guarantor Pledgor (the "Collateral") in order to secure the obligations of the Company under the Existing Pari Passu Secured Indebtedness and of such initial Subsidiary Guarantor Pledgor under their respective subsidiary guarantees of the Existing Pari Passu Secured Indebtedness.

The Company has agreed to extend, or cause the initial Subsidiary Guarantor Pledgor 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 execution of a supplement to the Intercreditor Agreement, such security interests will be so extended.

	The Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Collateral will be shared on a pari passu basis pursuant to the Intercreditor Agreement, as supplemented, entered into by the holders of the Existing Pari Passu Secured Indebtedness and the holders of Permitted Pari Passu Secured Indebtedness in the future (subject to conditions of completion and accession to the Intercreditor Agreement). See "Description of the Notes—Security."
Intercreditor Agreement	The Company, the initial Subsidiary Guarantor Pledgor, the Security Agent, the trustee with respect to the February 2018 Notes, the trustee with respect to the February 2019 Notes, the trustee with respect to the March 2019 Notes, the trustee with respect to the April 2019 Notes, the trustee with respect to the July 2019 Notes, the facility agent with respect to the Facilities Agreement on behalf of the secured parties as defined in the Facilities Agreement, the trustee with respect to the December 2019 Notes, the trustee with respect to the June 2020 Notes and the facility lender with respect to the Facility Letter have entered into an intercreditor agreement dated June 15, 2017, as amended or supplemented from time to time (the "Intercreditor Agreement"). The trustee for the Notes will accede to the Intercreditor Agreement on the Original Issue Date. This Intercreditor Agreement provides that the security interests held in the Collateral will be shared on a *pari passu* basis among the holders of the February 2018 Notes, the holders of the February 2019 Notes, the holders of the March 2019 Notes, the holders of the April 2019 Notes, the holders of the July 2019 Notes, the holders of the December 2019 Notes, the holders of the June 2020 Notes, the holders of the Notes and the holders of other Permitted Pari Passu Secured Indebtedness.
Use of Proceeds	We intend to use the net proceeds to refinance certain of the Company's existing indebtedness.
Optional Redemption	At any time and from time to time on or after August 5, 2022, the Company may on any one or more occasions redeem the Notes, in whole or in part, at the redemption prices as described in "Description of the Notes—Optional Redemption."
	At any time prior to August 5, 2022, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in "Description of the Notes—Optional Redemption."

	At any time and from time to time prior to August 5, 2024, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock (as defined in the "Description of the Notes") of the Company in an equity offering at a redemption price of 106.75% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, if any, to (but not including) the redemption date, subject to certain conditions.
Repurchase of Notes Upon a Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.
Redemption for Taxation Reasons	Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See "Description of the Notes—Redemption for Taxation Reasons."
Covenants	The Notes, the Indenture governing the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things: • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets;

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

Trustee	Citicorp International Limited
Paying and Transfer Agent	Citibank, N.A., London Branch
Security Agent	Citicorp International Limited
Registrar	Citibank, N.A., London Branch
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.
Ratings	The Notes are expected to be rated "BB-" by Fitch and "BB+" by China Chengxin. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.
Security Codes	ISIN: XS2211514885 Common Code: 221151488 Legal Entity Identifier (LEI): 549300GNBBT32SFSEC47
Governing Law	The Notes will be governed by and will be construed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "Risk Factors."

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated income statements and other financial data for 2017, 2018 and 2019 and the summary consolidated balance sheets data as for December 31, 2017, 2018 and 2019 set forth below (except for EBITDA data) have been derived from our audited consolidated financial statements for 2018 and 2019 and as of December 31, 2018 and 2019, as audited by PricewaterhouseCoopers, our independent certified public accountants, and included elsewhere in this offering memorandum.

Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. We cannot assure you that we will not experience further decreases in our profit or cash and cash equivalents as we continue to acquire land or real estate development projects in the future. Consequently, potential investors must exercise caution when using such data to evaluate our financial condition and results of operations.

With effect from January 1, 2018, the Group has adopted HKFRS 9 and HKFRS 15 where the Group is required to reclassify and adjust certain of its financial line items in its financial statements. As the Group has applied the transitional provisions set out in HKFRS 9 and the modified retrospective approach set out in HKFRS 15, each without requiring any restatement of the corresponding figures of the prior period before January 1, 2018, the Group's consolidated financial information as at and for the year ended December 31, 2017 may not be directly comparable against the Group's consolidated financial information after January 1, 2018, including the Group's audited consolidated financial statements for the years ended December 31, 2018 and 2019. Please refer to Note 2.2 of the Group's audited consolidated financial statements for the year ended December 31, 2018 for a discussion on the impact of the adoption of HKFRS 9 and HKFRS 15.

With effect from January 1, 2019, the Group has adopted HKFRS 16 where the Group is required to reclassify and adjust certain of its financial line items in its financial statements. As the Group has applied the simplified transition approach set out in HKFRS 16 without requiring any restatement of the corresponding figures of the prior period before January 1, 2019, the Group's consolidated financial information as at and for the years ended December 31, 2017 and 2018 may not be directly comparable against the Group's consolidated financial information after January 1, 2019, including the Group's audited consolidated financial statements for the year ended December 31, 2019. Please refer to Note 2.2 of the Group's audited consolidated financial statements for the year ended December 31, 2019 for a discussion on the impact of the adoption of HKFRS 16.

SUMMARY CONSOLIDATED INCOME STATEMENTS AND OTHER FINANCIAL DATA

	For the years ended December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Revenue	30,341,404	34,366,500	51,462,502	7,392,126
Cost of sales	(25,316,550)	(26,301,557)	(38,987,328)	(5,600,179)
Gross profit	5,024,854	8,064,943	12,475,174	1,791,947
Selling and marketing costs	(818,513)	(1,137,009)	(1,199,042)	(172,232)
Administrative expenses	(876,349)	(1,341,193)	(1,479,244)	(212,480)
Fair value gains on investment properties	1,108,095	336,643	49,682	7,136
Other income and other gains — net	45,521	123,463	298,152	42,827
Operating profit	4,483,608	6,046,847	10,144,722	1,457,198
Finance income/(cost) — net	223,031	(291,880)	(379,572)	(54,522)
Share of net profit of associates and joint ventures accounted for using the equity method	283,100	902,681	895,660	128,654
Profit before income tax	4,989,739	6,657,648	10,660,810	1,531,330
Income tax expenses	(2,343,491)	(3,186,122)	(4,767,017)	(684,739)
Profit for the year	2,646,248	3,471,526	5,893,793	846,590
Profit for the year attributable to:				
Owners of the Company	1,679,521	2,149,660	3,154,064	453,053
Non-controlling interests	734,442	1,157,671	2,729,121	392,014
Holders of Perpetual Capital Instruments	232,285	164,195	10,608	1,524
	2,646,248	3,471,526	5,893,793	846,590
Other financial data (unaudited):				
EBITDA[(1)]	4,841,485	6,496,957	10,451,100	1,501,207
EBITDA margin[(2)]	16.00%	18.90%	20.31%	20.31%

Notes:

(1) EBITDA consists of profit before income tax plus finance income/(costs)—net, depreciation of property, plant and equipment and amortization of intangible assets. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. 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. See the section entitled "Description of the Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.

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

SUMMARY CONSOLIDATED BALANCE SHEETS

	As of December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	1,518,138	1,447,648	1,567,616	225,174
Land use rights	464,407	449,296	—	—
Investment properties	10,465,400	12,031,700	13,224,100	1,899,523
Prepayments	92,729	—	—	—
Right-of-use assets	—	—	463,555	66,586
Intangible assets	8,485	7,516	5,580	802
Investments accounted for using the equity method	6,743,913	7,697,952	6,256,491	898,689
Financial assets at fair value through profit or loss	—	802,087	755,773	108,560
Available-for-sale financial assets	42,000	—	—	—
Deferred tax assets	512,609	539,127	444,954	63,914
Total non-current assets	19,847,681	22,975,326	22,718,069	3,263,248
Current assets				
Properties under development	90,900,267	116,692,069	115,299,354	16,561,716
Completed properties held for sale	9,477,128	8,806,284	7,673,170	1,102,182
Trade and other receivables and prepayments	23,720,226	18,482,121	25,015,169	3,593,204
Contract assets	—	530,514	999,576	143,580
Amounts due from related parties	3,971,790	8,359,546	5,654,598	812,232
Amounts due from customers for contract works	140,745	—	—	—
Prepaid taxation	1,604,331	2,602,357	2,539,535	364,781
Available-for-sale financial assets	16,959	—	—	—
Cash and bank balances.	20,517,148	24,995,661	34,308,567	4,928,117
Total current assets	150,348,594	180,468,552	191,489,969	27,505,812
Total assets	170,196,275	203,443,878	214,208,038	30,769,060

	As of December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
EQUITY				
Share capital	13	14	15	2
Share premium	3,506,038	4,423,556	4,902,013	704,130
Other reserves	6,718,226	8,331,258	11,503,837	1,652,423
Capital and reserves attributable to the owners of the Company	10,224,277	12,754,828	16,405,865	2,356,555
Non-controlling interests	17,794,795	21,915,398	24,882,365	3,574,128
Perpetual Capital Instruments	2,741,981	948,132	—	—
Total equity	30,761,053	35,618,358	41,288,230	5,930,683
LIABILITIES				
Non-current liabilities				
Lease liabilities	—	—	13,814	1,984
Deferred tax liabilities	3,041,401	2,445,271	2,027,669	291,256
Borrowings	47,609,990	37,709,817	44,471,364	6,387,912
Total non-current liabilities	50,651,391	40,155,088	46,512,847	6,681,152
Current liabilities				
Trade and other payables	21,594,588	28,338,602	33,070,355	4,750,259
Amounts due to related parties	1,354,824	5,478,112	7,293,888	1,047,701
Contract liabilities	—	63,962,973	60,265,275	8,656,565
Lease liabilities	—	—	16,982	2,439
Pre-sale proceeds received from customers	41,244,149	—	—	—
Current tax liabilities	2,746,650	5,067,728	6,968,764	1,001,000
Derivative financial instruments	—	—	85,250	12,245
Borrowings	21,843,620	24,823,017	18,706,447	2,687,013
Total current liabilities	88,783,831	127,670,432	126,406,961	18,157,222
Total liabilities	139,435,222	167,825,520	172,919,808	24,838,374
Total equity and liabilities	170,196,275	203,443,878	214,208,038	30,769,057

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 are and will continue to be dependent on the performance of the PRC property market, particularly in Fujian province and the other regions where we operate and intend to operate, and therefore any potential decline in demand for properties, property sales or property prices in the PRC, particularly in the cities where we have operations, could have a material adverse effect on our results of operations, financial condition and business prospects

Our business and prospects depend on the performance of the PRC property market. As of December 31, 2019, we had 200 property development projects, primarily located in Fujian province and the Yangtze River Delta region, developed by our subsidiaries, joint ventures and associated companies. As of the same date, we had 125 projects we jointly controlled with other property developers and 56 projects we operated with another property developer in which we had no control, generally in the same region. We also intend to enter certain other regions and cities in China. Any adverse development in the supply of or demand for properties and any measures that the PRC government may take in restricting the growth of the property market in China, particularly with respect to residential properties, which account for most of our development portfolio, and in the cities where we have or plan to have projects, may adversely affect our results of operations, financial condition and business prospects.

The overall demand for residential and commercial properties in China has grown rapidly in recent years. However, the market has also experienced fluctuations in property prices during this period in response to PRC government policies and trends in the PRC and world economy. There have been increasing concerns over the affordability of housing and the sustainability of the real estate market growth in China. As a result, the PRC government has in recent years promulgated various control measures aimed at cooling the property sector. See "—Risks Relating to the PRC—The PRC government may adopt further measures to regulate the property sector" and "—Risks Relating to the PRC—Our business will be adversely affected if mortgage financing becomes more costly or otherwise less attractive or available" below. We cannot assure you that such measures will not have a negative impact on our business or that the demand for new properties in first and second-tier cities and regional centers where we have or will have operations (either directly through our subsidiaries or indirectly through joint ventures or associated companies) will continue to grow in the future or that there will not be over-development or a market downturn in the PRC property sector. Recently, the property market in the PRC has witnessed signs of a slowdown, with some developers reported to have lowered prices in order to stimulate sales and some local governments reported to have relaxed property purchase restrictions previously imposed as cooling measures to help boost demand. Any continuing adverse development and the ensuing decline in property sales or decrease in property prices in China may adversely affect our business and financial condition.

We may not be able to identify suitable land or acquire land use rights for future development at commercially reasonable costs, or at all, in which event our business, results of operations and financial condition as well as prospects may be materially and adversely affected

Our business is dependent upon our ability to identify and acquire suitable land at commercially reasonable costs and our ability to generate profit from the sale of properties developed on such land. We need to periodically replenish our land reserves in order to grow our business. We have set clear criteria for site selection for the properties we develop. See "Business—Our Property Development Management." We may incur significant costs in identifying, evaluating and acquiring suitable new land for development following our criteria. Our future growth prospects and results of operations may be adversely affected if we fail to identify and acquire sufficient amount of such suitable new land for development and to achieve reasonable returns upon the sale or lease of these properties.

The PRC government's policies on land supply may affect our ability to acquire land use rights for future developments and land acquisition costs. The PRC government controls land supply and regulates the ways in which property developers may obtain land for property development. Such measures and any other similar measures in the future may subject us to increased competition from other property developers. Changes in government policy that reduce land supply or limit our ability to tender for land may materially and adversely affect our business and financial condition.

We may not successfully manage our expansion and growth

We historically derived a substantial portion of our revenue from the Yangtze River Delta region. As of December 31, 2019, we had a total of 200 property development projects, 110 of which were in the Yangtze River Delta region. In addition, as of December 31, 2019, we had 28 projects that were under development through our subsidiaries with a total estimated GFA attributable to us of approximately 3.24 million sq.m in the Yangtze River Delta region. Our business and prospects therefore are highly dependent upon the performance of this property market. As a result, we are exposed to a greater geographical concentration risk than some of our competitors in the PRC whose operations are more geographically diversified. For as long as our operations remain substantially concentrated in the Yangtze River Delta region, if this area experiences any significant economic downturn due to imbalances in the local economy, disturbances in local financial markets, natural disasters, epidemics, hostilities or any other reason, or if more restrictive real estate-related government policies or measures are imposed, or if the conditions of this property market otherwise declines, our business, results of operations and financial condition may be materially and adversely affected.

In order to achieve sustainable growth, we may need to continue to seek development opportunities in selected regions in the PRC with growth potential where we have no existing operations. For example, we have expanded into Guangzhou, Nanjing, Shanghai and Hangzhou and intend to expand into other first- and second-tier cities, such as Nantong, Kunshan, Suzhou, Shaoxing, Ningbo and Quzhou. There is our acquisitions of Anhui Hailiang and Ningbo Hailiang in the second half year of 2017, through which we expanded into Suzhou, Hefei, Zhengzhou, Bangbu and other second- or third-tier cities in western and central China, as well as our investment in Qingdao Tianye and Qingdao Tianhe in August 2018, through which we expanded into Shandong province. As of December 31, 2019, we have expanded our business into nine regions in China. However, our land reserves are concentrated in the Western Taiwan Straits Economic Zone and the Yangtze River Delta region. As a result, our business is highly dependent upon the performance of the property market in those regions. For so long as our land reserves are concentrated in those regions, our business, results of operations and financial condition may be materially and adversely affected by any economic downturns, restrictive policies and other factors affecting the property market in those regions.

We may not be able to achieve our planned expansion objectives and our experience as a property developer in our existing markets may not be applicable in other regions. We may face intense competition from developers with greater financial resources, established experience or presence in these new markets, and from other developers with similar expansion plans. In addition, business expansion or land acquisition requires a significant amount of capital investment and human resources, and may divert our existing resources including the attention of our management. Additionally, we may not be able to hire, train or retain sufficient talent to manage our operations in the new markets. For example, in July 2017, we acquired a 55% equity interest in Ningbo Hailiang and Anhui Hailiang at a cash consideration of RMB2,264.0 million and RMB632.5 million, respectively. The acquisitions of Ningbo Hailiang and Anhui Hailiang have taken up our cash resources and could strain our managerial and operational resources. If we are unable to successfully integrate the new projects of Ningbo Hailiang and Anhui Hailiang with our existing operations and achieve related synergies, or to adapt to the evolving competitive environment in the newly-entered regions, which may be different from what we are familiar with, our ability to grow our business and increase our revenue may be materially and adversely affected. As a result, our inability to develop, manage and integrate new projects and businesses may adversely affect our operating efficiency and the success of our expansion plans, which consequently may adversely affect our business, financial condition and future prospects.

Our results of operations in 2017, 2018 and 2019 may not be representative of our future performance

We experienced rapid revenue growth through 2017, 2018 and 2019. In 2017, 2018 and 2019, our revenue was RMB30,341.4 million, RMB34,366.5 million and RMB51,462.5 million (US$7,392.1 million), respectively.

We cannot assure you that we will grow at a high rate, or at all, or that we will not experience a decrease in revenue. We have faced and will continue to face challenges including rising development and administrative costs and increasing competition for employees and future growth opportunities. As a result, our past results of operations may not be representative of our future performance.

We generated substantially all of our revenue in 2017, 2018 and 2019 from the sale of properties and our results of operations may fluctuate due to factors such as the schedule of our property development and the timing of property sales

In 2017, 2018 and 2019, we derived substantially all of our revenue from the sale of properties. Our results of operations may fluctuate due to factors such as the schedule of our property development and the timing of property sales.

We generally recognize revenue from sale of a property upon the completion of property construction and the issuance of a notice of delivery of property to the buyer, at which point we believe the significant risks and rewards of ownership are transferred to the buyer. Due to capital requirements for land acquisition and construction, limited land supply and the time required for completing a project, we can undertake only a limited number of property development projects at a time. In addition, since the timing of delivery of our properties varies according to our construction timetable, our revenue and results of operations may vary significantly from period to period depending on the number of properties delivered during a specific period. As a result, our period-to-period comparisons of results of operations and cash flow positions may not be indicative of our future results of operations and may not be as meaningful measures of our financial performance of a specific period as they would be for a company with a greater proportion of steady recurring revenues. Furthermore, our property development may be delayed or adversely affected by a combination of factors, including market or economic conditions, natural disasters, adverse weather conditions, delays in obtaining requisite permits and approvals from relevant government

authorities as well as other factors beyond our control, which may in turn adversely affect our revenue recognition and consequently our cash flow and results of operations.

We may not be able to complete our projects according to schedule which may adversely affect our business and financial condition

The progress of a property development project can be adversely affected by many factors, including:

- changes in market conditions including the credit market;
- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- changes in government rules and regulations and the related practices and policies, including reclamation of land for public works or facilities;
- disputes with our joint venture partners;
- increases in the prices of raw materials;
- shortages of materials, equipment, contractors and skilled labor;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographic problems;
- labor disputes and strikes;
- construction accidents;
- natural disasters or adverse weather conditions; and
- other unforeseen problems or circumstances.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedules or budgets as a result of the above factors may adversely affect our business and financial condition and may also cause reputational damage. We cannot assure you that we will not experience such delays in delivery of our property projects in the future or that we will not be subject to any liabilities for any such delays.

We had significant cash outflow from operations in 2017 and we may not be able to timely obtain sufficient financing to fund our land acquisitions or property developments

Property development usually requires substantial capital investment during the land acquisition and construction period. It is not unusual for a property developer to generate negative operating cash flow over a particular period when the cash outlay for land acquisition and construction expenditures during that period, after offsetting changes in other working capital items, exceeds the cash inflow from property sales over the same period. We experienced significant cash outflow from operating activities in 2017 as we rapidly expanded our land bank and development activities. In 2017, we had net cash used in operating activities of RMB10,371.7 million. Furthermore, in July 2017, we acquired a 55% equity interest of Ningbo Hailiang and Anhui Hailiang at a cash consideration of RMB2,264.0 million and RMB632.5 million, respectively. The acquisitions of Ningbo Hailiang and Anhui Hailiang have further taken up and constrained our cash resources. We therefore require external funding to expand our business and to acquire land and develop new projects. We typically use internal funds, proceeds from pre-sales of our properties and bank loans, trust financing and other borrowings to finance the construction costs for our

property developments. We expect to continue to fund our projects through these sources. However, we cannot assure you that such funds will be sufficient or that any additional external financing can be obtained on satisfactory or commercially reasonable terms, or at all.

A number of factors, such as general economic conditions, our financial performance, credit availability from financial institutions and monetary policies in the PRC, may affect our ability to obtain adequate financing for our projects on favorable terms, if at all. Many of these factors are beyond our control. The PRC government has in recent years taken a number of measures in the financial sector to further tighten lending requirements for property developers to cool down excessive growth in the property sector, which, among other things:

- prohibit PRC commercial banks from extending loans to property developers to finance land premiums;
- restrict PRC commercial banks from extending loans for the development of villas;
- restrict PRC commercial banks from granting or extending revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibit PRC commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- prohibit PRC commercial banks from granting loans to development projects that fail to meet capital ratio requirements or lack the required government permits and certificates; and
- prohibit property developers from using borrowings obtained from any local banks to fund property developments outside that local region.

In addition, PBOC regulates the reserve requirement ratio for commercial banks in the PRC, which affects the availability and cost of financing from them. PBOC adjusted the bank reserve requirement ratio twice in 2012, twice in 2014, five times in 2015, once in 2016 and four times in 2018. The reserve requirement ratio for commercial banks was further reduced in January 2019 to range from 11.5% to 13.5%. We cannot assure you that the PRC government will not introduce other measures which may limit our access to capital resources. The foregoing and other governmental actions and policy initiatives may limit our ability to use bank borrowings or trust and other borrowings to finance our property developments and, therefore, may require us to maintain a relatively high level of internally sourced cash or obtain funding at a higher cost. As a result, our business, results of operations, and financial condition may be materially and adversely affected.

We are subject to certain restrictive covenants in and risks associated with bank borrowings, trust and other borrowings, which may limit or otherwise materially and adversely affect our business, results of operations and financial condition

We are subject to certain restrictive covenants in our loan and financing agreements with certain banks, trust companies and other financial institutions. Some of our loan agreements, for example, obligate our borrowing subsidiaries to maintain certain financial ratios. In addition, certain loan agreements contain covenants pursuant to which we or our borrowing subsidiaries may not enter into merger, joint venture or restructuring transactions, decrease registered share capital, transfer material assets, liquidate, change shareholdings or distribute dividends without the lenders' prior written consent.

Our trust and other borrowings generally also contain certain covenants stipulating, among others, that we or our borrowing subsidiaries will not repay shareholders' loans, misuse proceeds, provide guarantees, distribute dividends, enter into merger, joint venture or acquisition transactions, transfer material assets or change registered share capital without notifying the lender, obtaining a prior consent from the lender or fully repaying the outstanding amount under the relevant agreements. Pursuant to some of the trust financing arrangements, the trust companies have veto rights over certain of our corporate actions. In addition, many of our trust and other borrowings are secured by either a pledge or a transfer, or both, of our equity interests in the relevant project company subsidiary to the lender.

If we fail to comply with any of those covenants resulting in the lenders' requests for acceleration or other default remedies, we may lose part or all of our equity interests in the relevant project company subsidiaries and/ or our share in the asset value of the relevant property projects. The occurrence of any of the above events may have a material adverse effect on our business, financial condition and results of operations.

If we fail to collect our receivables, our financial condition, results of operations and cash flow may be materially and adversely affected

We recorded trade and other receivables in the amount of RMB7,743.5 million, RMB8,383.5 million and RMB11.740.7 million (US$1,686.4 million) as of December 31, 2017, 2018 and 2019, respectively. We cannot assure you that we will be able to collect receivables from our debtors in full or in a timely manner. We could be forced to write off certain receivables in accordance with HKFRS if our debtors failed to honor their repayment obligations. In addition, we may incur expenses and have management resources diverted relating to the collection of our receivables, such as through legal proceedings. As such, our financial condition, results of operations and cash flow may be materially and adversely affected.

Increasing competition in the PRC, particularly from developers of properties similar to ours in the Western Taiwan Straits Economic Zone and the other cities where we operate or intend to operate, may adversely affect our business and financial condition

In recent years, a large number of property developers have undertaken property development and investment projects in the Western Taiwan Straits Economic Zone and first and second-tier cities in China, including property developments similar to ours. Our major competitors include large national and regional property developers and overseas developers, some of which may have better track records and greater financial and other resources than us. In addition, we also compete with small local property developers. Intense competition among property developers in first and second-tier cities in China for land, financing, raw materials and skilled management and labor resources may result in increased cost for land acquisition and construction, an oversupply of properties available for sale and a decrease in property prices. Any of the above may adversely affect our business, results of operations and financial condition. In addition, the property markets in first and second-tier cities in China are rapidly changing in response to various external factors beyond our control. If we fail to respond to these changes in market conditions or customer preferences more swiftly or effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

Our business may be adversely affected if we fail to obtain, or if there is any delay in obtaining, the relevant PRC governmental approvals for our property development projects

We are required to obtain various permits, licenses, certificates and other approvals from the relevant PRC government authorities at various stages of project development including, but not limited to, state-owned land use rights certificates, planning permit for construction land, planning permits for construction works, permits for commencement of construction works, pre-sale permits for commodity properties and certificates or confirmations of completion and acceptance. In particular, we are required to obtain state-owned land use rights certificates before commencing any property development and such certificates would generally only be issued after certain conditions have been satisfied. Such conditions include the relevant project company having executed the state-owned land use rights granting contracts (國有土地權出讓合同) with the relevant authorities whereby the land use rights are granted to the relevant project company, provided we have paid the land premium in full. As of December 31, 2019, we had a total attributable site area of approximately 5.8 million sq.m. in properties held for future development, for which we had obtained the relevant land use rights certificates.

We cannot assure you that we will not encounter problems with respect to obtaining the relevant land use rights certificiates in the future or making scheduled land premium payments on time going forward for certain reasons. See "—We may be subject to sanctions by the PRC government if we fail to comply with relevant PRC laws and regulations or be subject to late fees if we breach the terms of the land grant contracts" below. We cannot assure you that we will receive the various land use rights certificates within the expected time frame, because the timing of issuance of such certificates may be subject to factors out of our control, including the relevant government resettlement schedules. If we fail to receive such certificates, our development schedule may be disrupted, which, in turn, may have a material and adverse effect on our business, results of operations and financial condition.

We cannot assure you that we will not encounter problems in obtaining other government approvals or in fulfilling the conditions required for obtaining other government approvals and certificates. If we fail to obtain the relevant approvals or to fulfill the conditions of the approvals and certificates for our property development, those developments may not proceed on schedule. As a result, our business, results of operations and financial condition may be materially and adversely affected.

We are exposed to contractual and legal risks related to pre-sales, which could have a material adverse effect on our business, financial condition and result of operations

We make certain undertakings in our pre-sale contracts, and our pre-sale contracts and the PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we fail to complete a pre-sold property on time, we may be liable to the relevant customers for such late delivery under the relevant pre-sale contracts or pursuant to relevant PRC laws and regulations. If our delay extends beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for damages. A customer may also refuse to accept the delivery or even terminate the pre-sale contracts if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in his or her contract. We cannot assure you that we will not experience any delays in the completion and delivery of our properties, nor that the GFA for a delivered unit will not deviate more than 3% from the GFA set out in the relevant pre-sale contract. Any of such factors could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to realize the anticipated economic and other benefits from our joint ventures, and disputes with joint venture partners or any violation of PRC laws by our joint ventures may adversely affect our business, results of operations and financial condition

We have formed joint ventures with other property developers to develop projects and may continue to do so in the future. As of December 31, 2019, we had 125 projects we jointly controlled with other property developers and 56 projects operated with another property developer in which we had no control. We relied to a considerable extent on joint venture projects for profitability in 2017, 2018 and 2019. During the same period, we recorded our "share of net profits of associates and joint ventures accounted for using the equity method" of RMB283.1 million, RMB902.7 million and RMB895.7 million (US$128.7 million), respectively, accounting for 5.7%, 13.6% and 8.4% of our profit before income tax. In addition, as of December 31, 2017, 2018 and 2019, we recorded amounts due from joint ventures of RMB3,629.0 million, RMB7,858.0 million and RMB4,321.9 million (US$620.8 million), respectively. We and our joint venture partners provided such amounts to the project companies in proportion to our shareholding percentages in order to fund the project companies' land acquisition and as working capital. Once these project companies obtain external borrowings or commence pre-sale and generate cash flow, they will repay the amounts due to us on demand. Therefore, the timing of such joint ventures' capital outlays may materially and adversely affect our results of operations.

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, among others, 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.

In addition, since we do not have full control over the business and operations of our joint ventures, we cannot assure that they have been, or will be in strict compliance with all applicable PRC laws and regulations.

We cannot assure you that we will not encounter problems with respect to our joint ventures or our joint ventures will not violate applicable PRC laws and regulations, which may have an adverse effect on our business, results of operations and financial condition.

Our consolidated subsidiaries may not be majority owned by us, which also increases the portion of our profit which is attributable to minority interests

Our property development business is primarily conducted through project companies, many of which are not 100% owned by us. We have entered into, and may from time to time enter into, joint ventures, mergers or acquisitions in the course of our business with respect to these project companies. Our non-controlling interests increased significantly from RMB17.8 billion as of December 31, 2017 to RMB21.9 billion as of December 31, 2018 and to RMB24.9 billion (US$3.6 billion) as of December 31, 2019, which is higher than the capital and reserves attributable to owners of the Company. Due to our significant non-controlling interests, the total comprehensive income attributable to our minority shareholders may account for a significant portion of our total comprehensive income. Any increase in our non-controlling interests may also lead to a higher proportion of our profit being attributable to non-controlling interests. In addition, we may make distributions to our minority shareholders in cash, which may reduce the cash available to us.

The illiquidity of property investments or fluctuations in property value could limit our ability to respond to adverse changes in the performance of our investment properties

We plan to hold a portion of the properties we have developed as investment properties. See "Business—Our Hotels and Investment Properties." We recorded fair value gains on investment properties of RMB336.6 and RMB49.7 million (US$7.1 million) for the years ended December 31, 2018 and 2019, respectively. Because property investments in general are relatively illiquid, one's ability to promptly sell one or more of investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by various factors, such as general economic conditions, availability of financing, interest rates and general supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any investment properties on satisfactory terms, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the sale of a property. In addition, if we sell an investment property during the term of that property's management agreement or tenancy agreement, we may have to pay termination fees. Furthermore, we cannot assure you that we will achieve fair value gains on our investment properties.

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

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, 2019, the benchmark one-year lending rate was 4.35%. As commercial banks in China and other financial institutions based in China 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 mortgage rates of our customers and our financing costs.

We guarantee the mortgage loans provided by financial institutions to our customers and, consequently, we are liable to the mortgagees if our customers default

We arrange for various banks to provide mortgage loans to the purchasers of our properties. In accordance with market practice, PRC domestic banks require us to guarantee these mortgages. We generally provide guarantees until the purchasers of our properties obtain the relevant "strata-title building ownership certificate (分戶產權證)" and the certificate is registered in favor of the bank. We rely on credit checks conducted by the bank on our customers and do not conduct our own credit checks. The guarantees cover the full value of mortgages that purchasers of our properties have obtained to finance their purchases and any additional payments or penalties imposed by mortgagee banks for any defaults in mortgage payments. In our experience, the typical guarantee period ranges from one year to three years. We deposit with the mortgage bank an amount which typically represents less than 5% of the mortgage to which the guarantee relates. If a customer defaults on payment of its mortgage, the mortgagee bank may deduct the payment due from the deposited sum and require that we immediately repay the entire outstanding balance of the mortgage pursuant to the guarantee and we also have the right to terminate the sales contract with the defaulting customers. Upon satisfaction of our obligations under the guarantee, the mortgagee bank would then assign its rights under the mortgage to us and we would then have full recourse to the property. As of December 31, 2017, 2018 and 2019, our outstanding guarantees over the mortgage loans of our customers amounted to RMB20,646.2 million, RMB29,066.2 million and RMB34,322.0 million (US$4,930.0 million), respectively. We cannot assure you that defaults by our customers will not

occur or the rate of such defaults will not increase in the future. If a significant amount of our guarantees is called upon at the same time or in close succession, our results of operations and financial condition may be materially and adversely affected to the extent that there is a material depreciation in the market value of the relevant properties or that we cannot resell such properties due to unfavorable market conditions or other reasons.

Any breach of contractual obligations by third-party contractors for the construction of our property development projects may adversely affect our results of operations and financial condition

We engage third-party contractors to provide various services, including the construction of buildings for our property development projects. We generally select third-party contractors through competitive bids and also through internal assessment of general factors including their demonstrated competence, market reputation and our prior relationship with them. Completion of our projects is subject to the satisfactory performance by these third-party contractors of their contractual obligations, including their adherence to the pre-agreed schedule for completion. We cannot assure you that the services rendered by any of these third-party contractors will be satisfactory or be completed on time. If the performance of any third-party contractor proves unsatisfactory, or if any of them is in breach of its contractual obligations, we may need to replace such contractor or take other actions to remedy the situation, which could materially and adversely affect our cost and construction progress of our projects. Furthermore, a contractor's financial or other difficulties may cause the delay in the completion of our property developments and result in our incurring additional costs, which may have a material adverse effect on our results of operations and financial condition.

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

We normally engage third-party contractors for construction of our projects. Such third-party contractors are responsible for procuring construction materials, including, but not limited, to steel and cement, the prices of which can be volatile. According to our contracts with our construction contractors, in the event that the prices of the equipment and construction materials procured by our construction contractors fluctuate beyond a pre-determined band from the pre-agreed price, we will adjust our payments to our contractors accordingly. Therefore, any material increase in the cost of construction materials or contractors' labor costs may lead to future increases in construction contract costs. Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale. Our inability to pass cost increases to our construction contractors or our customers may result in decrease in our profit margins and adversely affect our results of operations and financial condition. In addition, with the overall improvement of living standards in China as well as the PRC government's recent policies aimed at increasing wages of migrant workers, we expect labor costs of our third-party contractors to continue to increase in the near future, which could also have an adverse effect on our results of operations and financial condition.

If our provisions for land appreciation tax ("LAT") prove to be insufficient, our financial results would be adversely affected

Our properties developed for sale are subject to LAT. Under PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value. LAT is calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. We make provisions for the estimated full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time

pending settlement with the relevant tax authorities. As we often develop our projects in phases, deductible items for the calculation of LAT, such as land costs, are apportioned among different phases of development. Provisions for LAT are made on our own estimates based on, among other things, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. We only prepay a portion of such provisions each year as required by the local tax authorities. In 2017, 2018 and 2019, we made provisions for LAT in the amounts of RMB1,258.1 million, RMB1,930.2 million and RMB2,282.3 (US$327.8 million), respectively. We cannot assure you that the relevant tax authorities will always 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 determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount, our cash flow, results of operations and financial condition may be materially and adversely affected. In addition, as we continue to expand our property developments, we cannot assure you that our provision for LAT obligations based on our estimates in new markets will be sufficient to cover our actual LAT obligations. As there are uncertainties as to when the tax authorities will enforce the LAT collection and whether it will apply the LAT collection retrospectively to properties sold before the enforcement, any payment as a result of the enforcement of LAT collection may significantly restrict our cash flow position, our ability to finance our land acquisitions and to execute our business plans.

The full-fledged levy of value added tax on revenues from a comprehensive list of service sectors may subject our revenues to an average higher tax rate

Pursuant to the Notice on Adjustment of Transfer Business Tax to Appreciation Tax (關於全面推開營業税改徵增值税試點的通知) issued on March 23, 2016 and implemented on May 1, 2016 ("Circular 36") by the Ministry of Finance ("MOF") and the PRC State Administration of Taxation ("SAT"), effective from May 1, 2016, PRC tax authorities have started imposing value added tax ("VAT") on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, to replace the business tax that co-existed with VAT for over 20 years. Since the issuance of Circular 36, MOF and SAT have subsequently issued a series of tax circulars in March and April 2016 to implement the collection of VAT on revenues from construction, real estate, financial services and lifestyle services. The VAT rates applicable to us may be generally higher than the business tax rate we were subject to prior to the implementation of Circular 36. For example, the VAT rate for the sale of self-developed real estate projects will be increased from 5% (the current business tax rate) to 11%. Unlike business tax, the VAT will only be imposed on added value, which means the input tax incurred from the deductible land prices can be offset from our output tax. MOF and SAT revised Implementing Measures for the Pilot Program of Replacing Business Tax with Value-added Tax (營業税改徵增值税試點實施辦法, printed and distributed by Circular 36) by issuing Notice of the Ministry of Finance and the State Administration of Taxation on the Application of the Pilot Policies of Replacing Business Tax with Value-added Tax to Construction Services and Other Aspects (關於建築服務等營改增試點政策的通知) on July 1, 2017 ("Circular 58"). Pursuant to Circular 58, Article 7 of Implementing Measures for the Pilot Program of Replacing Business Tax with Value-added Tax shall be repealed as of July 1, 2017 and Point 4 of Item (23) of Article 1 of the Provisions on Transitional Policies concerning the Pilot Program of Replacing Business Tax with Value-added Tax (營業税改徵增值税試點過渡政策的規定, printed and distributed by the Circular 36) shall be repealed as of January 1, 2018. However, details of concrete measures are still being formulated in accordance with Circular 36 and Circular 58. We may further assess the comprehensive impact of the VAT regime on our tax burden, our revenues and results of operations, which remains uncertain.

We may be subject to sanctions by the PRC government if we fail to comply with relevant PRC laws and regulations or be subject to late payment fees if we breach the terms of the land grant contracts

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to designated use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights.

Under typical land grant contracts, any violation of payment schedule of land premium as stipulated under the land grant contracts may subject a developer to late payment fees or even result in termination of the land grant contracts. In 2016, 2017 and 2018, we did not make land premium payments as scheduled under the land grant contracts for certain of our property development projects and, thus, we were subject to late payment fees. We cannot assure you that we will not experience delays in making land premium payment in the future. If we incur late payment fees in the future, our business, financial position and results of operations may be materially and adversely affected.

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

Property developers in the PRC typically assist purchasers of properties to obtain the relevant individual property ownership certificates within a time frame set out in the relevant property sale and purchase agreement. Property developers, including ourselves, generally elect to specify the deadline for the delivery of properties in the property sale and purchase agreements to allow sufficient time for the application and approval processes. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning permits, to the local bureau of land resources and housing administration after receipt of the completion and acceptance certificate for the relevant properties and apply for the property ownership initial registration in respect of these properties. We are then required to submit after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, for the relevant local authority's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. We cannot assure you that we will not incur material liability to purchasers in the future for the late delivery of individual property ownership certificates due to our fault or for any reason beyond our control.

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

The permitted total GFA for a particular development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, or if the completed development contains built-up areas that the authorities believe do not conform to the approved plans as set out in relevant construction works planning permit, we may not be able to obtain the acceptance and compliance form of construction completion (竣工驗收備案表) for our development and, as a consequence, we would not be able to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. Moreover, excess GFA requires additional governmental

approval, and the payment of additional land premium. If issues related to excess GFA cause delays in the delivery of our products, we may also be subject to liability to purchasers under our sales and purchase agreements. We cannot assure you that constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA, or that the authorities will determine that all built-up areas conform to the plans approved as set out in the construction permit. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or to take any remedial action that may be required in a timely manner, or at all. Any of these factors may materially and adversely affect our reputation, business, results of operations and financial condition.

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税法》) (the "EIT Law") and the implementation regulations to the EIT Law issued by the PRC State Council became effective on January 1, 2008 and was amended on December 29, 2018. 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, but 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" (or 20% in the case of non-resident individuals) 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 (or 20% in the case of non-resident individuals).

Changes of PRC laws and regulations with respect to pre-sales may adversely affect our business

We depend on cash flows from pre-sales of properties as an important source of funding for our property developments. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales of the relevant properties and pre-sales proceeds may only be used to finance related developments. According to the Measures for the Management of Advance Sale of Urban Commercial Houses (城市商品房預售管理辦法) issued on November 15, 1994 and revised on August 15, 2001 and July 20, 2004, real estate developers which

plan to sell urban commercial houses in advance must obtain a pre-sale license. On January 7, 2010, the State Council issued the Notice of the State Council on Boosting the Steady and Healthy Development of the Real Estate Sector (關於促進房地產市場平穩健康發展的通知) which requires real estate developers that have already obtained the pre-sale license to make known to the public all the houses ready for sale at one time within a prescribed time limit and to sell such houses in strict accordance with the declared prices. MOHURD issued the Notice on Issues Concerning Further Strengthening the Supervision and Administration of Real Estate Market and Improvement of Commodity Housing Pre-sale System (關於進一步加強房地產市場監督完善商品住房預售制度有關問題的通知) on April 13, 2010 to better regulate and improve the pre-sale process. Any ban or additional restrictions on pre-sales may require us to seek alternative sources of funding to finance our developments, and such alternative funding may not be available to us on attractive terms, or at all, in which case our cash flow and prospects, and our business, results of operations and financial condition could be materially and adversely affected.

Compliance with PRC laws and regulations regarding environmental protection or preservation of antiquities and monuments could result in substantial delays in construction schedule and additional costs

We are subject to extensive PRC laws and regulations concerning environmental protection and preservation of antiquities and monuments which impose fines for violation and authorize government authorities to shut down any construction sites that fail to comply with governmental orders requiring the cessation of certain activities causing environmental damage. The application of such laws and regulations vary greatly according to a site's location, its environmental condition, present and former use, as well as the circumstances of its adjoining properties. Such variation in application may result in delays in our project completion and may cause us to incur substantial compliance and other costs and severely restrict our project development activities in certain regions or areas.

As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of project construction. If we fail to meet such requirements, the local authorities may issue orders to suspend our construction activities and impose a fine of not less than 1% but not more than 5% of the total investment of the construction project on the construction unit according to the Environmental Impact Assessment Law (環境影響評價法) revised on July 2, 2016 and December 29, 2018 and effective on the same dates. We cannot assure you that we will be able to comply with all such requirements with respect to environmental assessments. In the event of a suspension of construction and/or imposition of a fine as a result of our non- compliance, our financial condition may be materially and adversely affected.

There is a growing awareness of environmental issues in the PRC and we may sometimes be expected to meet more stringent standards than those under applicable environmental laws and regulations. We have not adopted any special environmental protection measures other than the measures generally taken in the ordinary course of business by comparable companies in our industry. There is no assurance that more stringent requirements on environmental protection will not be imposed by the relevant PRC governmental authorities in the future. If we fail to comply with existing or future environmental laws and regulations or fail to meet public expectations, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on our business, results of operations and financial condition.

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

We may be involved in disputes with various parties involved in the development and sale of our properties, including contractors, suppliers, construction workers, purchasers and project

development partners. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention. As some of our projects comprise multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments. From time to time, our officers and management may be parties to litigation or other legal proceedings. Even though our company may not be directly involved in such proceedings, such proceedings may affect our reputation and, consequently, adversely impact our business.

A deterioration in our brand image or any infringement of our intellectual property rights could adversely affect our business

We rely to a significant extent on our brand name, "Rongxin" ("融信"), in marketing our properties. Brand value is based largely on subjective consumer perception and can be damaged by isolated incidents that diminish consumer trust. Any negative incident or negative publicity concerning us or our business could adversely affect our reputation and business. Our brand value and consumer demand for our properties could decline significantly if we fail to maintain the quality of our properties or fail to deliver a consistently positive experience for the purchasers of our properties, or if we are perceived to have acted in an unethical or socially irresponsible manner. In addition, our efforts to protect our brand name may not be adequate, and we may be unable to identify any unauthorized use of our brand name or to take appropriate steps to enforce our rights on a timely basis. Any unauthorized use or infringement of our brand name may impair our brand value, damage our reputation and materially and adversely affect our business and results of operations. In addition, we have allowed Zhangzhou Rongxin Crowne Plaza Holiday Hotel in Zhangzhou and Rongxin (Fujian) Property Management Co., Ltd. (融信(福建)物業管理有限公司), the property management company we have engaged to manage our properties, and may in the future authorize additional non-Group companies, to use our brand. While we seek to maintain our brand image by requiring these companies to comply with relevant rules and standards relating to the use of our brand name, we cannot assure you that these parties will not use our brand name in a way that negatively affects our reputation and the reputation of our projects, which in turn may have an adverse effect on our results of operations and financial condition.

In addition, our service marks, trademarks, trade secrets and other intellectual property are critical to our success. We rely on trademark and copyright law, trade secret protection and confidentiality agreements with our employees, customers, business partners and others to protect our intellectual property rights. Despite the precautions taken, it may be possible for third parties to obtain and use our intellectual property without authorization, which may adversely affect our business and reputation. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources and, consequently, adversely affect our business and results of operations.

We may not have adequate insurance coverage to cover our potential liability or losses and, as a result, our business, results of operations and financial condition may be materially and adversely affected

We maintain insurance as required by applicable PRC laws and regulations and as we consider appropriate for our business operations. We do not, however, maintain insurance against all risks associated with our operations, such as insuring our projects under development against natural or accidental damage and destruction by fire, flood, lightning, explosions or other hazards during

construction periods or insuring our assets against certain natural disasters. We may incur losses, damages or liabilities during any stage of our property development and we may not have sufficient funds to cover the same or to rectify or replace any uninsured property or project that has been damaged or destroyed. In addition, any payments we are obligated to make to cover any losses, damages or liabilities may materially and adversely affect our business, results of operations and financial condition.

Our business depends substantially on the continuing efforts of the members of our senior management and qualified personnel and our ability to attract and retain them, and, if we lose the services of any of these key management and personnel and cannot replace them in a timely manner, or at all, our business may be materially and adversely affected

Our business depends, to a significant extent, on the capability and expertise of our senior management team members, including our executive directors and other members of our management who have operational experience in the real estate business. In particular, we rely on Mr. Ou, our founder and Chairman, who has more than 16 years of experience in the development and management of real estate. If one or more of our senior management team members are unable or unwilling to continue in their present positions, we may not be able to identify and recruit suitable replacements in a timely manner, or at all, and the implementation of our business strategies may be affected, which could materially and adversely affect our operations. In addition, we rely on our employees, which include qualified design, construction management, quality control, marketing, on-site supervisory and construction management personnel for our daily operations and business expansion. We cannot assure you that we will be able to continue to attract and retain sufficient skilled and experienced employees in the future. If we fail to recruit, retain or train skilled employees, our growth and business prospects could be adversely affected.

Voluntary withdrawal from entering into definitive land grant contracts with the local PRC governments after successful bidding for land parcels may lead to the forfeit of the prepayment for the relevant land acquisitions

Under current PRC laws and regulations, we are required to make a certain deposit to the local PRC governments in order to participate in the tender, auction or listing process. This deposit typically becomes non-refundable after a developer wins a bid for a land parcel. In 2008, we participated in a land auction in Fuzhou and won a bid with respect to certain urban land parcels for a total land premium of RMB904 million (US$129.9 million). Based on our then understanding of the property market and business judgment, we decided not to proceed with our winning bid and terminated the land grant contract with the Bureau of Land Resources of Fuzhou. We had paid a deposit of RMB70 million (US$10.1 million) to the Bureau of Land Resources of Fuzhou, which was consequently forfeited pursuant to the land grant contract. If we have to abort land acquisitions again in the future with similar consequences, our business, financial condition and results of operations will be materially and adversely affected.

Our controlling shareholder may take actions that are not in, or may conflict with, our or our creditors' (including the holders of the Notes) best interests

Our controlling shareholder, Mr. Ou Zonghong, holds approximately 65.90% of our outstanding shares as of June 30, 2020. The interests of our controlling shareholder may differ from our interests or the interests of our creditors, including the holders of the Notes. Our controlling shareholder could have and will continue to have the ability to exercise a controlling influence over our business, and may cause us to take actions that are not in, or may conflict with our best interest and the best interest of our creditors, including the holders of the Notes, with respect to matters relating to our management and policies and the election of our directors and senior management.

Our controlling shareholder will be able to influence our major policy decisions, including our overall strategic and investment decisions, by controlling the election of our directors and, in turn, indirectly controlling the selection of our senior management, determining the timing and amount of any dividend payments, approving our annual budgets, deciding on increases or decreases in our share capital, determining our issuance of new securities, approving mergers, acquisitions and disposals of our assets or businesses and amending our articles of association. For more information, see "Management," "Principal Shareholders" and "Related Party Transactions."

RISKS RELATING TO THE PRC

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

Substantially all of our business and operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to economic, political and social developments in China.

The Chinese economy differs from the economies of most developed countries in many respects, including growth rate, the extent of government involvement, level of development, control of foreign exchange and allocation of resources. In May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. Furthermore, although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Certain measures taken by the PRC government to guide the allocation of resources may benefit the overall economy of China but may, however, also have a negative effect on us. For example, our business, financial condition, results of operations and prospects may be adversely affected by government control over capital investments, changes in tax regulations that are applicable to us, change in interest rates and statutory reserve rates for banks or government control in bank lending activities.

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

Our business and operations are primarily conducted in China and governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protection to various forms of foreign investments in China. However, China has not developed a fully

integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. For example, we have registered the issuance of the Notes with the NDRC with reference to the NDRC Notice and are required to file a post-issuance report with the NDRC within ten working days in the PRC pursuant to the registration certificate. There are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. If we fail to complete such filing in accordance with the relevant requirements, due to any change in the relevant regulation we may be subject to penalties or other enforcement actions by relevant PRC government authorities. In addition, the NDRC and the MOF issued the Circular on Improving Market Regulatory Regime and Taking Strict Precautions Against Foreign Debt Risks and Local Debt Risks (國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) effective on May 11, 2018 (the "Joint Circular") and on June 27, 2018, the NDRC issued a press release (the "Press Release") regarding responses from NDRC officials to an interview with respect to the Joint Circular. According to the Joint Circular and the Press Release, the NDRC may further improve and strengthen the regulations on offshore debts. On July 9, 2019, the NDRC issued the Notice on Requirements on Applications for Registration of Foreign Debt issued by Property Companies (國家發展改革委辦公廳關於對房地產企業發行外債申請備案登記有關要求的通知) (the "Notice No. 778"), pursuant to which property companies can only issue foreign debts for exchange of medium to long term foreign debts due within one year with respect to application for NDRC registration of foreign debt to be issued. It is unclear how the Joint Circular and the Press Release will be implemented and if any detailed rules or regulations will be promulgated to achieve the goals mentioned in the Joint Circular and the Press Release. There is no assurance that offshore debts issued by property companies will not be further restricted and the PRC government may impose additional requirements or conditions for offshore debts. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

The PRC government may adopt further measures to regulate the property sector

Investments in the PRC property sector have increased significantly in the past decade. In response to concerns over the rapid increase in property investments and property prices, from 2004 to the first half of 2008, the PRC government introduced various policies and measures to curtail property developments. In the second half of 2008 and in 2009, in order to combat the impact of the global economic slowdown, the PRC government adopted measures to encourage consumption in the residential property market and to support real estate development. However, since December 2009, the PRC government has adjusted some of its policies in order to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities, including abolishing certain preferential treatment relating to business taxes payable upon transfers of residential properties by property owners and imposing more stringent requirements on the payment of land premium by property developers; requiring higher minimum down payment, granting the right to commercial banks to stop lending, punishing speculative developers and requiring mandatory disclosure of property ownership; imposing property purchase restrictions on non-local residents, decreasing the maximum loan to value ratio of mortgage loans offered to borrowers, and increasing mortgage interest rates and construction loan interest rates; increasing the minimum down payment to at least 60% of the total purchase price for second-property purchases with a minimum lending interest rate of at least 110% of the benchmark rate, in certain targeted cities restricting purchasers from acquiring second

(or further) residential properties and restricting non-residents that cannot provide any proof of local tax or social security payments for more than a specified time period from purchasing any residential properties, launching new property tax schemes in certain cities on a trial basis, and levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase.

In August 2011, MOHURD urged provincial governments to implement home purchase restrictions to control property prices, and listed criteria for the implementation of restrictions. In the second half of 2011, in order to further cool down the property market, the PRC government extended home purchase restrictions to certain second- and third-tier cities in addition to 40 first and second-tier cities that had already adopted home purchase restriction measures. On February 26, 2013, the General Office of the State Council issued the Circular on Further Promoting Real Estate Market Regulation, which provides, among other things, that a 20% individual income tax should be levied on the difference between the sale proceeds and the purchase price for the owner's transfer of residence. At the end of 2013, a new round of policies aimed at promoting affordable housing and discouraging speculative investments in residential properties was announced in a number of large Chinese cities, including Beijing, Shanghai, Guangzhou, Shenzhen, Zhengzhou, Nanchang, Fuzhou, Xiamen, Nanjing and Hangzhou. However, home purchase restriction policies have been relaxed recently. As of December 31, 2019, we had 200 property development projects through our subsidiaries, joint ventures and associated companies located in various cities in China, many of which had introduced new rules to adjust home purchase restriction policies, abolishing such restrictions in the whole city, in some urban areas or with respect to certain eligible persons who lack local household registration. In 2016, municipal governments including Fuzhou and Xiamen adopted additional tightening measures. These measures include stricter examination and verification of the source of fund of a loan applicant's down payment, restricting the maximum monthly repayment to 50% of an applicant's income, regulating the use of house provident fund commission loans for first and second home purchases based on home size and the minimum down payment, and tightening of supervision over and restricting home purchases by non-local residents. In 2017, 2018 and 2019, many local governments such as Sanya, Chengdu, Changsha, Shenzhen and Ningbo issued stricter policies to regulate their respective real estate markets, including and in relation to among other things, false advertisements, sale restrictions and fixed prices. For more information on the PRC government policies in the property sector, see "Regulations".

These and other future measures may limit our access to capital, reduce market demand for our products and increase our finance costs. We cannot assure you that the PRC government will not adopt more stringent policies, regulations and measures in the future. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes negatively impact our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our business will be adversely affected if mortgage financing becomes more costly or otherwise less attractive or available

Many purchasers of our properties rely on mortgages to finance their purchases. Any increase in interest rates may significantly increase the cost of mortgage financing, thus affecting the purchasers' affordability of properties. In addition, the PRC government and commercial banks may increase the down-payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers.

From time to time, the PRC government issues laws, regulations or policies regarding mortgage financing to regulate the PRC property market. In January 2010, the State Council issued the

Circular on Promoting the Stable and Sound Development of the Real Estate Market, which, among other things, provides that homeowners with outstanding mortgage loans who intend to buy additional properties for themselves, their spouses or dependent children are required to pay a down payment of no less than 40% of the purchase price and the applicable interest rate shall be set strictly based upon the associated risk level. In April 2010, the State Council issued a notice to raise the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. In May 2010, MOHURD, PBOC and CBRC jointly issued a circular to clarify that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by all residential properties owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that property purchasers of second or subsequent residential properties shall be subject to different credit terms when applying for mortgage loans. On August 25, 2019, the PBOC issued an announcement (PBOC Notice (2019) No.16) regarding the interest rate for new mortgage loans, which provides that after October 8, 2019, new mortgage loans shall be priced by adding basis points to the latest monthly Loan Prime Rate (the "LPR") of corresponding maturity; the interest rate of the loans for the first residential property shall not be lower than the LPR of corresponding maturity, and that of the second residential property not be lower than the LPR of corresponding maturity plus 60 basis points. Further, the interest rates of the loan for commercial properties shall not be lower than the LPRs of corresponding maturities plus 60 basis points, and no adjustments shall be made to the interest rates of housing provident fund for residential properties for the time being.

According to a notice jointly issued by PBOC and CBRC on September 29, 2010, the minimum down-payment has been raised to 30% for all first home purchases, and commercial banks are required to suspend mortgage loans for purchases of a customer's third or subsequent residential properties. In January 2011, the State Council issued a circular to further raise the minimum down-payment requirement for second home purchases to 60%. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the borrower's monthly income or if the total debt service of the borrower would exceed 55% of such individual's monthly income. Since 2013, as a result of foregoing factors, PRC banks have generally tightened mortgage lending, which had affected the demand in the property market in general. On September 29, 2014, PBOC and CBRC jointly issued the "Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving Housing Financial Services" (《中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知》), according to which, the reasonable housing loan demand of residential households shall be actively supported; where a household that owns an existing property for which the property purchase loan has been paid off applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant banking financial institution shall adopt the lending policies applicable to the first owner-occupied property. See the section headed "Regulations—Measures on Stabilizing Housing Price." If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, results of operations and financial condition may be materially and adversely affected.

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

Substantially all of our revenue is denominated in Renminbi. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from

trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

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

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

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

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

On March 30, 2015, SAFE issued the Circular on Reforming the Administration Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises, or Circular 19, which became effective on June 1, 2015 and replaced Circular 142. Circular 19 provides that, the conversion of the Renminbi capital from foreign currency registered capital of foreign-invested enterprises may be at foreign-invested enterprises' discretion, which means that the foreign currency

registered capital of foreign-invested enterprises for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry of monetary contribution has been registered) can be settled at the banks based on the actual operational needs of the enterprises. However, Circular 19 maintains the restriction that Renminbi converted from foreign exchange capital contributions of foreign invested enterprises can only be applied to activities within the approved business scope of the relevant foreign invested enterprise and cannot be used for domestic equity investment or acquisition.

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

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

The national and regional economies in China may be adversely affected by an outbreak of epidemics, natural disasters or severe weather conditions, thereby affecting our business prospects

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of floods, earthquakes, fires, droughts, or epidemics such as the Severe Acute Respiratory Syndrome, or SARS, H5N1 or H7N9 avian flu, the swine flu, also known as Influenza A (H1N1), the Ebola virus disease or, most recently, the novel coronavirus named COVID-19 by the World Health Organization. Our business, financial position and results of operations may be materially and adversely affected if natural disasters or other such events occur.

In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. Currently, an outbreak of COVID-19 has occurred in different regions of the world, including the PRC. As of the date of this offering memorandum, the epidemic has spread far and wide inside China, covering most of the locations in which we operate our projects, including Fujian Province and the Yangtze River Delta region. Several cities in China where we have land bank and operations were placed under a lockdown with restrictions on travel and movement of people as well as prolonged closures of workplaces in an effort to curb the spread of COVID-19, and the epidemic also caused the delay in resumption of local business in the PRC after the Chinese New Year holiday. Furthermore, given that our suppliers and contractors are located in various areas throughout the country, disruptions to their operations could affect our supply of raw materials and our construction activities and project development progress. Should any disruption extend beyond a specified period, 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 similar disruption to our sales activities may have a detrimental effect on our liquidity and access to capital. The epidemic may create further negative economic impact in the PRC and cause increasing concerns over the forward-looking assessment of the performance of the PRC residential property market, which may materially and adversely affect the demand for properties and property prices in China. Furthermore, the outbreak of COVID-19 has escalated into a major

public health crisis on a global scale, which resulted and may continue to result in increased volatility in the global markets and affect investment sentiment. Any adverse changes in the international financial markets or the PRC national and regional economies may materially and adversely affect our business, financial condition and results of operations.

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

The global economy and financial markets have experienced significant disruptions in recent years. Economic growth in many countries continues to be adversely affected. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of the world's leading economies. In addition, ongoing international trade disputes, including tariff actions announced by the United States, the PRC and certain other countries, and the uncertainties created by such disputes may adversely affect the economies in jurisdictions in which we operate as well as global markets and economic conditions. Such and other similar international trade disputes may also cause disruptions in the international flow of goods and services, which may in turn adversely affect the sale of our properties and/or the procurement of raw materials required for our business operations.

Furthermore, in the wake of the United Kingdom's exit from the European Union on January 31, 2020 ("Brexit"), there remains uncertainty about the future relationship between the United Kingdom and the European Union. The United Kingdom remains subject to most European Union laws and regulation until the end of the transition period on December 31, 2020. Negotiations are ongoing to determine the future terms of the United Kingdom's relationship with the European Union. Until these negotiations are concluded, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and globally. The outlook for the world economy and financial markets remains uncertain. The uncertainty during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets. Such volatility and negative economic developments could, in turn, materially adversely affect our business, prospects, financial condition or results of operations. In addition, this could adversely affect our access to the debt capital markets and may increase our funding costs, having a negative impact on our revenue and financial condition.

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

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes are effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non- Guarantor

Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of December 31, 2019, our Non-Guarantor Subsidiaries had total debt in the amount of RMB40,818.3 million (US$5,863.2 million), capital commitments in the amount of RMB21,818.1 million (US$3,134.0 million) and contingent liabilities arising from guarantees in the amount of RMB37,486.5 million (US$5,384.6 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a Subsidiary Guarantee 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 equity interest of no less than 20% in such subsidiary by its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of 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.

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 these entities to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries, including loan agreements entered into by certain subsidiaries of Ningbo Hailiang and Auhui Hailiang, are subject to certain dividend distribution limitations, which may require these PRC subsidiaries to obtain consent or discuss with the PRC banks before they can pay dividends to their shareholders. See "Description of Material Indebtedness and Other Obligations—PRC Loan Agreements." In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. Further, certain loan agreements and secured trust and other financing agreements obtained by our PRC subsidiaries from lender banks, trust companies, security companies and asset management 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 obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ

from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. As a result of such restrictions, there could be limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

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

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

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

We have substantial indebtedness and may incur additional indebtedness in the future, and we may not be able to generate sufficient cash to satisfy our existing and future debt obligations and to fund our capital expenditures

We currently have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. Our total borrowings (including current and non-current borrowings from financial institutions, the Private Corporate Bonds, the Public Corporate Bonds, the Asset-backed Securities, the 2016 Notes (which have been fully repaid upon maturity), the February 2018 Notes, the January 2019 Notes (which have been fully repaid upon maturity), the February 2019 Notes, the March 2019 Notes, the April 2019 Notes, the July 2019 Notes and the December 2019 Notes) as of December 31, 2019 were RMB63,177.8 million (US$9,074.9 million) and our gearing ratio as of

December 31 , 2019, calculated as total borrowings less cash and bank balances divided by total equity, was 0.70 times. Subsequent to December 31, 2019, we issued the June 2020 Notes in an aggregate principal amount of US$250,000,000 on June 15, 2020 and further issued additional June 2020 Notes in an aggregate principal amount of US$160,000,000 on July 2, 2020. Our substantial indebtedness and high gearing could have significant implications, including, among others:

- 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 for our business expansion, working capital and 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 with lower levels of indebtedness;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase our cost of additional financing.

In the future, we may, from time to time, incur substantial additional indebtedness and contingent liabilities, in which case the risks that we face as a result of our substantial indebtedness could intensify.

Under the Indenture, our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the Notes includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenants could be substantially larger when compared to other similarly situated PRC senior notes issuers whose covenants do not typically include such unrealized gains in the definition of consolidated net income. In addition, because our definition of Consolidated Interest Expense for the Notes excludes (i) the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us) and (ii) any distributions incurred, accrued or payment on any Perpetual Securities Obligation (as defined in "Description of the Notes") that is accounted for as equity in accordance with the relevant generally accepted accounting principles, our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. If our onshore subsidiaries incur additional debt, 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 "—The ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future."

Our ability to generate sufficient cash to satisfy our existing and future debt obligations and to fund our capital expenditures will depend upon our future operating performance, which will be

affected by, among other things, prevailing economic conditions, PRC governmental regulation, demand for properties in the regions we operate and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, 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, our ability to meet the Fixed Charge Coverage Ratio requirement in the Indenture may be affected by events beyond our control. We cannot assure you that we will be able to meet such requirement. Certain of our other financing arrangements also impose operating and financial restrictions on our business. See the section entitled "Description of Material Indebtedness and Other Obligations." Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand any future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

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

We pay dividends to our shareholders from time to time. Under the Indenture, any such dividend payment will be a "Restricted Payment," which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and qualifications. Under the terms of the Notes, we may pay dividends on our common stock for each of the year of 2018 and 2019 in an aggregate amount up to 20% of our profit for the year for each of the year of 2018 and 2019 without satisfying the Fixed Charge Coverage Ratio. With such an exception, we may be able pay substantial amount of dividends even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the Notes.

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 24.5% from July 21, 2005 to June 30, 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. RMB has been added to its Special Drawing Rights currency basket since October 2016. 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.

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

We must offer to purchase the Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See the section entitled "Description of the Notes."

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding Notes. Our failure to make the offer to purchase or to purchase the outstanding Notes would constitute an Event of Default under the Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of a Change of Control 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. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event for purposes of the Indenture also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly leveraged transaction or a sale of less than all of our assets may be uncertain.

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

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

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

In the event we are 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 in interpretation or statement of the official position that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC "resident enterprise," we may redeem the 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 other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the Notes are familiar

Because we and some of the Subsidiary Guarantors are incorporated, and the JV Subsidiary Guarantors (if any) may be incorporated, under the laws of the Cayman Islands, an insolvency proceeding relating to us or any such Subsidiary Guarantor or JV Subsidiary Guarantor, even if brought in the United States, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, our other Subsidiary Guarantors and JV Subsidiary Guarantors (if any) are incorporated or may be incorporated in the 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. The Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. Any JV Subsidiary Guarantors which become equity holders of our PRC subsidiaries would also be subject to such laws. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

We may be unable to obtain and remit foreign exchange

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

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

If we are unable to comply with the restrictions and covenants in the Indenture or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture and the respective indentures governing the Existing Notes, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes and the Existing Notes, or result in a default under our other debt agreements, including the Indenture and the respective indentures governing the Existing Notes. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

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

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

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

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

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

In light of land prices, sizes of projects and other factors, we may from, time to time, consider developing property developments jointly with other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications, including, among others, that we may, subject to certain conditions, make investments in any Unrestricted Subsidiaries and minority owned joint ventures primarily engaged in a permitted business up to an aggregate amount of up to 15.0% of our total assets. See "Description of the Notes."

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 with no established trading market. Although approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing of the Notes on the SGX-ST, or that, even if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled "Transfer Restrictions." No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the Notes could be adversely affected.

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

The Notes are expected to be assigned a rating of "BB-" by Fitch and "BB+" by China Chengxin. The rating addresses our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, we have been assigned a rating of "BB-" with a stable outlook by Fitch, "BB+" with a stable outlook by China Chengxin, "B+" with a stable outlook by S&P and "B1" with a stable outlook by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with its Listing Rules, which provide, among other things, that any transaction between a listed company or any of its subsidiaries, on the one hand, and a "connected person" of such listed company, on the other hand, is a "connected transaction" that, if the value of such transaction exceeds the applicable *de minimis* thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of "connected person" to a listed company includes, among others, any

10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of "connected person" also captures "associates," which include, among others, (a) any subsidiary of such "connected person," (b) any holding company of such "connected person" and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

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

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

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

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

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

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to debt securities listed in certain other countries

For so long as the Notes are listed on the SGX-ST, we will be subject to continuing listing obligations in respect of the Notes. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries or regions such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

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

The Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the Notes represented by the global certificate will trade in book entry

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

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

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

RISKS RELATING TO THE SUBSIDIARY GUARANTEES, 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, but none of our current PRC subsidiaries and their direct PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. None of our future subsidiaries that are organized under the laws of PRC or their future PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future. To the extent that our non-PRC subsidiaries that are prohibited by applicable laws or regulation from guaranteeing or having their shares pledged to secure the Notes (the "Exempted Subsidiaries") or that are listed on a qualified exchange and their subsidiaries (the "Listed Subsidiaries"), they will not provide Subsidiary Guarantees or JV Subsidiary Guarantees for the Notes, neither. In addition, certain of our offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of those offshore subsidiaries not giving any Subsidiary Guarantees for the Notes (other than the Exempted Subsidiaries and Listed Subsidiaries) do not exceed 20% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries. See the section entitled "Description of the Notes—The Subsidiary Guarantees and JV Subsidiary Guarantees" for a list of the Non-Guarantor Subsidiaries. Moreover, the charge over the shares of the offshore subsidiaries of the Company (the "Collateral") will not include the capital stock of our existing or future Non-Guarantor Subsidiaries, including our PRC subsidiaries.

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

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

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

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

The Indenture also permits us to enter into certain future financings, and creditors under those future financings may share the Collateral pari passu with the holders of the Notes. See the section entitled "Description of the Notes—Security—Permitted Pari Passu Secured Indebtedness" for a further discussion of the sharing of the Collateral with future financings. If creditors under future financings opt to share the Collateral under an 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 may limit the rights of holders of the Notes to the Collateral

The Security Agent is required to take action to enforce the Collateral in accordance with the instructions of the holders of the Notes, the holders of the February 2018 Notes, the holders of the February 2019 Notes, the holders of the March 2019 Notes, the holders of the April 2019 Notes, the holders of the July 2019 Notes, the holders of the December 2019 Notes, the holders of the June 2020 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 Security 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 Security Agent is permitted to take enforcement actions. If an event of default occurs under the Notes, holders of at least 25% of the respective outstanding principal amounts of the Notes, and the Existing Notes and other Permitted Pari Passu Secured Indebtedness may decide whether to take any enforcement action and may thereafter, through their respective trustee, representative or agent, in accordance with the Intercreditor Agreement, instruct the Security 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 Security 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 Security Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the holders of the Notes. The Security Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes, the holders of the February 2018 Notes, the holders of the February 2019 Notes, the holders of the March 2019 Notes, the holders of the April 2019 Notes, the holders of the July 2019 Notes, the holders of the December 2019 Notes and the holders of the June 2020 Notes unless such holders have offered to the Security Agent indemnity and/or security satisfactory to the Security Agent against any loss, liability or expense.

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

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

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

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

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

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

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

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, the Cayman Islands and the British Virgin Islands at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Pledges of capital stock 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 section entitled "—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" above.

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 Pledgors.

The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes, the Existing Notes and other *pari passu* secured indebtedness

The Collateral consists only of the capital stock of certain 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 Trustee, on behalf of the holders of the Notes, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise are subject in certain instances to perfection and priority status. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that 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 its nature, the Collateral, which consists solely of the capital stock of any existing or future Subsidiary Guarantor, is likely to be illiquid and is unlikely to have a readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Collateral will be shared on a *pari passu* basis by the holders of the Notes, the Existing Notes and any other creditors with respect to the 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 such secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the obligations of the Company and each of the Subsidiary Guarantor Pledgors under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of the Notes or other pari passu indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

The pledge of certain Collateral may be released under certain circumstances

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

The gross proceeds from this offering will be US$200,000,000, which, after deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, we plan to use to refinance certain of our 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").

EXCHANGE RATE INFORMATION

CHINA

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

On May 18, 2007, PBOC enlarged, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

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

Period	Noon buying rate			
	Period end	Average[1]	High	Low
	(RMB per US$1.00)			
2014	6.2046	6.1620	6.2591	6.0402
2015	6.4778	6.2827	6.4896	6.1870
2016	6.9430	6.6400	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020				
January	6.9161	6.9184	6.9749	6.8589
February	6.9906	6.9967	7.0286	6.9650
March	7.0808	7.0205	7.1099	6.9244
April	7.0622	7.0708	7.0989	7.0341
May	7.1348	7.1016	7.1681	7.0622
June	7.0651	7.0816	7.1263	7.0575
July (through July 24)	7.0168	6.6173	7.0703	6.9800

Source: Federal Reserve H.10 Statistical Release

Note:

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

HONG KONG

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

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

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

	Noon buying rate			
Period	**Period end**	**Average[1]**	**High**	**Low**
	(HK per US$1.00)			
2014	7.7531	7.7545	7.7669	7.7495
2015	7.7507	7.7524	7.7686	7.7495
2016	7.7534	7.7620	7.8270	7.7505
2017	7.8128	7.7926	7.8267	7.7540
2018	7.8316	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020				
January	7.7665	7.7725	7.7889	7.7661
February	7.7927	7.7757	7.7951	7.7630
March	7.7513	7.7651	7.7863	7.7511
April	7.7514	7.7512	7.7530	7.7498
May	7.7513	7.7519	7.7561	7.7517
June	7.7501	7.7501	7.7514	7.7498
July (through July 24)	7.7516	7.2951	7.7538	7.7499

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, total current borrowings and capitalization as of December 31, 2019 on an actual basis and on an as adjusted basis after giving effect to the net proceeds of the June 2020 Notes and the gross proceeds from the issuance of the Notes in this offering. The following table should be read in conjunction with the consolidated financial statements and related notes included in this offering memorandum.

	As of December 31, 2019			
	Actual		As adjusted	
	(RMB'000)	(US$'000) (unaudited)	(RMB'000)	(US$'000) (unaudited)
Cash and cash equivalents[(1)]	15,344,805	2,204,143	19,587,549	2,813,575
Current Borrowings				
Borrowings from financial institutions—secured	937,900	134,721	937,900	134,721
Current portion of non-current borrowings	17,768,547	2,552,292	17,768,547	2,552,292
Total current borrowings	18,706,447	2,687,013	18,706,447	2,687,013
Non-current borrowings[(2)]				
Borrowings from financial institutions—secured	26,291,536	3,776,543	26,291,536	3,776,543
Asset backed securities—secured[(3)]	2,447,400	351,547	2,447,400	351,547
Corporate Bonds—unsecured[(4)]	12,167,521	1,747,755	12,167,521	1,747,755
Senior Notes—unsecured[(5)]	21,333,454	3,064,359	21,333,454	3,064,359
Less: current portion of non-current borrowings	(17,768,547)	(2,552,292)	(17,768,547)	(2,552,292)
The June 2020 Notes	—	—	2,850,384	409,432
Notes to be issued	—	—	1,392,360	200,000
Total non-current borrowings	44,471,364	6,387,912	48,714,108	6,997,344
Total equity	41,288,230	5,930,683	41,288,230	5,930,683
Total capitalization[(6)]	85,759,594	12,318,595	90,002,338	12,928,027

Notes:

(1) Cash and cash equivalents exclude restricted cash of RMB3,292.0 million (US$472.9 million) and term deposits of RMB15,671.8 million (US$2,251.1 million).

(2) Subsequent to December 31, 2019, we have, in the ordinary course of business, entered into additional financing arrangements to finance our property developments and for general corporate purposes. For example, we issued the June 2020 Notes in an aggregate principal amount of US$250,000,000 on June 15, 2020 and further issued additional June 2020 Notes in an aggregate principal amount of US$160,000,000 on July 2, 2020. See "Description of Material Indebtedness and Other Obligations."

(3) We issued the Rongxin Fujian 2016 Asset-backed Securities in July 2016, the Rongxin Fujian 2018 Asset-backed Securities in September 2018 and the Rongxin Fujian 2019 Asset-backed Securities in July 2019. Subsequent to December 31, 2019, we also issued the Rongxin Fujian March 2020 Asset-backed Securities in March 2020 and the Rongxin Fujian April 2020 Asset-backed Securities in April 2020. As of the date of this offering memorandum, we have fully repaid the Rongxin Fujian 2016 Asset-backed Securities. See "Description of Material Indebtedness and Other Obligations."

(4) Corporate Bonds include the Public Corporate Bonds issued by Rongxin Fujian in December 2015, January 2016 and July 2019 and the Private Corporate Bonds issued by Rongxin Fujian in 2016 (which have been fully repaid), November 2018, August 2019 and November 2019. See "Description of Material Indebtedness and Obligations."

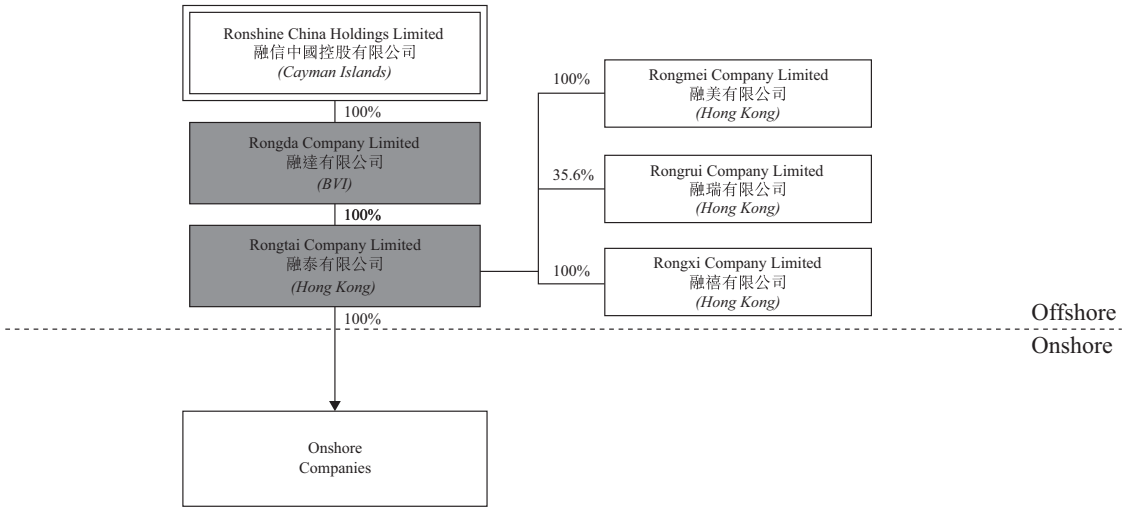
(5) Senior Notes include the 2016 Notes (which have been fully repaid upon maturity), the February 2018 Notes issued on February 1, 2018 and further issued on February 27, 2018, July 12, 2018 and September 4, 2018 in an aggregate principal amount of US$800 million, the January 2019 Notes issued on January 3, 2019 in an aggregate principal amount of US$200 million (which have been fully repaid upon maturity), the February 2019 Notes issued on February 22, 2019 in an aggregate principal amount of US$600 million pursuant to the Exchange Offer and the Concurrent New Money Issuance, the March 2019 Notes issued on March 1, 2019 and further issued on May 6, 2019 in an aggregate principal amount of US$500 million, the April 2019 Notes issued on April 25, 2019 and further issued on June 13, 2019 and October 15, 2019 in an aggregate principal amount of US$700 million, the July 2019 Notes issued on July 22, 2019 in an aggregate principal amount of US$300 million and further issued on October 24, 2019 in an aggregate principal amount of US$120 million, and the December 2019 Notes issued on December 9, 2019 in an aggregate principal amount of US$324 million. On February 22, 2019, US$390,466,000 principal amount of the February 2018 Notes were exchanged for US$392,238,000 (which includes Capitalized Interest) principal amount of the February 2019 Notes pursuant to the Exchange Offer.

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

Subsequent to December 31, 2019, we have, from time to time, in the ordinary course of business, entered into additional financing agreements to finance our property developments or for general corporate purposes. After the completion of this offering, we may incur additional debt, including Renminbi denominated borrowings or debt securities. Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since December 31, 2019.

CORPORATE STRUCTURE

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



Notes:

(1) Rongda Company Limited is incorporated in the British Virgin Islands with limited liability and its approved name for carrying on business in Hong Kong is Gangxin Rongda Company Limited.

(2) The table below sets forth details of our major PRC subsidiaries:

No.	Chinese Name	English Name	Effective Shareholding
1.....	融信(福建)投資集團有限公司	Ronxin (Fujian) Investment Company Limited	100.00%
2.....	融信(福州)置業有限公司	Rongxin (Fuzhou) Property Company Limited	80.00%
3.....	融信(福州)投資發展有限公司	Rongxi (Fuzhou) Investment Development Company Limited	100.00%
4.....	融信(漳州)房地產有限公司	Rongxin (Zhangzhou) Property Company Limited	100.00%
5.....	融信(平潭)投資發展有限公司	Rongxin (Pingtan) Investment Development Company Limited	51.00%
6.....	融信(廈門)房地產開發有限公司	Rongxin (Xiamen) Property Development Company Limited	100.00%
7.....	和美(上海)房地產開發有限公司	Hemei (Shanghai) Property Development Company Limited	51.00%
8.....	福建藍湖房地產開發有限公司	Fujian Lanhu Property Development Company Limited	100.00%
9.....	杭州愷築融信房地產開發有限公司	Hangzhou Kaizhu Rongxin Property Development Company Limited	100.00%
10	福州融信雙杭投資發展有限公司	Fuzhou Rongxin Shuanghang Investment Development Company Limited	100.00%
11	福建泰坤貿易有限公司	Fujian Taikun Trading Company Limited	100.00%
12	福建歐科投資有限公司	Fujian Ouke Investment Company Limited	100.00%
13	上海胤博投資有限公司	Shanghai Yinbo Investment Company Limited	100.00%
14	上海謙春永企業管理諮詢有限公司	Shanghai Qianchunyong Management Consultancy Company Limited	100.00%
15	融信(福建)置業有限公司	Rongxin (Fujian) Property Company Limited	91.55%

No.	Chinese Name	English Name	Effective Shareholding
16 ……	福州世歐房地產開發有限公司	Fuzhou Shiou Property Development Co., Ltd.	50.00%
17 ……	福州世歐投資發展有限公司	Fuzhou Shiou Investment Development Company Limited	100.00%
18 ……	福建世歐投資發展有限公司	Fujian Shiou Investment Development Company Limited	100.00%
19 ……	上海謙恒置業有限公司	Shanghai Qianheng Property Company Limited	100.00%
20 ……	上海愷日房地產開發有限公司	Shanghai Kairi Property Development Company Limited	50.00%
21 ……	上海愷暢房地產開發有限公司	Shanghai Kaichang Property Development Company Limited	50.00%
22 ……	上海愷崇房地產開發有限公司	Shanghai Kaichong Property Development Company Limited	50.00%
23 ……	福州市長樂區融信投資有限公司	Fuzhou Changle District Rongxin Investment Company Limited	100.00%
24 ……	杭州融信愷昇房地產開發有限公司	Hangzhou Rongxin Kaisheng Property Development Company Limited	100.00%
25 ……	和美(漳州)房地產有限公司	Hemei (Zhangzhou) Property Company Limited	100.00%
26 ……	福建朗信投資有限公司	Fujian Langxin Investment Company Limited	100.00%
27 ……	福州羿恒投資有限公司	Fujian Yiheng Investment Company Limited	100.00%
28 ……	福州晟業投資有限公司	Fuzhou Shengye Investment Company Limited	100.00%
29 ……	福州睿豐投資有限公司	Fuzhou Ruifeng Investment Company Limited	100.00%
30 ……	上海融鋭企業管理諮詢有限公司	Shanghai Rongre Enterprise Management Consulting Company Limited	100.00%
31 ……	福建融匯置業有限公司	Fujian Ronghui Property Company Limited	50.00%
32 ……	福建融海置業有限公司	Fujian Ronghai Property Company Limited	100.00%
33 ……	上海莆堃企業管理諮詢有限公司	Shanghai Pukun Management Consultancy Company Limited	100.00%
34 ……	上海謙莆投資諮詢有限公司	Shanghai Qianpu Investment Consultancy Company Limited	100.00%
35 ……	杭州愷澤房地產開發有限公司	Hangzhou Kaize Property Development Company Limited	100.00%
36 ……	杭州玖駐實業有限公司	Hangzhou Jiuzhu Industrial Company Limited	100.00%
37 ……	杭州融悅房地產開發有限公司	Hangzhou Rongyue Property Development Company Limited	51.00%
38 ……	南京愷翀房地產開發有限公司	Nanjing Kaichong Property Development Company Limited	100.00%
39 ……	上海愷居房地產開發有限公司	Shanghai Kaiju Property Development Company Limited	51.00%
40 ……	上海雋悠房地產開發有限公司	Shanghai Junyou Property Development Company Limited	100.00%
41 ……	杭州福溢融信企業管理諮詢有限公司	Hangzhou Fuyi Rongxin Business Management Consultancy Company Limited	100.00%
42 ……	杭州愷興房地產開發有限公司	Hangzhou Kaixing Property Development Company Limited	100.00%
43 ……	杭州融欣房地產開發有限公司	Hangzhou Rongxin Property Development Company Limited	50.00%
44 ……	杭州融譽房地產開發有限公司	Hangzhou Rongyu Property Development Company Limited	51.00%
45 ……	杭州愷融房地產開發有限公司	Hangzhou Kairong Property Development Company Limited	51.00%

No.	Chinese Name	English Name	Effective Shareholding
46 ……	融信新領域(廈門)房地產開發有限公司	Rongxin Xinlingyu (Xiamen) Property Development Co., Ltd.	100.00%
47 ……	漳州市裕景房地產有限公司	Zhanghzhou Yujing Property Company Limited	100.00%
48 ……	廈門贏鎂立貿易有限公司	Xiamen Yingmeili Trading Company Limited	100.00%
49 ……	竣熙(廈門)房地產有限公司	Junxi (Xiamen) Property Company Limited	100.00%
50 ……	盟美(廈門)房地產有限公司	Mengmei (Xiamen) Property Company Limited	100.00%
51 ……	廈門朗舍立貿易有限公司	Xiamen Longsheli Trading Company Limited	100.00%
52 ……	上海愷冠臻房地產開發有限公司	Shanghai Kaiguanzhen Property Development Company Limited	51.00%
53 ……	上海愷珩房地產開發有限公司	Shanghai Kaiheng Property Development Company Limited	50.00%
54 ……	昆山融信愷庭房地產開發有限公司	Kunshan Rongxin Kaiting Property Development Company Limited	50.00%
55 ……	蘇州融信愷恒置業有限公司	Suzhou Rongxin Kaiheng Property Company Limited	100.00%
56 ……	杭州信鴻置業有限公司	Hangzhou Xinhong Property Company Limited	70.00%
57 ……	南京愷沛房地產開發有限公司	Nanjing Kaipei Property Development Company Limited	100.00%
58 ……	南京莆銘房地產開發有限公司	Nanjing Puming Property Development Company Limited	87.00%
59 ……	上海森阡房地產開發有限公司	Shanghai Senqian Property Development Company Limited	100.00%
60 ……	上海嵐町房地產開發有限公司	Shanghai Lanting Property Development Company Limited	100.00%
61 ……	南京雲科商業管理有限公司	Nanjing Yunke Business Management Company Limited	100.00%
62 ……	上海愷承企業管理諮詢有限公司	Shanghai Kaicheng Property Development Company Limited	100.00%
63 ……	上海愷胤實業有限公司	Shanghai Kaiyin Industrial Company Limited	100.00%
64 ……	漳州市弘泰房地產有限公司	Zhangzhou Hongtai Property Company Limited	100.00%
65 ……	杭州萬晨置業有限公司	Hangzhou Wanchen Property Company Limited	50.00%
66 ……	福州盛天房地產開發有限公司	Fuzhou Shengtian Property Development Company Limited	51.00%
67 ……	杭州多祿企業管理諮詢有限公司	Hangzhou Duolu Management Consultancy Company Limited	100.00%
68 ……	杭州華合企業管理諮詢有限公司	Hangzhou Huahe Management Consultancy Company Limited	100.00%
69 ……	上海愷旌開置業有限公司	Shanghai Kaijingkai Property Company Limited	50.42%
70 ……	上海南尚置業有限公司	Shanghai Nanshang Property Company Limited	100.00%
71 ……	海門錦融房地產開發有限公司	Haimen Jinrong Property Development Company Limited	60.50%
72 ……	南京莆暢房地產開發有限公司	Nanjing Puchang Property Development Company Limited	89.80%
73 ……	南京莆正房地產開發有限公司	Nanjing Puzheng Property Development Company Limited	100.00%
74 ……	鄭州融信朗悅置業有限公司	Zhengzhou Rongxinlangyue Property Company Limited	51.00%
75 ……	鄭州融築房地產開發有限公司	Zhengzhou Rongzhu Property Development Company Limited	100.00%
76 ……	杭州億仁企業管理諮詢有限公司	Hangzhou Yiren Management Consultancy Company Limited	100.00%

No.	Chinese Name	English Name	Effective Shareholding
77	融信(福州)置業有限公司倉山凱悅酒店分公司	Cangshan Kaiyue Hotel Property Company Limited	100.00%
78	龍岩市融信科盛房地產開發有限公司	Longyan RongxinKes Heng Property Development Company Limited	44.37%
79	漳州市融運房地產有限公司	Zhangzhou Rongyun Property Development Company Limited	93.03%
80	上海融恩房地產開發有限公司	Shanghai Rongen Property Development Company Limited	100.00%
81	上海融綜企業管理諮詢有限公司	Shanghai Rongzong Enterprise Management Consultancy Company Limited	100.00%
82	重慶融永房地產開發有限公司	Chongqing Rongyong Property Development Company Limited	100.00%
83	成都融恒房地產開發有限公司	Chengdu Rongheng Property Development Company Limited	93.76%
84	莆田市融永房地產開發有限公司	Putian Rongyong Property Development Company Limited	87.69%
85	上海融忠企業管理諮詢服務有限公司	Shanghai Rongzhong Enterprise Management Consultancy Service Company Limited	100.00%
86	融吉(廈門)房地產有限公司	Rongji (Xiamen) Property Development Company Limited	87.00%
87	融信(廈門)房地產開發有限公司華邑酒店分公司	Rongxin (Xiamen) Property Development Company Limited - Huaying Hotel Branch	100.00%
88	廣州市融信房地產開發有限公司	Guangzhou Rongxin Property Development Company Limited	50.00%
89	嵊州融信房地產開發有限公司	Shengzhou Rongxin Property Development Company Limited	100.00%
90	杭州融辰置業有限公司	Hangzhou Rongchen Property Company Limited	87.00%
91	天津融居房地產開發有限公司	Tainjin Rongju Property Development Company Limited	100.00%
92	天津融町房地產開發有限公司	Tianjin Ronting Property Development Company Limited	93.24%
93	鄭州融信春城置業有限公司	Zhengzhou Chuncheng Property Company Limited	67.00%
94	河南省鼎鑫源置業有限公司	Henan Dingxinyuan Property Company Limited	87.00%
95	南京駿益房地產開發有限公司	Nanjing Junyi Property Development Company Limited	49.99%
96	衢州融晟置業有限公司	Quzhou Rongsheng Property Company Limited	39.15%
97	杭州旭能投資管理有限公司	Hangzhou Xuneng Investment Company Limited	100.00%
98	杭州天融置業有限公司	Hangzhou Tianrong Property Company Limited	43.50%
99	杭州融恒置業有限公司	Hangzhou Rongheng Property Company Limited	63.54%
100	浙江德盛置業有限公司	Zhejiang Desheng Property Company Limited	100.00%
101	金華市金麟置業有限公司	Jinhua Jinlin Property Company Limited	49.00%
102	杭州金昇房地產開發有限公司	Hangzhou Jinsheng Property Development Company Limited	100.00%
103	山西融築房地產開發有限公司	Shanxi Rongzhu Property Development Company Limited	96.51%
104	河南融密房地產開發有限公司	Henan Rongmi Property Development Company Limited	100.00%
105	鄭州融亮春房地產開發有限公司	Zhengzhou Rongliang Property Development Company Limited	70.30%

No.	Chinese Name	English Name	Effective Shareholding
106.....	鄭州蘇派置業有限公司	Zhengzhou Supai Property Company Limited	100.00%
107.....	河南慧之門企業管理有限公司	Henan Huizhimen Business Management Company Limited	87.89%
108.....	上海融憬實業發展有限公司	Shanghai Rongjing Industrial Company Limited	100.00%
109.....	上海愷珺瀚置業有限公司	Shanghai Kaijunhan Property Company Limited	100.00%
110.....	上海愷豐奕置業有限公司	Shanghai Kaifengyi Property Company Limited	100.00%
111.....	上海愷垚置業有限公司	Shanghai Kaigui Property Company Limited	100.00%
112.....	蘇州融旌樾置業有限公司	Suzhou Ronjinyue Property Company Limited	43.50%
113.....	蘇州融珩申置業有限公司	Suzhou Ronghengshen Property Company Limited	38.00%
114.....	蘇州融璟宸置業有限公司	Suzhou Rongjingchen Property Company Limited	26.32%
115.....	杭州楓瑾實業有限公司	Hangzhou Fengin Industrial Company Limited	44.19%
116.....	浙江錦森投資管理有限公司	Zhejiang Jinsen Investment Company Limited	50.40%
117.....	河南融居房地產開發有限公司	Henan Rongju Property Development Company Limited	80.00%
118.....	河南融信融房地產開發有限公司	Henan Rongzinrong Property Development Company Limited	100.00%
119.....	河南融連信房地產開發有限公司	Henan Ronglianxin Property Development Company Limited	100.00%
120.....	福建匯雅酒店有限公司	Fujian Huiya Hotel Company Limited	60.00%
121.....	蘇州愷旌升置業有限公司	Suzhou Kaijingsheng Property Company Limited	100.00%
122.....	南京融嘉熠貿易有限公司	Nanjing Rongjiayi Trading Company Limited	60.00%
123.....	南京愷熠嘉貿易有限公司	Nanjing Kaiyijia Trading Company Limited	60.00%
124.....	南京融美置業有限公司	Nanjing Rongmei Property Company Limited	60.00%
125.....	青島融信融美房地產開發有限公司	Qingdao Ronshine Rongmei Property Development Company Limited	79.00%
126.....	上海愷瑾昱置業有限公司	Shanghai Kaijinyu Property Company Limited	51.00%
127.....	杭州鴻都投資管理有限公司	Hangzhou Hongdu Investment Company Limited	100.00%
128.....	杭州瑾揚實業有限公司	Hangzhou Jinyang Industrial Company Limited	100.00%
129.....	杭州玖辰實業有限公司	Hangzhou Jiuchen Industrial Company Limited	45.68%
130.....	上海心千置業有限公司	Shanghai Xinqian Property Company Limited	100.00%
131.....	上海上坤飛榮置業有限公司	Shanghai Shangkun Feirong Property Company Limited	50.00%
132.....	上海上坤浦益置業有限公司	Shanghai Shangkun Puyi Property Company Limited	100.00%
133.....	成都融浩房地產有限責任公司	Chengdu Ronghao Property Development Company Limited	87.00%
134.....	上海融煦房地產開發有限公司	Shanghai Rongxu Property Development Company Limited	100.00%

No.	Chinese Name	English Name	Effective Shareholding
135.....	上海融翰房地產開發有限公司	Shanghai Ronghan Property Development Company Limited	100.00%
136.....	上海融柒房地產開發有限公司	Shanghai Rongqi Property Development Company Limited	100.00%
137.....	上海融驕房地產開發有限公司	Shanghai Rongjiao Property Development Company Limited	100.00%
138.....	上海融臻房地產開發有限公司	Shanghai Rongzhen Property Development Company Limited	100.00%
139.....	福建融興禾投資有限公司	Fujian Rongxinghe Investment Company Limited	100.00%
140.....	福建融景溫泉開發有限公司	Fujian Rongjing Hot Spring Development Company Limited	100.00%
141.....	福州融信世歐商業管理有限公司	Fuzhou Rongxin Shiou Business Management Company Limited	100.00%
142.....	福州極景園林設計有限公司	Fuzhou Jijing Garden Design Company Limited	100.00%
143.....	福州嘉禾恒業貿易有限公司	Fuzhou Jiahe Hengye Trading Company Limited	100.00%
144.....	南京愷廣欽房地產開發有限公司	Nanjing Kaiguangqin Property Development Company Limited	100.00%
145.....	南京愷賦琨房地產開發有限公司	Nanjing Kaifukun Property Development Company Limited	100.00%
146.....	南京愷仕仁房地產開發有限公司	Nanjing Kaishiren Property Development Company Limited	100.00%
147.....	南京愷志越房地產開發有限公司	Nanjing Kaizhiyue Property Development Company Limited	100.00%
148.....	青島愷譽置業有限公司	Qingdao Kaiyu Property Company Limited	100.00%
149.....	青島愷昌置業有限公司	Qingdao Kaichang Property Company Limited	100.00%
150.....	南京融悅華房地產開發有限公司	Nanjing Rongyuehua Property Development Company Limited	100.00%
151.....	南京愷豐榮房地產開發有限公司	Nanjing Kaifengrong Property Development Company Limited	100.00%
152.....	南京和昱房地產開發有限公司	Nanjing Heyu Property Development Company Limited	100.00%
153.....	南京融志峰房地產開發有限公司	Nanjing Rongzhifeng Property Development Company Limited	100.00%
154.....	杭州臻昱達房地產開發有限公司	Hangzhou Zhenyuda Property Development Company Limited	40.00%
155.....	嘉興盛融輝房地產開發有限公司	Jiaxing Shengronghui Property Development Company Limited	100.00%
156.....	長沙朗瀚陽百貨貿易有限公司	Changsha Langhanyang Department Store Company Limited	100.00%
157.....	南昌朗乾房地產開發有限公司	Nanchang Langqian Property Development Company Limited	100.00%
158.....	杭州頤揚投資管理有限公司	Hangzhou Yiyang Investment Company Limited	47.20%
159.....	杭州愷歆融信房地產開發有限公司	Hangzhou Kaixin Rongxin Property Development Company Limited	100.00%
160.....	杭州融晋房地產開發有限公司	Hangzhou Rongjin Property Development Company Limited	100.00%
161.....	杭州保欣置業有限公司	Hangzhou Baoxin Property Company Limited	100.00%
162.....	上海融召房地產開發有限公司	Shanghai Rongzhao Property Development Company Limited	100.00%
163.....	福建融宸投資有限公司	Fujian Rongchen Investment Company Limited	100.00%
164.....	福建融萬佳投資有限公司	Fujian Rongwanjia Investment Company Limited	100.00%

No.	Chinese Name	English Name	Effective Shareholding
165.....	福建融鑫祥投資有限公司	Fujian Rongxinxiang Investment Company Limited	100.00%
166.....	福建融京熙投資有限公司	Fujian Rongjingxi Investment Company Limited	100.00%
167.....	福建融佳禾投資有限公司	Fujian Rongjiahe Investment Company Limited	100.00%
168.....	南京和愷房地產開發有限公司	Nanjing Hekai Property Development Company Limited	100.00%
169.....	青島融晶置業有限公司	Qingdao Rongjing Property Company Limited	100.00%
170.....	濟南愷星瑜置業有限公司	Jinan Kaixingyu Property Company Limited	100.00%
171.....	濟南愷信置業有限公司	Jinan Kaixin Property Company Limited	100.00%
172.....	青島和曉置業有限公司	Qingdao Hexiao Property Company Limited	100.00%
173.....	海寧融楓房地產開發有限公司	Haining Rongfeng Property Development Company Limited	87.00%
174.....	山西融山原房地產開發有限公司	Shanxi Ronshanyuan Property Development Company Limited	100.00%
175.....	天津融泰房地產開發有限公司	Tianjin Rongtai Property Development Company Limited	46.94%
176.....	河南融奇盛商貿有限公司	Henan Rongqisheng Trading Company Limited	52.00%
177.....	河南融悅房地產開發有限公司	Henan Rongyue Property Development Company Limited	100.00%
178.....	河南融韌房地產開發有限公司	Henan Rongren Property Development Company Limited	100.00%
179.....	成都融璟房地產開發有限公司	Chengdu Rongjing Property Development Company Limited	100.00%
180.....	成都融泓房地產開發有限公司	Chengdu Ronghong Property Development Company Limited	100.00%
181.....	成都融愷房地產開發有限公司	Chengdu Rongkai Property Development Company Limited	100.00%
182.....	成都融鷗房地產開發有限公司	Chengdu Rongou Property Development Company Limited	100.00%
183.....	成都融橋房地產開發有限公司	Chengdu Rongqiao Property Development Company Limited	100.00%
184.....	成都融森房地產開發有限公司	Chengdu Rongsen Property Development Company Limited	100.00%
185.....	成都融焱房地產開發有限公司	Chengdu Rongyan Property Development Company Limited	100.00%
186.....	成都融垚房地產開發有限公司	Chengdu Rongyao Property Development Company Limited	100.00%
187.....	成都融驫房地產開發有限公司	Chengdu Rongbiao Property Development Company Limited	100.00%
188.....	成都融犇房地產開發有限公司	Chengdu Rongben Property Development Company Limited	100.00%
189.....	青島和雅置業有限公司	Qingdao Heya Property Company Limited	100.00%
190.....	杭州大文投資管理有限公司	Hangzhou Dawen Investment Company Limited	50.20%
191.....	青島西海岸天業建設發展有限公司	Qingdao Xihaian Tianye Construction Development Company Limited	51.00%
192.....	福州融信天歐商業保理有限公司	Fuzhou Rongxin Tianou Business Management Company Limited	100.00%
193.....	海寧融信房地產開發有限公司	Haining Rongxin Property Development Company Limited	87.00%
194.....	杭州融聖房地產開發有限公司	Hangzhou Rongsheng Property Development Company Limited	100.00%
195.....	杭州融韵房地產開發有限公司	Hangzhou Rongyun Property Development Company Limited	100.00%

No.	Chinese Name	English Name	Effective Shareholding
196.....	杭州信灝房地產開發有限公司	Hangzhou Xinhao Property Development Company Limited	100.00%
197.....	杭州融曄房地產開發有限公司	Hangzhou Rongye Property Development Company Limited	100.00%
198.....	杭州信旻房地產開發有限公司	Hangzhou Xinmin Property Development Company Limited	100.00%
199.....	杭州融璟房地產開發有限公司	Hangzhou Rongjing Property Development Company Limited	100.00%
200.....	杭州融珂房地產開發有限公司	Hangzhou Rongke Property Development Company Limited	100.00%
201.....	杭州融爍房地產開發有限公司	Hangzhou Rongshuo Property Development Company Limited	100.00%
202.....	杭州融珺房地產開發有限公司	Hangzhou Rongjun Property Development Company Limited	100.00%
203.....	浙江融信謝氏文化投資發展有限公司	Zhejiang Rongxin Xieshi Cultural Investment Development Company Limited	50.00%
204.....	杭州信榕房地產開發有限公司	Hangzhou Xinrong Property Development Company Limited	100.00%
205.....	杭州昕卓房地產開發有限公司	Hangzhou Xinzhuo Property Development Company Limited	100.00%
206.....	紹興安地企業管理諮詢有限公司	Shaoxing Andi Enterprise Management Consulting Company Limited	87.00%
207.....	杭州憬禧房地產開發有限公司	Hangzhou Jingxi Property Development Company Limited	100.00%
208.....	杭州宸碩房地產開發有限公司	Hangzhou Chenshuo Property Development Company Limited	34.00%
209.....	武漢融築房地產開發有限公司	Wuhan Rongzhu Property Development Company Limited	100.00%
210.....	鄭州克博克企業管理諮詢有限公司	Zhengzhou Keboke Management Consultancy Company Limited	87.00%
211.....	鄭州中喬房地產開發有限公司	Zhengzhou Zhongqiao Property Development Company Limited	100.00%
212.....	重慶融霆實業有限公司	Chongqing Rongting Industrial Company Limited	100.00%
213.....	重慶融築房地產開發有限公司	Chongqing Rongzhu Property Development Company Limited	94.00%
214.....	杭州和乾房地產開發有限公司	Hangzhou Heqian Property Development Company Limited	100.00%
215.....	杭州和瀚房地產開發有限公司	Hangzhou Hehan Property Development Company Limited	100.00%
216.....	杭州和煜房地產開發有限公司	Hangzhou Heyu Property Development Company Limited	100.00%
217.....	杭州和祿房地產開發有限公司	Hangzhou Helu Property Development Company Limited	100.00%
218.....	杭州和羿房地產開發有限公司	Hangzhou Heyi Property Development Company Limited	100.00%
219.....	杭州和茂房地產開發有限公司	Hangzhou Hemao Property Development Company Limited	100.00%
220.....	杭州融卓房地產開發有限公司	Hangzhou Rongzhuo Property Development Company Limited	100.00%
221.....	杭州融旭房地產開發有限公司	Hangzhou Rongxu Property Development Company Limited	100.00%
222.....	杭州融瀾房地產開發有限公司	Hangzhou Ronglan Property Development Company Limited	100.00%
223.....	杭州融瑜房地產開發有限公司	Hangzhou Rongyu Property Development Company Limited	100.00%
224.....	杭州融瑾房地產開發有限公司	Hangzhou Rongjin Property Development Company Limited	100.00%

No.	Chinese Name	English Name	Effective Shareholding
225.....	天津融嘉房地產開發有限公司	Tianjin Rongjia Property Development Company Limited	100.00%
226.....	天津融錦房地產開發有限公司	Tianjin Rongjin Property Development Company Limited	100.00%
227.....	天津融程房地產開發有限公司	Tianjin Rongcheng Property Development Company Limited	100.00%
228.....	天津融輝房地產開發有限公司	Tianjin Ronghui Property Development Company Limited	100.00%
229.....	重慶融平實業有限公司	Chongqing Rongping Industrial Company Limited	100.00%
230.....	長泰融航房地產開發有限公司	Zhangtai Ronghang Property Development Company Limited	100.00%
231.....	福建平潭融旭置業有限公司	Fujian Pingtan Rongxu Property Company Limited	93.99%
232.....	蘇州愷宏焱房地產開發有限公司	Suzhou Kaihongyan Property Development Company Limited	100.00%
233.....	湖州和祥房地產開發有限公司	Huzhou Hexiang Property Development Company Limited	50.00%
234.....	寧夏海亮房地產有限公司	Ningxia Hailiang Real Estate Development Co., Ltd.	100.00%
235.....	安徽海亮房地產有限公司	AnHui Hailiang Property Company Limited	55.00%
236.....	安徽海亮房地產有限公司涇縣分公司	AnHui Hailiang Property Company Limited - Jingxian Branch	100.00%
237.....	安徽海亮房地產有限公司廣德分公司	AnHui Hailiang Property Company Limited - Guangde Branch	100.00%
238.....	安徽海亮房地產有限公司懷遠分公司	AnHui Hailiang Property Company Limited - Huaiyuan Branch	100.00%
239.....	海亮地產控股集團管理有限公司	Hailiang Real Estate Holding Group Management Co., Ltd.	100.00%
240.....	蚌埠海亮房地產有限公司	Bengbu Hailiang Real Estate Co., Ltd.	100.00%
241.....	合肥海亮投資有限公司	Hefei Hailiang Investment Co., Ltd.	100.00%
242.....	蘭州海亮房地產開發有限公司	Lanzhou Hailiang Real Estate Development Co., Ltd.	100.00%
243.....	蘭州海亮房地產開發有限公司西固分公司	Lanzhou Hailaing Real Estate Development Co., Ltd. - Xigu Branch	100.00%
244.....	蘇州市吳江海亮房地產有限公司	Suzhou City Wujiang Hailiang Real Estate Co., Ltd.	100.00%
245.....	阜陽海亮房地產有限公司	Fuyang Hailiang Real Estate Development Co., Ltd.	100.00%
246.....	阜陽海亮投資有限公司	Fuyang Hailiang Investment Co., Ltd.	100.00%
247.....	阜陽海亮阜合房地產有限公司	Fuyang Hailiang Fuhe Real Estate Co., Ltd.	100.00%
248.....	蚌埠海亮投資有限公司	Bengbu Hailiang Investment Co., Ltd.	100.00%
249.....	六安海亮房地產有限公司	Liu'an Hailiang Real Estate Co., Ltd.	100.00%
250.....	西寧海亮房地產開發有限公司	Xining Hailiang Real Estate Development Co., Ltd.	100.00%
251.....	贛州海亮房地產有限公司	Ganzhou Hailiang Real Estate Co., Ltd.	100.00%
252.....	南通海亮房地產有限公司	Nantong Hailiang Real Estate Holdings Ltd.	100.00%
253.....	阜陽海亮潁東房地產有限公司	Fuyang Hailiang Yingdong Real Estate Co., Ltd.	100.00%
254.....	鄭州海亮房地產開發有限公司	Zhengzhou Hailiang Real Estate Development Co., Ltd.	100.00%
255.....	西安海闊房地產開發有限公司	Xi'an Hai Kuo Real Estate Development Co., Ltd.	100.00%
256.....	蘇州工業園區聖哲房地產有限公司	Suzhou Industrial Park Shengzhe Real Estate Co., Ltd.	95.00%
257.....	阜陽海闊潁東置業有限公司	Fuyang Haikuo Yingdong Property Co., Ltd.	95.00%
258.....	阜陽海闊阜合房地產有限公司	Fuyang Haikuo Fuhe Property Co., Ltd.	70.00%

No.	Chinese Name	English Name	Effective Shareholding
259.....	西安海領房地產開發有限公司	Xi'an Hailiang Real Estate Development Co., Ltd.	77.00%
260.....	阜陽海亮星城置業有限公司	Fuyang Hailiang Xincheng Property Co., Ltd.	67.00%
261.....	寧波海亮房地產投資有限公司	Ningbo Hailiang Property Investment Company Limited	55.00%
262.....	阜陽融信海亮房地產有限公司	Rongxin Hailiang Real Estate Co., Ltd.	78.31%
263.....	六安融信海亮房地產有限公司	Liu'an Rongxin Hailiang Real Estate Co., Ltd.	79.44%
264.....	贛州市海越置業有限公司	Ganzhou Haiyue Property Company Limited	46.98%
265.....	銅陵海升房地產有限公司	Tongling Haisheng Real Estate Development Company Limited	70.47%
266.....	蒙城縣融信海亮房地產有限公司	Mengcheng County Rongxin Hailiang Property Development Company Limited	41.76%
267.....	合肥吉錦房地產開發有限公司	Hefei Jijin Property Development Company Limited	78.30%
268.....	阜陽和灝房地產有限公司	Fuyang Hehao Real Estate Development Co., Ltd.	69.60%
269.....	西安海煜房地產開發有限公司	Xi'an Hai Yu Real Estate Development Co., Ltd.	100.00%
270.....	陝西海佳房地產開發有限公司	Shanxi Haijia Property Development Company Limited	60.00%
271.....	莆田市融永房地產開發有限公司	Putian Rongyong Property Development Company Limited	87.69%
272.....	九江融璽房地產開發有限公司	Jiujiang Rongxi Property Development Company Limited	100.00%
273.....	陝西海和房地產開發有限公司	Shannxi Hai He Real Estate Development Co., Ltd	48.00%
274.....	上海愷岱房地產開發有限公司	Shanghai Kaidai Property Development Company Limited	50.00%
275.....	福州利博順泰房地產開發有限公司	Fuzhou Libo Shuntai Property Development Company Limited	50.00%
276.....	福建融騰置業有限公司	Fujian Rongteng Property Company Limited	100.00%
277.....	海融(漳州)房地產有限公司	Hairong (Zhangzhou) Real Estate Co., Ltd	50.00%
278.....	杭州融浩置業有限公司	Hangzhou Ronghao Property Company Limited	45.28%
279.....	杭州信辰置業有限公司	Hangzhou Xinchen Property Company Limited	34.00%
280.....	漳州市萬科濱江置業有限公司	Zhangzhou Wanke Binjiang Property Company Limited	20.00%
281.....	南京愷璟晟房地產開發有限公司	Nanjing Kaijingsheng Property Development Company Limited	49.00%
282.....	陝西盛世海宏房地產開發有限公司	Shannxi Shengshi Hai Hong Real Estate Development Co., Ltd	11.13%
283.....	銀川海茂房地產有限公司	Yinchuan Haimao Real Estate Co., Ltd	49.00%
284.....	銀川世海房地產有限公司	Yinchuan Shihai Real Estate Co., Ltd	49.00%
285.....	杭州眾旭置業有限公司	Hangzhou Zongxu Property Company Limited	30.00%
286.....	寧波奉化和都房地產開發有限公司	Ningbo Fenghua Hedu Real Estate Development Co., Ltd	50.00%
287.....	福州裕百川房地產開發有限公司	Fuzhou Yubaichuan Real Estate Development Co., Ltd	34.00%
288.....	杭州臻茂投資有限公司	Hangzhou Zhenmao investment Co., Ltd.	16.00%
289.....	金華市瑞盈房地產有限公司	Jinhua Ruiying Real Estate Co., Ltd	43.72%
290.....	南京泰熠和信企業管理諮詢有限公司	Nanjing Taiyi Hexin Business Management Consultancy Company Limited	43.50%
291.....	福州市萬曦房地產有限公司	Fuzhou Wanxi Real Estate Co., Ltd	14.80%
292.....	福州市萬濤房地產有限公司	Fuzhou Wantao Real Estate Co., Ltd	100.00%

No.	Chinese Name	English Name	Effective Shareholding
293.....	南京薈合置業有限公司	Nanjing Huihe Property Company Limited	14.28%
294.....	舟山愷融房地產開發有限公司	Zhoushan Kairong Real Estate Development Co., Ltd	10.25%
295.....	杭州萬璟置業有限公司	Hangzhou Wanjing Property Company Limited	21.75%
296.....	合肥海亮置業有限公司	Hefei Hailiang Property Company Limited	35.59%
297.....	鎮江億騰房地產開發有限公司	Zhenjiang Yiteng Real Estate Development Co., Ltd	18.00%
298.....	杭州綠城望溪房地產開發有限公司	Hangzhou Lvchengwangxi Real Estate Development Co., Ltd.	100.00%
299.....	杭州融歆房地產開發有限公司	Hangzhou Rongxin Real Estate Development Co., Ltd.	34.80%
300.....	慈溪市金桂置業有限公司	Cixi Jingui Property Co., Ltd.	18.27%
301.....	杭州融晅房地產開發有限公司	Hangzhou Rongxuan Real Estate Development Co., Ltd.	75.40%
302.....	杭州佑琦房地產開發有限公司	Hangzhou Youqi Real Estate Development Co., Ltd.	40.00%
303.....	杭州銘昱房地產開發有限公司	Hangzhou Mingyu Real Estate Development Co., Ltd.	100.00%
304.....	安吉融尚房地產有限公司	Anji Rongshang Real Estate Co., Ltd.	21.66%
305.....	東台市新碧房地產開發有限公司	Dongtai Xinbi Real Estate Development Co., Ltd.	25.00%
306.....	阜陽綠地置業有限公司	Fuyang Lvdi Property Co., Ltd.	40.00%
307.....	啟東碧聯置業有限公司	Qidong Bilian Real Estate Co., Ltd.	40.00%
308.....	福建融達信投資有限公司	Fujian Rongdaxin Investment Co., Ltd.	13.07%
309.....	杭州宣祿實業有限公司	Hangzhou Xuanlu Industrial Co., Ltd.	40.00%
310.....	許昌藍穀企業管理有限公司	Xuchang Langu Enterprise Management Co., Ltd.	51.00%
311.....	鄭州德藍置業有限公司	Zhengzhou Delan Real Estate Co., Ltd.	100.00%
312.....	上海碧楊置業有限公司	Shanghai Biyang Real Estate Co., Ltd.	100.00%
313.....	福州泓百隆房地產開發有限公司	Fuzhou Hongbailong Real Estate Development Co., Ltd	50.00%
314.....	蚌埠市碧誠房地產開發有限公司	Bengbu Bicheng Real Estate Development Co., Ltd.	49.00%
315.....	阜陽上郡房地產有限公司	Fuyang Shangjun Real Estate Co., Ltd.	22.91%
316.....	杭州德信蜀山置業有限公司	Hangzhou Dexin Shushan Property Co., Ltd.	17.40%
317.....	福州市碧榮房地產開發有限公司	Fuzhou Birong Real Estate Development Co., Ltd.	5.00%
318.....	福州中隆泰實業有限公司	Fuzhou Zhonglongtai Industrial Co., Ltd.	30.88%
319.....	江門市弘順房地產開發有限公司	Jiangmen Hongshun Real Estate Development Co., Ltd.	33.00%
320.....	南京泰麒置業發展有限公司	Nanjing Taiqi Real Estate Development Co., Ltd.	20.00%
321.....	杭州臻祿投資有限公司	Hangzhou Zhenlu Investment Co., Ltd.	7.00%
322.....	湖南嘉福房地產開發有限公司	Hunan Jiafu Real Estate Development Co., Ltd.	60.00%
323.....	杭州龍毅房地產開發有限公司	Hangzhou Longyi Real Estate Development Co., Ltd.	100.00%
324.....	金華天璽置業有限公司	Jinhua Tianxi Real Estate Co., Ltd.	49.00%
325.....	杭州哲瀚房地產開發有限公司	Hangzhou Zhehan Real Estate Development Co., Ltd.	24.75%
326.....	杭州譽乾房地產開發有限公司	Hangzhou Yuqian Real Estate Development Co., Ltd.	36.66%
327.....	上海融瀾房地產開發有限公司	Shanghai Ronlan Real Estate Development Co., Ltd.	52.50%

OVERVIEW

We are a property developer in the PRC that is headquartered in Shanghai and focuses on the development of residential properties in nine regions, including the Western Taiwan Straits Economic Zone, the Yangtze River Delta region, the Middle Reaches Region of the Yangtze River, the Guangdong Hong Kong-Macau Greater Bay Area, the Beijing-Tianjin-Hebei region, the Central China region, the Chengdu-Chongqing region and Northwestern cities. The Western Taiwan Straits Economic Zone and the Yangtze River Delta region are areas often associated with entrepreneurship and economic growth. We believe we have a leading market position in Fujian province and cities such as Fuzhou, the capital city of Fujian province and Hangzhou, the capital city of Zhejiang Province. In 2019, we ranked fifth among "China Real Estate Top 100 Growth Top 10" by China Real Estate Top10 Research Group and sixth among "China Top 10 Comprehensive Developments of Real Estate Development Enterprises" by China Real Estate Association, Shanghai E-house Real Estate Research Institute and China Real Estate Appraisal Center as well as among "Top 20 in Comprehensive Strength of China's Typical Real Estate Enterprises" and were also awarded "China Listed Real Estate Enterprises Brand Value Award." We were recognized among the "2018 Best 10 of Development of China Real Estate Developers in Fujian" and were ranked 22nd nationwide in the "China's Top 30 Real Estate Developers in 2018" by China Real Estate Industry Association, Shanghai E-house Real Estate Research Institute and China Real Estate Appraisal. We were ranked 30th among the "2017 Best 100 of China Real Estate Developers" and the 5th among the "2017 TOP 10 Growth Enterprises of China Real Estate". We have been listed on the Hong Kong Stock Exchange since January 2016. On September 5, 2016, we became a constituent stock of the Hang Seng Composite Small Cap Index.

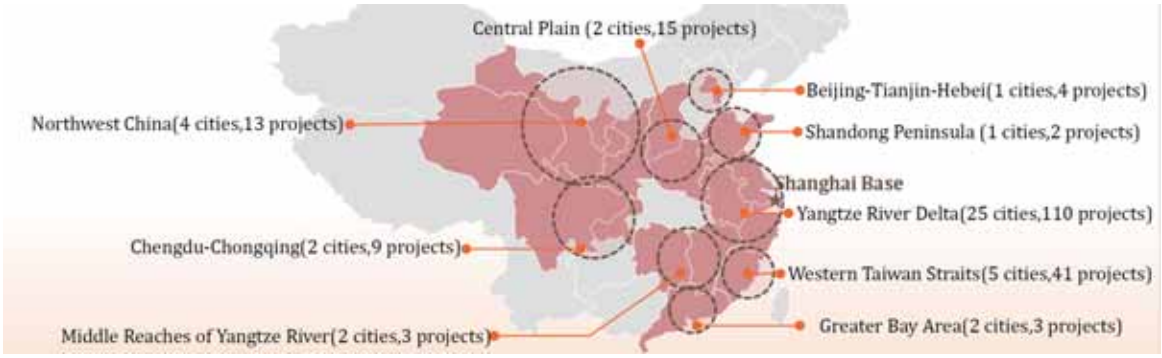
We are primarily engaged in the development of mid to high-end residential properties targeting middle to upper-middle income households with a demand for home upgrades. We also develop commercial properties integrated with or in the vicinity of our residential properties, including office buildings, retail shops and other commercial properties, which we believe will not only diversify our source of income, but also enhance the attractiveness of and facilitate demand for our residential properties. We intend to selectively sell certain commercial properties and hold others as long-term investments.

We commenced our business in 2003 and have historically focused our property development in the Western Taiwan Straits Economic Zone, capturing the opportunities presented by its rapidly growing economy. We have a well-established development portfolio in this area, including projects in Fuzhou, Zhangzhou and Xiamen. Leveraging our success and experience in the Western Taiwan Straits Economic Zone, we have expanded into Shanghai and Hangzhou, which are important economic centers in the Yangtze River Delta region. We intend to solidify our market position in the Western Taiwan Straits Economic Zone and enhance our position in Shanghai and Hangzhou while continuing our further expansion in a prudent manner into other first and second-tier cities.

As of 2019, we had 200 property development projects, through our subsidiaries, joint ventures and associated companies, that are at various stages of development. The geographical footprint of our projects spans numerous provinces, including cities such as Fuzhou, Xiamen, Zhangzhou, Shanghai, Hangzhou, Nanjing, Suzhou, Chengdu, Tianjin, Zhengzhou, Jinhua, Shaoxing, Ningbo, Fuyang, Bangbu, Luan, Hefei, Xi'an, Lanzhou, Yinchuan, Ganzhou, Jiaxing, Guangzhou, Chongqing and Huzhou. As of December 31, 2019, we had 98 projects or phases of projects under construction with an aggregate planned GFA attributable to us of approximately 8.3 million sq.m. As of the same date, our land bank for future development had an estimated aggregate GFA

attributable to us of approximately 5.8 million sq.m. In particular, we acquired 46 new land parcels with an aggregate GFA attributable to us of 3.4 million sq.m. during the year ended December 31, 2019.

The map below illustrates the geographical distribution of our projects as of December 31, 2019:



We believe our success is attributable to our product quality and strong brand name. We focus on developing properties that cater to the demands of our target customers for high-quality homes that feature appealing designs, convenience and comfort, and adjust our property offerings based on customer feedback through market surveys and research on the latest market trend and development. As a result, we have received various awards in recognition of our product quality and our achievements as a property developer. For example, in 2019, we ranked fifth among "China Real Estate Top 100 Growth Top 10" by China Real Estate Top10 Research Group and sixth among "China Top 10 Comprehensive Developments of Real Estate Development Enterprises" by China Real Estate Association, Shanghai E-house Real Estate Research Institute and China Real Estate Appraisal Center as well as among "Top 20 in Comprehensive Strength of China's Typical Real Estate Enterprises" and were also awarded "China Listed Real Estate Enterprises Brand Value Award." We were also recognised among the "2018 Best 10 of Development of China Real Estate Developers in Fujian" and were ranked 22nd nationwide in the "China's Top 30 Real Estate Developers in 2018" by China Real Estate Industry Association, Shanghai E-house Real Estate Research Institute and China Real Estate Appraisal. We were also ranked among the "China's Top 23 Most Competitive Listed Real Estate Developers in 2018", "2018 Best 30 of China Real Estate Developers Brand Value" by the China Real Estate Industry Association and also 5th among the "2018 China Top 100 Real Estate Developers—Growth Enterprises Top 10" by the Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy. We also strive to shorten our project development cycle to improve our operating efficiency, expedite asset turnover, enhance liquidity position and achieve sustainable growth, by adopting standardized property development procedures and closely monitoring the entire property development cycle. We typically target to commence pre-sales with 130 days from the commencement of construction.

In 2017, 2018 and 2019, our revenue was RMB30,341.4 million, RMB34,366.5 million and RMB51,462.5 million (US$7,392.1 million), respectively, and the profit attributable to our owners was RMB1,679.5 million, RMB2,149.7 million and RMB3,154.1 (US$453.1 million), respectively.

RECENT DEVELOPMENTS

Issuance of the June 2020 Notes

On June 15, 2020, we issued the June 2020 Notes in an aggregate amount of US$250,000,000 and further issued additional June 2020 Notes on July 2, 2020 in an aggregate principal amount of US$160,000,000 which were consolidated and form a single class with the June 2020 Notes issued on June 15, 2020. The total aggregate outstanding amount of the June 2020 Notes as of the date of this offering memorandum is US$410,000,000. For more details, see "Description of Material Indebtedness and Other Obligations."

Issuance of Rongxin Fujian April 2020 Asset-backed Securities

On April 30, 2020, our wholly owned subsidiary in the PRC, Rongxin Fujian, issued asset-backed securities in an aggregate principal amount of RMB1.1 billion (US$0.2 billion) in the PRC with a coupon rate of 5.9% per annum and are due on April 29, 2022. For more details, see "Description of Material Indebtedness and Other Obligations."

Partial Repurchase of Senior Notes

As of March 30, 2020, we made open market repurchases of certain of our senior notes in an aggregate principal amount of US$66 million, comprising (i) the January 2019 Notes in a principal amount of US$1 million; (ii) the February 2019 Notes in a principal amount of US$40 million; (iii) the March 2019 Notes in a principal amount of US$12 million; (iv) the July 2019 Notes in a principal amount of US$5 million; and (v) the December 2019 Notes in a principal amount of US$8 million. We cancelled the repurchased notes in accordance with the terms of the January 2019 Notes, the February 2019 Notes, the March 2019 Notes, the July 2019 Notes and the December 2019 Notes and their respective governing indentures. Further details are contained in our announcements dated March 30, 2020 posted on the websites of the Hong Kong Stock Exchange and SGX-ST at www.hkexnews.hk and www.sgx.com.

Issuance of Rongxin Fujian March 2020 Asset-backed Securities

On March 13, 2020, our wholly owned subsidiary in the PRC, Rongxin Fujian, issued asset-backed securities in an aggregate principal amount of RMB1.3 billion (US$0.2 billion) in the PRC with a coupon rate of 5.9% per annum and are due on March 11, 2022. For more details, see "Description of Material Indebtedness and Other Obligations."

OUR BUSINESS STRENGTHS

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

Strong development capabilities with a track record of success in developing mid to high-end residential properties in the Western Taiwan Straits Economic Zone and Yangtze River Delta region

We are a property developer in the PRC, with an established market position in the Western Taiwan Straits Economic Zone and Yangtze River Delta region areas often associated with entrepreneurship and economic growth. We believe we have a leading market position in Fujian province and Fuzhou, the capital city of Fujian province. In 2019, we ranked fifth among "China Real Estate Top 100 Growth Top 10" by China Real Estate Top10 Research Group and sixth among "China Top 10 Comprehensive Developments of Real Estate Development Enterprises" by China Real Estate Association, Shanghai E-house Real Estate Research Institute and China Real Estate Appraisal Center as well as among "Top 20 in Comprehensive Strength of China's Typical Real Estate Enterprises" and were also awarded "China Listed Real Estate Enterprises Brand Value

Award." We were recognized among "2018 Best 10 of Development of China Real Estate Developers in Fujian" and were ranked 22nd nationwide in "China's Top 30 Real Estate Developers in 2018" by China Real Estate Industry Association, Shanghai E-house Real Estate Research Institute and China Real Estate Appraisal. Following a quality-oriented development philosophy, our developments are typically situated at prime locations and feature specifications that are principally marketed to mid to high-end customers whom we believe, as compared to other customers, prioritize quality in their property purchase decision-making. As a result, we believe our developments are able to command a premium in pricing compared with averages in cities where they are situated. In the sixth months ended December 31, 2019, our recognized ASP in Fuzhou, calculated by revenue from sales of properties divided by GFA delivered, was RMB23,961 per sq.m.

We believe our capabilities to develop quality properties provide us with significant leverage for our future business growth. In addition, by having expanded into selected first and second-tier cities in the Yangtze River Delta, we have accumulated extensive experience in adjusting our property offerings to the needs of our target customers in a new market and overcoming challenges associated with growing our business in a previously unfamiliar territory. We believe such experience will further enhance our reputation as a high-quality property developer and position us well for future business growth.

Quality land bank providing long-term development and growth opportunities

We have strategically selected and acquired land for future development to sustain our continued growth. As of December 31, 2019, our 200 property development projects, developed through our subsidiaries, joint ventures and associated companies, had an estimated aggregate GFA attributable to us of approximately 24.9 million sq.m., including 98 projects or phases of projects under construction with an aggregate planned GFA attributable to us of approximately 8.3 million sq.m. As of the same date, our land bank for future development had an estimated aggregate GFA attributable to us of approximately 5.8 million sq.m. In particular, we acquired 46 new land parcels with an aggregate GFA attributable to us of 3.4 million sq.m. during the year ended December 31, 2019 . Most of the land parcels we acquired are situated at prime locations in first and second-tier cities or cities that we believe to have high growth potential, and, in terms of development potential, are less susceptible to market volatility.

We acquire most of our land through government-organized auctions and the listing-for-sale process. In addition, we also acquire land through joint ventures with other property developers and by acquiring equity interests from third-party property developers who already hold land use rights.

We believe our strategically located quality land reserves provide us with an attractive property development pipeline and will be sufficient to support our continued growth in the near future.

Strong execution capabilities underpinned by standardized development procedures targeting to expedite asset turnover and enhance operating efficiency

We have adopted systematic project development and management procedures aimed at expediting asset turnover and enhancing our operating efficiency, through well-designed standardized procedures throughout the life cycle of a project. Our system includes a detailed breakdown of key work streams for each stage of the life cycle of a project, with clear division of responsibilities among responsible personnel and related parties.

Our project development and management procedure typically divides the entire project development cycle into eight phases, including project assessment and approval, project initiation, project design, procurement, model properties development, construction, sales and marketing and delivery. Within such phases, we explicitly defined 10, 5, 13, 16, 6, 12, 22 and 8 procedures,

respectively, associated with attributions such as duration, deadline, responsible personnel and supervising personnel. Furthermore, we believe strong execution capabilities are essential to ensuring successful implementation of our development procedures. We therefore place great emphasis on the capability and diligence of our staff and issue internal guidance letters to ensure uniform practice from our workforce.

Capitalizing on our project development procedures and strong execution capabilities, we believe we are able to lower our construction cost, efficiently manage and oversee the progress of our project development and ensure consistent product quality. We typically target to commence pre-sales within 130 days from the commencement of construction.

We believe our standardized procedures not only help ensure consistent product quality, which we believe helps enable us to differentiate our properties and achieve favorable selling prices, but, more importantly, also enable us to enhance our operating efficiency and replicate our success when we enter new markets and eventually boost shareholders' return.

Well-recognized brand name with high quality projects facilitating expansion into new markets

We believe that we have established a strong brand name in our existing market through our track record of bringing to market high-quality property projects. We focus on quality throughout the entire development cycle. For example, we engage reputable architects and designers such as Atkins, HBA and Belt Collins, use what we believe to be premium materials and fittings in the construction and furnishing of our properties and closely scrutinize the work of our chosen contractors. In addition, we engage leading local landscaping firms to enhance the attractiveness of our properties which, in turn, provides a comfortable living environment for residents. We cooperate with well-known international brands to create model units for viewing during the pre-sale phase in order to provide customers with an enjoyable purchase experience. The property management company we have engaged has a first class qualification by MOHURD and manages two of our properties which achieved national excellence certifications for property management. We also periodically organize neighborhood festivals, celebrity events, galas and other publicity activities to help market our properties and promote our brand name. In addition, we have engaged leading international hotel managers to manage our hotel properties upon completion of construction. We believe that our focus on quality has enabled us to differentiate our products and achieve favorable selling prices, as our customers appreciate the quality we create and associate our brand with high-quality and customer-oriented properties and services.

The strength of our brand is evidenced by the honors our properties have received. For example:

- Century Series (世紀系) ranked among "Top 15 in Brand Value of China's Typical Real Enterprises" in 2019:
- Ronshine Shanghai Century Summit (上海世紀江灣) awarded "Excellent Award for Best International Residential Project" in 2019:
- Fuzhou Rongshine China Legend (福州海月江潮) awarded "Global Cultural Landmark Award" of the International Cultural Real Estate Awards (New York) in 2019:
- China legend (融信 • 海月江潮) Project was awarded as "2018 China Top 10 Real Estate Residential Project Brand Value (2018中國房地產住宅項目品牌價值TOP 10)" by Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所), Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院) in 2018;
- Ronshine House ARC (融信 • 公館ARC) Project was awarded as "City Mansion Comprehensive Award (城市豪宅綜合獎)" by the Dichanxian (地產線) Magazine in 2018;

- Ronshine Mansion (融信府) Project was awarded as "2018 China Real Estate Outstanding Brand Project (2018中國房地產優秀品牌項目)" by China Real Estate Industry Association (中國房地產協會) in 2018;
- Ronshine Century Series (世紀系) Products were awarded as "2018 Top 10 Light Luxury Boutique Products (2018年輕奢精品產品系TOP 10)" by Leju Caijing (樂居財經) in 2018;
- Qianjiang Century City Project was awarded as "2017 Best Brand of China Real Estate Projects (2017中國房地產優秀品牌專案)" by China Real Estate Industry Association (中國房地產業協會) and China Real Estate Appraisal Centre of Shanghai E-House Real Estate Research Institute (上海易居房地產研究院中國房地產測評中心) in 2017;
- The Twin Harbour City was awarded as "TOP 10 among the 2017 Branded China Real Estate Residential Projects (2017中國房地產住宅專案品牌價值TOP 10)" by Development Research Center of the State Council (國務院發展研究中心), Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院) in 2017;
- Hangzhou Mansion was awarded as "China Secure Community Alliance: High-end Residential Projects (中國平安社區聯盟：高端住宅示範專案)" by Xinhua Net (新華網) in 2017;
- Hangzhou Mansion was awarded "Real Estate Design China Reward (residential project) (地產設計大獎 • 中國)" by China Ruizan Planning and Consultancy (Shanghai) Company Limited and Jingchen Business Consultancy (Shanghai) Company Limited (地產建築師 • 中國睿鏨策劃諮詢(上海)有限公司及井辰商務諮詢(上海)有限公司) in 2016;
- Ocean City was recognized as "Fuzhou Landmark Property by Lanfan.com and Renmin.com (藍房網&人民網)", the most valuable coastal landmark property by Xiamen Real Estate Jinding Award and the most influential property in Xiamen by Toutiao.com, FM94 and Jiufang.com (今日頭條& FM94&九房網) in 2015;

We believe our well-recognized "Rongxin 融信" brand in our existing market will be of great value to us as we solidify and enhance our position in our existing markets and expand our business and geographic reach into other cities and regions in the PRC.

Comprehensive business operation management with prudent and effective management systems

We have adopted a highly disciplined and systematic approach to land acquisition. We aim to select prime locations within key cities in the Western Taiwan Straits Economic Zone and the Yangtze River Delta region and in first and second-tier cities in China. We generally acquire land based on stringent evaluations on market demand, financial and return criteria. We have also established a sound risk management structure and set up a strategic investment committee to evaluate and analyze development potentials of regions and cities and approve site selection. We have adopted an ERP system, which we believe has enabled our senior management to effectively monitor our Company's daily business activities and manage our financial condition, equity investment and human resources. Our senior management has also been closely monitoring our working capital condition, cost and expenses control and liabilities management, and continually seeks business cooperation opportunities with reputable partners. We believe through such prudent and effective management, we have achieved operational efficiency and ensured financial stability.

Diversified funding channels with strong financing capabilities

We have established relationships with many leading banks as well as other financial institutions in China, which provide us with multiple financing channels to fund our business operations. Our major lending PRC banks include the largest state-controlled national banks, such as Bank of China and Industrial and Commercial Bank of China. To diversify our financing sources and secure sufficient working capital, we also obtained further funding by accessing both the international and domestic capital markets. Our initial public offering and listing of shares on the Hong Kong Stock Exchange took place in January 2016. We have also engaged in various capital raising transactions in the domestic capital markets, including the offerings of the corporate bonds and senior notes. In addition, we make active innovation to adopt directional cooperation development to settle project capital demand and sales. In July 2016, we received approval from the Shanghai Stock Exchange to issue asset-backed securities backed by certain account receivables from the balance payment of properties sold, which made us the third real estate company in China issuing such securities. We believe that our ability to access international and domestic capital markets provides us with flexibility to fund our operations and enhance our liquidity position. In addition, since 2016, we have gradually replaced trust capital with bank development loans and capital market financing, which has enabled us to reduce our finance costs. In 2017, 2018 and 2019, our weighted average interest cost as a percentage to our total borrowings (including senior notes, asset-backed securities, corporate bonds and borrowings from financial institutions) was 6.9%, 7.1% and 6.9%, respectively. We also believe that our ability to efficiently manage capital enables us to optimize our asset turnover.

Sound corporate governance led by visionary, motivated and stable management team

We have a sound corporate governance structure and system led by our visionary, motivated and stable management team. Our founder and Chairman, Mr. Ou Zonghong, was honored as the Entrepreneur with the Most Social Responsibility (最具社會責任感的企業家) by the Committee of the Annual Review of Employer Branding in China (中國僱主品牌年會組委會) and won the 2017 Project Hope Contribution Award (2017年度希望工程貢獻獎) by China Youth Development Foundation (中國青少年發展基金會). He was also honored as an Outstanding Person of China Real Estate (中國房地產傑出人物) by China Real Estate Association (中國房地產協會), China Real Estate Research Association (中國房地產研究會) and China Real Estate Evaluation Center (中國房地產評測中心) in 2014 and an Exceptional Person of Driving Force for China Real Estate (房地產卓越推動人物) by World Property Forum for Chinese Entrepreneurs of China International Fair for Investment & Trade in 2012. Our management team consists of experienced professionals, some of whom have received recognized qualifications and have extensive experience in the development, sales and management of property projects. Most members of our senior management have over 10 years of experience in the PRC real estate industry. We believe that such experience enhances our ability to execute business plans and develop properties demanded by our target customers. Our senior management team is relatively stable, having served us for an average of about six years. We believe our visionary, motivated and stable management team has contributed to our success and will continue to be a critical factor for our expansion and long-term growth. We also have a team of experienced and dedicated employees with substantial experience and expertise in property development, planning, design, finance and other relevant areas. We recruit employees from well-known universities in the PRC and provide our employees with continuing vocational training to enhance their competency.

In addition, in light of the on-going market changes in recent years, we have been adopting a steady and responsible policy for our operations and development and aim to maintain effective and prudent corporate governance and continue to improve our internal monitoring and control system.

Our senior management also refers to market practice and standards and reviews our Company's governance systems and policies regularly. We believe sound and prudent corporate governance will enhance our credibility and transparency.

OUR BUSINESS STRATEGIES

Our goal is to become one of the most competitive and reputable property developers in the PRC. To achieve our goal, we intend to implement the following strategies:

Enhance our presence in existing markets and strategically expand into other first and second-tier cities while maintaining financial stability

We intend to leverage our strong brand name and extensive experience to continue to develop high-quality properties in the Western Taiwan Straits Economic Zone, the Yangtze River Delta region and the first and second-tier cities where we already have a presence, such as Pingtan David City, The White House, Ocean City and Lan Garden. In particular, we aim to maintain our leading market position in Fujian province and our existing rankings nationwide. We believe our brand name and expertise in developing high-quality properties, coupled with high economic growth in such regions, will allow us to increase our profitability and brand recognition. As part of our expansion strategy, we also intend to selectively acquire more land in Shanghai and Hangzhou, where we already have a presence, to achieve economies of scale in these cities and expand into other first and second-tier cities.

We intend to continue to adopt a disciplined approach to land acquisition. We plan to make all decisions relating to a potential acquisition of a land parcel based on thorough research and detailed analysis of expected return in the context of future property and economic trends in the region where it is located. We seek to expand our land bank while maintaining a system of financial controls and managing our costs through a stringent budget-planning process. We will continue to base our expansion strategy on a principle of maintaining financial stability first.

In selecting sites for future development, we generally target prime locations in our strategically chosen cities. We typically prefer locations in business districts or near local landmarks which we believe to be associated with quality and prestige. We believe that the location of land plays an important role in the value of properties we market to our customers and, in turn, enhance our ability to achieve premium in pricing of our properties.

We believe our strategy to solidify our presence in existing markets and strategically expand into other selected cities in the PRC will enable us to maximize our shareholders' value.

Adhere to prudent financial policy and adopt proactive approach to capital structure management

We plan to closely monitor our capital and cash positions and carefully manage our land costs, construction costs and operating expenses. For example, we have adopted various measures to control our costs and expenses including, among others, setting up target costs for our project design and development, implementing centralized procurement and stipulating detailed and prudent financial policies to manage our administrative expenses and selling and marketing costs. We believe that by adhering to prudent cost management, we will be able to utilize our working capital more efficiently and maintain healthy profit margins.

We monitor our capital and indebtedness level by reviewing our gearing ratio, which is based on total borrowings less cash and bank balances divided by total equity. Our gearing ratio as of December 31 , 2019 was 0.70. Going forward, we intend to continue to closely monitor the maturity profiles of our borrowings and manage the level of liquidity to ensure sufficient cash flows to service our indebtedness and meet cash requirements arising from our business. We also plan to use leverage

prudently, with reference to our equity size, when we acquire new assets to expand our business operation.

We also plan to continue to seek business opportunities to cooperate with business partners to jointly develop projects, to reduce our capital commitment. This boosted our equity base and reduced our gearing considerably. We will remain disciplined in our capital commitment and proactive in managing our capital structure to meet our ongoing capital requirements.

Continue to improve operating efficiency and expedite asset turnover

We plan to continue to adopt standardized property development procedures and strengthen our project management and execution capabilities while maintaining the quality of our properties, so as to further expedite our asset turnover and enhance our operating efficiency.

We also intend to achieve operating efficiency through our investment in information technology. We have a dedicated team of information technology professionals managing and upgrading our information management system. We are implementing an ERP system, which collects and delivers operational and financial data on a real-time basis, thus enabling senior management to better supervise our daily business operations, improve operating efficiency and enhance marketing so as to maximize investment returns.

Continue to focus on residential property development while pursuing product diversification

We have focused our business on developing residential properties and intend to continue doing so in the future. We believe our focus on residential property development allows us to better and more efficiently utilize our resources to cater to our target customers' needs, enhance our brand name and facilitate our sustainable growth.

We believe commercial properties that we typically develop within or around our residential properties attract a healthy flow of pedestrian traffic and commercial activities which will not only diversify our source of income, but also facilitate demand for our residential properties. We believe that the synergy between the different types of properties we offer helps increase the overall attractiveness of our properties in general. As such, we also intend to continue to develop office, retail and other commercial properties in business districts in the cities where we operate. We intend to hold some of such commercial properties as investment properties and procure reputable tenants in order to secure stable and recurring rental income.

Continue to promote our brand recognition and image

We intend to continue to promote our brand by continuing to focus on quality and providing purchasers of our properties with strong after-sales support. We plan to tailor our product offerings and position different product lines based on the preference and demand of our target customers and location of our properties. When right opportunities arise, we also intend to build our image and brand name in the new market by developing marquee buildings in the cities where we plan to expand into. In addition, we plan to continue to host neighborhood festivals, celebrity events, galas and other publicity events that have proven popular for our customers and the general public. At the same time, we intend to continue to build market recognition of our brand through marketing initiatives such as advertising campaigns and participation in property exhibitions and trade conventions.

OUR PROPERTY DEVELOPMENT BUSINESS

Overview

We develop a variety of residential and commercial properties. Our residential properties primarily include high-rise and mid-rise apartments and high-end, low-density properties. Our commercial properties primarily include office buildings, retail shops and hotels, integrated with the vicinity of, the residential properties. As of December 31, 2019, we had 200 property development projects, through our subsidiaries, joint ventures and associated companies, that are at various stages of development. The geographical footprint of our projects spans numerous provinces, including cities such as Fuzhou, Xiamen, Zhangzhou, Shanghai, Hangzhou, Nanjing, Suzhou, Chengdu, Tianjin, Zhengzhou, Jinhua, Shaoxing, Ningbo, Fuyang, Bangbu, Liuan, Hefei, Xi'an, Lanzhou, Yinchuan, Ganzhou, Jiaxing, Guangzhou, Chongqing and Huzhou. As of December 31, 2019, we had 98 projects or phases of projects under construction with an aggregate planned GFA attributable to us of approximately 8.3 million sq.m. As of the same date, our land bank for future development had an estimated aggregate GFA attributable to us of approximately 5.8 million sq.m. In particular, we acquired 46 new land parcels with an aggregate GFA attributable to us of 3.4 million sq.m. during the year ended December 31, 2019.

The table below sets forth our classification of properties:

Classification	Definition
Completed properties	comprising properties with certificates of completion (including completed properties that have been sold)
Properties under development	comprising properties for which we have obtained the construction work commencement permits but not yet the certificates of completion
Properties held for future development	comprising properties for which we have obtained the land use rights certificates and intend to hold for future development and properties for which we have not obtained the land use rights certificates, but have entered into the land grant contracts or the project company equity transfer agreements

The site area information in this offering memorandum is derived on the following basis:

- when we have received the land use rights certificates, as specified in such land use rights certificates; and
- before we have received the land use rights certificates, as specified in the relevant land grant contracts related to the projects excluding, however, areas earmarked for public infrastructure such as roads and community recreation zones.

The GFA information in this offering memorandum is derived on the following basis:

- for completed projects, if we have obtained records of acceptance examination upon project completion, as specified in such records of acceptance examination upon project completion or, where such records are not yet available, based on our internal records and estimates;
- for projects under development or held for future development,
  - if we have obtained the construction work commencement permits, as specified in such permits;
  - if we have not yet obtained the construction work commencement permits, but have obtained the construction work planning permits, as specified in such construction work planning permits; and
  - if none of the above permits is otherwise available, as specified in land grant contracts and master investment agreements we entered into with regulatory authorities in the PRC or based on our internal records and estimates.
- if we have obtained the pre-sale permit for commodity property for the projects, the saleable GFA information refers to the saleable GFA in these permits.

As some of our projects comprise multiple-phase developments on a rolling basis, these projects may include different phases that are at various stages of completion, under development or held for future development.

PROJECTS DEVELOPED BY OUR GROUP

As of December 31, 2019, our subsidiaries, joint ventures and associated companies engaged in a total of 200 property development projects.

	Project	Location	Total site area	Interest attributable to the Group	Type of major property product	Estimated aggregate gross floor area ("GFA")	Saleable GFA remaining unsold	Completion time/estimated completion time
			(sq.m.)			(sq.m.)	(sq.m.)	
1	Zhangzhou Wanke City (漳州萬科城)	Zhangzhou	235,606.37	20.00%	Residential	1,040,221.43	538,044.32	19/6/2018
2	Hangzhou Country Garden Tianlu House (杭州碧桂園天麓府)	Hangzhou	59,494.00	34.00%	Residential	206,868.03	23,156.40	13/6/2019
3	Nanjing Century East (南京世紀東方)	Nanjing	106,002.49	30.09%	Residential	335,078.73	111,811.55	30/6/2020
4	Fuzhou China Legend (福州海月江潮), Fuzhou Twin Harbour City (福州雙杭城)	Fuzhou	259,519.00	100.00%	Residential	1,311,286.93	813,305.17	31/12/2020
5	Changle Shangjiang Town (長樂上江城)	Fuzhou	185,196.00	100.00%	Residential	690,792.60	94,265.27	30/6/2020
6	Fuzhou Hot Spring City (福州融信溫泉城)	Fuzhou	1,018,836.00	50.00%	Residential	1,662,219.56	1,219,958.87	1/12/2020
7	Fuzhou Nice Villa (福州有墅)	Fuzhou	161,008.40	25.50%	Residential	258,248.00	165,061.90	30/6/2020
8	Xiamen Boyue Bay (廈門鉑悅灣)	Xiamen	39,715.25	100.00%	Residential	185,558.66	43,321.94	8/6/2020
9	Shanghai Bowan (上海鉑灣)	Shanghai	121,376.80	51.00%	Residential	202,326.40	3,354.89	22/7/2016

	Project	Location	Total site area	Interest attributable to the Group	Type of major property product	Estimated aggregate gross floor area ("GFA")	Saleable GFA remaining unsold	Completion time/estimated completion time
			(sq.m.)			(sq.m.)	(sq.m.)	
10	Shanghai Platinum (上海鉑爵)	Shanghai	21,195.60	51.00%	Residential	103,055.00	4,383.84	1/12/2018
11	Shanghai Zhongxing Road (上海中興路)	Shanghai	31,034.10	50.00%	Residential	149,836.40	115,014.00	30/6/2021
12	Shanghai Xihong Bridge No. 1 (上海西虹橋壹號)	Shanghai	36,279.00	30.50%	Residential	161,959.90	71,473.03	31/12/2019
13	Century Summit (上海世紀江灣)	Shanghai	39,805.80	50.00%	Residential	102,476.00	52,697.53	27/10/2020
14	Hangzhou Mansion (杭州公館)	Hangzhou	45,573.99	100.00%	Residential	229,099.71	16,697.86	30/9/2017
15	Hangzhou Lan Sky (杭州瀾天)	Hangzhou	71,488.00	93.50%	Residential	244,592.00	5,248.80	1/12/2018
16	Hangzhou Baolidaguojing (杭州保利大國璟)	Hangzhou	42,709.00	25.50%	Residential	166,196.62	34,888.12	1/6/2019
17	Nanjing Boan Center (南京鉑岸中心)	Nanjing	42,707.52	100.00%	Residential	351,699.72	266,189.10	1/11/2020
18	Kunshan Yulan Residence (昆山玉蘭公館)	Suzhou	76,671.70	50.00%	Residential	280,319.55	96,222.49	30/1/2020
19	Hangzhou Lanxuan (杭州瀾軒)	Hangzhou	24,560.00	93.50%	Residential	61,640.00	9,997.53	31/12/2019
20	Longyan Lot (龍岩學院府)	Longyan	53,131.00	44.37%	Residential	170,115.78	14,398.70	8/11/2019
21	Zhangzhou No. 1 (漳州壹號府)	Zhangzhou	52,438.88	93.03%	Residential	193,882.55	86,930.82	2/3/2020
22	Nanjing Zhong Jun Yong Jing Tai (南京中駿雍景台)	Nanjing	82,627.65	44.89%	Residential	201,690.70	185,387.54	31/3/2020
23	Chengdu Ronshine Residence (成都融信公館)	Chengdu	11,109.78	93.76%	Residential	63,202.01	18,933.98	30/6/2020
24	Tianjin West Coast (天津西海岸)	Tainjin	106,043.80	93.21%	Residential	181,915.76	147,204.28	9/7/2020
25	Tianjin Jinnan (天津津南府)	Tainjin	68,970.00	93.24%	Residential	130,100.00	105,198.00	9/7/2020
26	Putian Ronshine (莆田融信府)	Putian	37,289.36	87.69%	Residential	125,867.40	46,980.38	17/5/2020
27	Guangzhou Tianyue (廣州天樾府)	Guangzhou	28,001.00	45.53%	Residential	117,382.53	57,651.33	23/5/2020
28	Xiamen Century (廈門世紀)	Xiamen	11,386.12	87.00%	Residential	43,262.32	34,775.00	22/4/2020
29	Chongqin Lan Bay (重慶瀾灣)	Chongqing	117,541.00	71.66%	Residential	332,507.30	255,830.09	30/3/2020
30	Jinhua Mei Di Jun Lan Jiang Shan (金華美的君蘭江山)	Jinhua	64,604.83	43.72%	Residential	182,740.09	57,298.03	31/5/2020
31	Hangzhou Lan Sky (Konggang) (杭州瀾天(空港))	Hangzhou	48,543.00	87.00%	Residential	131,391.96	61,038.00	10/6/2020
32	Shengzhou Creating Century (嵊州創世紀), Shengzhou Mansion (嵊州學院府)	Shaoxing	248,819.00	91.70%	Residential	817,520.32	394,536.56	10/5/2020
33	Hangzhou Century (杭州世紀)	Hangzhou	47,326.00	45.28%	Residential	177,964.51	75,300.15	1/7/2020
34	Quzhou Zhongliang No. 1 Project (衢州中梁壹號院)	Quzhou	85,326.00	39.15%	Residential	213,054.64	6,247.93	30/6/2020
35	Fenghua Nanshan (奉化南山府)	Ningbo	45,993.00	22.19%	Residential	140,666.35	68,858.12	29/4/2020
36	Zhengzhou Cheng Shi Zhi Chuang (鄭州城市之窗)	Zhengzhou	64,876.00	87.00%	Office	252,987.87	215,383.49	30/3/2021
37	Hangzhou Lvcheng Wang Yin Yun Lu (杭州綠城望隱雲廬)	Hangzhou	40,685.00	16.00%	Residential	83,868.69	20,191.96	15/12/2020
38	Hangzhou Lvcheng Xi Xi Yun Lu (杭州綠城西溪雲廬)	Hangzhou	42,357.00	6.09%	Residential	96,140.02	77,094.35	25/6/2021
39	Nanjing Wanke Du Hui Tian Di (南京萬科都薈天地)	Nanjing	108,521.76	6.21%	Residential	643,841.00	360,129.93	20/1/2020
40	Nanjing Xu Hui Shi Dai Tian Yue (南京旭輝時代天樾)	Nanjing	54,173.00	8.70%	Residential	268,209.36	89,784.26	25/6/2021
41	Hangzhou Gu Cui Yin Xiu (杭州古翠隱秀)	Hangzhou	53,417.00	63.54%	Residential	219,298.35	149,014.07	30/3/2021
42	Hangzhou Wanke Zhong Cheng Hui (杭州萬科中城匯)	Hangzhou	39,950.00	21.75%	Residential	164,116.00	47,871.24	30/3/2020

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			(sq.m.)			(sq.m.)	(sq.m.)	
43	Hangzhou De Xin Yin Jiang Nan (杭州德信印江南)	Hangzhou	63,742.00	22.27%	Residential	208,331.36	25,801.29	30/8/2020
44	Fuzhou Wanke Zhen Ju Yuan (福州萬科臻麓園)	Fuzhou	113,570.00	11.84%	Residential	216,400.00	124,314.86	30/5/2021
45	Hangzhou Jin Di Yue Hong Wan (杭州金地悅虹灣)	Hangzhou	106,872.00	23.69%	Residential	421,517.30	187,736.07	30/4/2022
46	Zhengzhou Jiangwancheng-Supai-1 (鄭州江灣城－蘇派－1)	Zhengzhou	236,878.59	87.89%	Residential	607,514.59	504,635.07	18/8/2020
47	Fuzhou Lan Sky (福州瀾天)	Fuzhou	25,668.00	91.55%	Residential	85,600.00	33,092.49	30/4/2021
48	Zhoushan Chuang Shi Ji (舟山創世紀)	Zhoushan	71,491.40	30.75%	Residential	202,096.70	78,497.74	30/6/2021
49	Hangzhou Bao Li He Guang Chen Yue (杭州保利和光塵樾)	Hangzhou	104,698.00	25.50%	Residential	290,176.00	197,269.46	31/12/2020
50	Changle Yujingwan (長樂禦景灣)	Fuzhou	46,573.57	34.00%	Residential	115,983.00	21,009.55	1/12/2018
51	Tongling Lanshan Fu (銅陵瀾山府)	Tongling	60,475.00	38.76%	Residential	161,075.00	71,870.20	30/10/2019
52	Ganzhou Rongxita (贛州榕璽台)	Ganzhou	39,013.00	55.00%	Residential	116,895.73	16,726.81	30/11/2022
53	Lu'an Jiangwancheng (六安江灣城)	Lu'an	144,532.00	43.69%	Residential	347,695.00	18,632.67	30/6/2019
54	Tangning Mansion-Suzhou (唐寧府-蘇州)	Suzhou	106,303.44	52.25%	Residential	278,962.28	49,948.31	30/12/2018
55	Hai Liang Yue Fu (海亮•悅府)	Fuyang	145,024.00	55.00%	Residential	400,569.59	22,579.38	2/2/2018
56	The Riverside Mansion (海亮•江灣城)	Fuyang	114,375.80	55.00%	Residential	388,881.00	45,093.44	15/6/2018
57	Hai Liang Xingfu Li (海亮•幸福里)	Fuyang	154,391.00	38.50%	Residential	402,143.00	197,999.06	31/12/2019
58	Xingfu Li • East County (幸福裡•東郡)	Fuyang	86,710.00	43.07%	Residential	293,513.86	104,872.62	31/5/2019
59	Xingfu Li • North County (幸福裡•北郡)	Fuyang	47,886.00	43.07%	Residential	141,699.00	34,545.87	31/12/2020
60	Tangning Mansion-Hefei (唐寧府-合肥)	Hefei	25,959.43	19.57%	Residential	75,857.71	22,612.73	30/6/2020
61	Hailiang Time ONE (海亮時代 ONE)	Zhengzhou	50,053.14	55.00%	Commercial	304,542.42	33,904.94	30/11/2020
62	Hailiang • Tangning Mansion (海亮•唐寧府)	Xi'an	70,065.04	26.40%	Residential	267,799.96	35,473.51	30/9/2020
63	Chang'an XiYue (長安熙悅)	Xi'an	63,448.10	6.12%	Residential	310,371.00	72,675.06	30/11/2020
64	Lanzhou Xi'an Hua Fu (熙岸華府)	Lanzhou	65,784.80	55.00%	Residential	264,701.52	103,813.66	30/10/2018
65	Binhe No. 1 Project (濱河壹號)	Yinchuan	157,815.00	55.00%	Residential	256,818.61	99,442.03	31/7/2018
66	Haimao No. 1 Project (海茂壹號院)	Yinchuan	176,146.41	26.95%	Residential	408,745.08	121,879.05	31/12/2018
67	Shiyuefu Project (世悅府)	Yinchuan	136,828.38	26.95%	Residential	384,115.00	177,635.95	30/9/2019
68	Jurong Tianyuefu Project (句容天悅府)	Zhenjiang	53,873.00	15.66%	Residential	145,462.31	91,738.36	8/3/2020
69	Hangzhou Liwang NEO1 (杭州厘望 NEO1)	Hangzhou	14,684.00	34.80%	Residential	49,508.11	26,918.89	8/1/2020
70	Jiaxing Country Garden Chongde (嘉興碧桂園崇德府)	Jiaxing	62,774.55	18.27%	Residential	195,843.58	80,310.21	30/3/2020
71	Haining Lanting (海寧瀾庭)	Jiaxing	52,780.00	87.00%	Residential	110,992.64	61,120.13	6/3/2020
72	Hangzhou Dexin Shixin (杭州德信市心府)	Hangzhou	25,318.00	17.40%	Residential	94,227.37	35,995.75	29/1/2020
73	Ningbo Country Garden Siji Longyue (寧波碧桂園四季瓏玥華府)	Ningbo	113,857.00	18.27%	Residential	253,440.03	63,423.67	1/3/2020
74	Hangzhou Xianghu Yuezhang (杭州湘湖悅章)	Hangzhou	93,039.00	75.40%	Residential	362,335.58	60,576.71	16/4/2020
75	Anji Yuejiang (安吉悅江府)	Huzhou	53,254.00	21.66%	Residential	113,938.00	37,714.96	11/6/2020
76	Zhengzhou Jiangwancheng-Zhongqiao-1 (鄭州江灣城－中喬－1)	Zhengzhou	302,571.59	87.00%	Residential	441,400.14	433,645.78	1/10/2021
77	Chengdu Lan Sky (成都瀾天)	Chengdu	22,731.50	87.00%	Residential	80,984.61	49,351.52	27/3/2020
78	Fuyang Lvdi Zifeng House (阜陽綠地紫峰公館)	Fuyang	77,605.00	15.31%	Residential	219,352.17	26,593.41	12/1/2020
79	Dongtai Project (東台項目)	Dongtai	55,320.00	11.00%	Residential	135,275.00	70,025.54	22/3/2020
80	Mengcheng Age Xingfu Li (蒙城時代幸福里)	Mengcheng	71,359.39	22.97%	Residential	180,133.00	105,359.06	29/3/2020

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			(sq.m.)			(sq.m.)	(sq.m.)	
81	Zhengzhou Jiangwancheng-Supai-2 (鄭州江灣城－蘇派－2)	Zhengzhou	110,754.43	87.89%	Residential	329,775.42	178,794.44	31/10/2023
82	The Ocean Costal (青島海月星灣)	Qingdao	100,705.00	40.29%	Residential	422,216.85	362,363.71	31/12/2021
83	Fuzhou Park Left Bank Project (福州公園左岸)	Fuzhou	65,666.00	4.35%	Residential	183,995.02	61,343.91	31/12/2022
84	Haining Lanting Qihang (海甯瀾庭啟杭)	Haining	44,887.00	87.00%	Residential	149,641.31	92,874.82	20/1/2022
85	Fuyang Shangjun (阜陽上郡)	Fuyang	102,493.85	12.60%	Residential	267,212.42	84,422.19	1/5/2021
86	Shanghai Yangpu Lot (上海楊浦平涼地塊)	Shanghai	16,112.30	15.20%	Commercial	81,398.21	65,091.00	1/4/2020
87	Fuzhou Country Garden Yuelinglong (福州碧桂園悅玲瓏)	Fuzhou	77,113.00	2.50%	Residential	158,846.00	107,656.59	1/12/2021
88	Hai Liang • Yuchen (海亮•禦宸)	Xi'an	27,695.33	29.57%	Residential	104,922.00	54,764.71	1/6/2021
89	Tianyang Oriental Residence (天陽東方邸)	Hangzhou	23,772.00	43.50%	Residential	99,390.59	80,329.13	1/7/2020
90	Bengbu Golden Age (蚌埠黃金時代)	Bengbu	97,021.93	21.10%	Residential	292,842.19	107,301.88	1/6/2021
91	Zhengzhou Jiangwancheng-Delan-1 (鄭州江灣城－德藍－1)	Zhengzhou	196,121.00	51.00%	Residential	576,552.70	576,552.70	24/8/2025
92	Zhengzhou Olympic Century-1 (鄭州奧體世紀－1)	Zhengzhou	63,661.00	50.37%	Residential	304,583.06	87,810.53	27/8/2021
93	Suzhou Haiyue Pingjiang (蘇州海月平江)	Suzhou	26,930.70	48.11%	Residential	90,429.21	90,429.21	21/9/2021
94	Hangzhou Qinlan (杭州沁瀾)	Hangzhou	18,703.00	36.66%	Residential	62,696.00	62,696.00	26/11/2021
95	Wenzhou Yueqing Boyuewan (溫州樂清柏悅灣)	Wenzhou	31,677.00	24.75%	Residential	85,304.00	51,091.00	1/3/2022
96	Changle Lanshan (長樂瀾山)	Fuzhou	125,737.00	29.06%	Residential	317,109.00	305,325.01	1/3/2022
97	Chongqing Haiyue Pinghu (重慶海月平湖)	Chongqing	37,791.00	70.50%	Residential	95,045.18	94,414.89	30/5/2021
98	Jiangmen Guoyue House (江門國樾府)	Jiangmen	30,230.62	15.51%	Residential	103,032.50	103,032.50	1/7/2022
99	Hangzhou Tianlang House (杭州天琅府)	Hangzhou	25,811.00	46.06%	Residential	103,264.00	103,264.00	4/9/2022
100	Huzhou Country Garden Huyue Mansion (湖州碧桂園湖悅天境)	Huzhou	70,277.00	47.00%	Residential	187,968.94	186,021.94	12/10/2021
101	Wenzhou Jinlin House (溫州金麟府)	Wenzhou	44,518.00	26.25%	Residential	116,872.40	103,634.04	19/8/2021
102	Huzhou Rongjing Garden (湖州融璟園)	Huzhou	48,508.00	18.80%	Residential	142,437.20	142,437.20	12/10/2021
103	Tianyang River Mansion (天陽雲棲江境)	Jinhua	40,891.00	46.06%	Residential	78,760.95	65,584.95	1/9/2022
104	Tianjin Lanyue 3 (天津瀾悅3號)	Tianjin	34,369.00	46.94%	Residential	75,159.11	75,159.11	1/11/2022
105	Tianjin Lanyue 4 (天津瀾悅4號)	Tianjin	27,184.00	47.00%	Residential	71,610.68	71,610.68	1/3/2022
106	Changzhou Lanyue (常州瀾悅)	Changzhou	19,278.00	93.99%	Residential	55,814.39	55,814.39	1/11/2022
107	Changtai Luxi County (長泰鷺西郡)	Zhangzhou	24,000.00	80.80%	Residential	81,453.33	59,933.55	1/8/2022
108	Baolong Lin'an Project (寶龍臨安項目)	Hangzhou	37,328.00	46.06%	Residential	135,479.00	119,615.00	1/3/2022
109	Pingtan Lanchen (平潭瀾宸)	Fuzhou	66,431.00	93.99%	Residential	191,194.23	191,194.23	1/10/2022
110	Jiangxi Country Garden Jiutang (江西碧桂園九棠)	Jiujiang	67,374.00	35.60%	Residential	182,044.00	182,044.00	1/3/2022
111	Fuyang Linquan Project (阜陽臨泉項目)	Fuyang	92,155.95	27.50%	Residential	235,107.00	178,930.15	1/5/2022
112	Wenzhou Hai Yue Qing Feng (溫州海月清風)	Wenzhou	134,979.00	28.76%	Residential	351,082.00	340,214.20	3/11/2022
113	Mei Hao Bao Long Lan Sky (美好寶龍瀾天)	Hangzhou	57,103.00	31.02%	Residential	196,204.08	162,706.08	1/5/2022
114	Shengzhou Chuang Shi Ji Pin Ge (嵊州創世紀品閣)	Shaoxing	19,403.00	91.70%	Residential	51,581.00	51,581.00	1/11/2021
115	Zhengzhou Shi Guang Zhi Cheng (鄭州時光之城)	Zhengzhou	199,774.58	47.40%	Residential	574,869.73	565,469.88	28/12/2021
116	Jiangmen Mansion (江門學院府)	Jiangmen	46,153.55	47.00%	Residential	187,752.90	187,752.90	2/4/2022
117	Wenzhou Ou Hai Xi Yue Li (溫州甌海熙悅里)	Wenzhou	24,251.70	31.96%	Residential	99,656.80	99,656.80	22/1/2022

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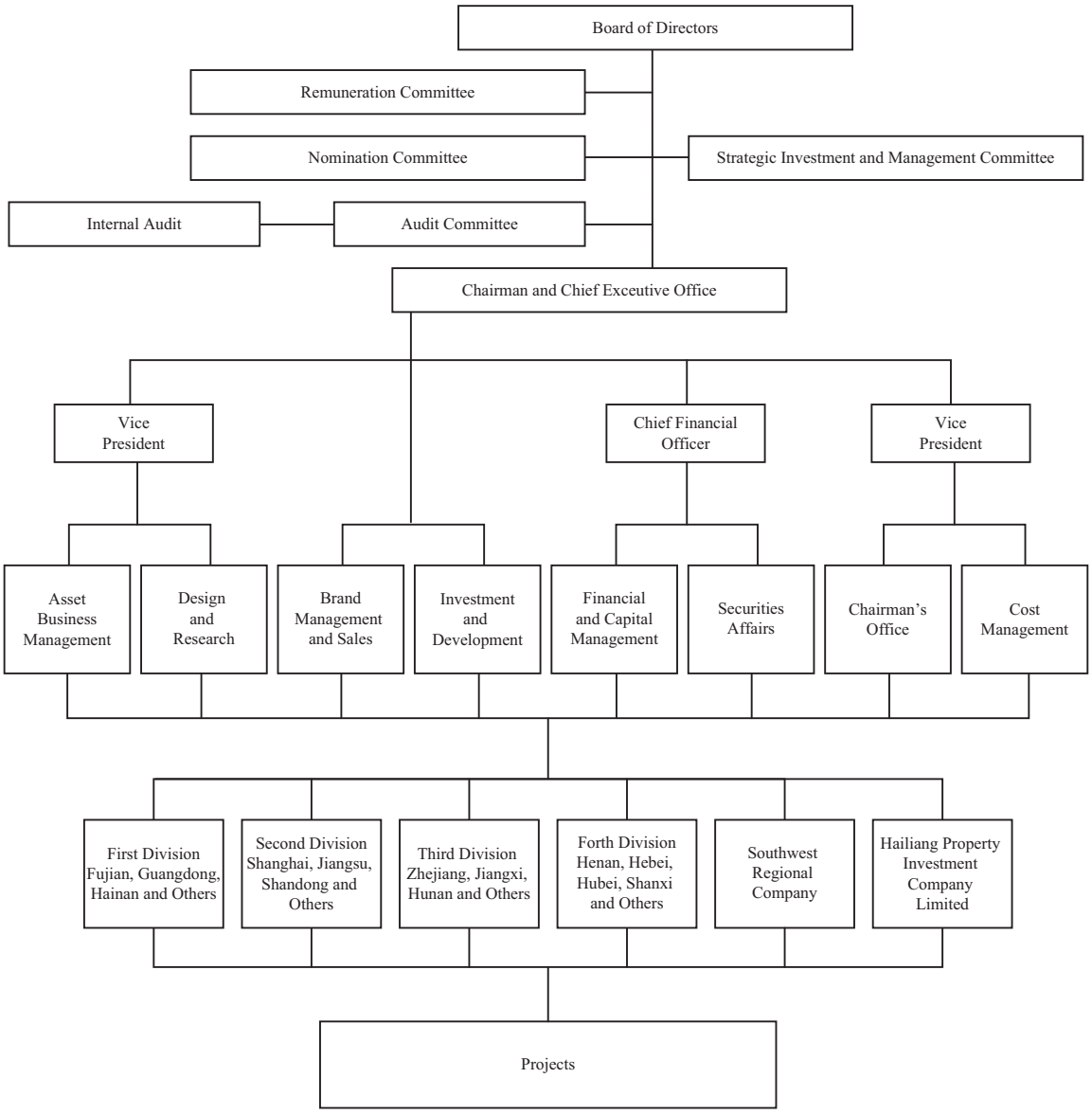
118	Suzhou Wu Zhong Lin Hu Zhen Lot (蘇州吳中臨湖鎮地塊)	Suzhou	118,623.10	26.32%	Residential	207,599.84	207,599.84	3/11/2022
119	Shui Nian River (水碾河)	Chengdu	9,632.71	47.00%	Residential	26,166.27	26,166.27	26/8/2021
120	Chengdu Ruilian (成都瑞聯)	Chengdu	19,580.00	31.02%	Residential	62,049.29	62,049.29	29/12/2020
121	Chongqing Hai Yue Yu Zhou (重慶海月渝州)	Chongqing	19,497.00	89.97%	Residential	57,801.20	57,801.20	30/9/2021
122	Tan Zi Kou (灘子口)	Chongqing	13,938.00	23.97%	Residential	39,876.93	39,876.93	17/2/2021
123	Nantong Lan Chen (南通瀾宸)	Nantong	86,194.00	95.74%	Residential	160,034.00	160,034.00	30/4/2022
124	Fuzhou CBD49 Lot (福州 CBD49地塊)	Fuzhou	38,232.00	34.17%	Residential	115,094.00	115,094.00	20/11/2021
125	Suzhou High-Speed Rail New Town Project (蘇州高鐵新城項目)	Suzhou	58,150.00	40.00%	Residential	185,930.00	185,930.00	21/6/2022
126	South Lot of Shaoxing Vocational & Technical College (紹興職業學院南側地塊)	Shaoxing	56,841.00	100.00%	Residential	132,104.65	132,104.65	3/4/2022
127	Wenzhou Xinlian Village Plot (溫州新聯村地塊)	Wenzhou	43,630.00	28.00%	Residential	156,072.00	156,072.00	3/4/2022
128	Qingdao Manshan Lanting (青島縵山蘭亭)	Qingdao	94,800.00	22.00%	Residential	205,868.18	205,868.18	30/9/2021
129	Chengdu Jinniu 16 mu (成都金牛16畝)	Chengdu	10,724.70	40.00%	Residential	44,168.00	44,168.00	15/3/2022
130	Nanjing 2019G87 (南京2019G87)	Nanjing	49,829.00	33.00%	Residential	195,888.60	195,888.60	7/7/2022
131	Nanjing 2019G94 (南京2019G94)	Nanjing	53,456.21	100.00%	Residential	96,161.85	96,161.85	7/7/2022
132	Kunshan Bacheng Lot (昆山巴城地塊)	Suzhou	83,780.50	16.00%	Residential	192,695.15	192,695.15	17/6/2022
133	Xiaoshan Innovation Polis Lot (蕭山科技城地塊)	Hangzhou	51,006.00	24.00%	Residential	127,515.00	127,515.00	9/12/2022
134	Zhengzhou Olympic Century-2 (鄭州奧體世紀－2)	Zhengzhou	102,755.00	50.37%	Residential	508,336.25	428,954.17	11/10/2022
135	Taiyuan Shi Guang Zhi Cheng (太原時光之城)	Taiyuan	117,073.23	76.59%	Residential	553,989.00	553,989.00	28/8/2022
136	Zhengzhou Jiangwancheng-Zhongqiao-2 (鄭州江灣城－中喬－2)	Zhengzhou	12,280.48	87.00%	Residential	28,491.05	28,491.05	26/1/2025
137	Zhengzhou Jiangwancheng-Supai-3 (鄭州江灣城－蘇派－3)	Zhengzhou	11,666.39	87.90%	Residential	31,262.35	31,262.35	24/12/2028
138	Zhengzhou Jiangwancheng-Delan-2 (鄭州江灣城－德藍－2)	Zhengzhou	97,429.72	51.00%	Residential	306,505.59	306,505.56	19/4/2026
139-200			6,098,724.98			13,985,651.31	—	
	Total		**17,070,086.29**			**46,292,661.91**	**18,669,112.04**	
	Attributable total		**9,178,163.95**			**24,943,066.63**	**9,575,246.34**	

OUR PROPERTY DEVELOPMENT MANAGEMENT

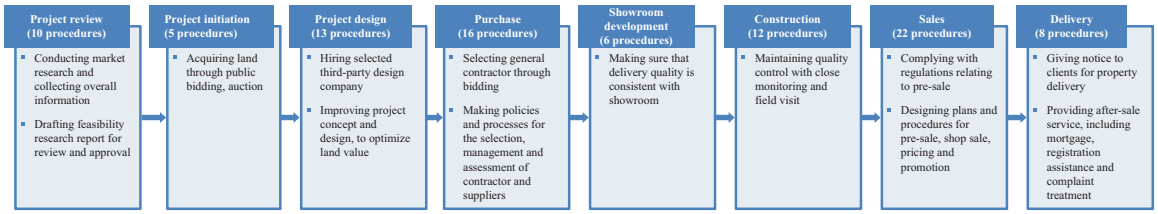
Overview

We maintain a strategic investment and management committee and nine functional departments at our headquarters to manage our projects: asset business management; design and research; brand management and sales; cost management; investment and development; securities affairs; financial and capital management and the chairman's office. In addition, we established four regional centers as well as Anhui Hailiang and Ningbo Hailiang to manage our projects directly. The regional centers include the First Center covering our projects in Fujian Province, Guangzhou City and Hainan Province; the Second Center for our projects in Shanghai City, Jiangsu Province and Shandong Province, the Third Center our projects in Zhejiang Province, Jiaxing City and Hunan Province and the Fourth Center for our projects in Henan Province, Hubei Province and Shanxi Province.

We set out below our management structure:



The diagram below summarizes the major stages of our property development process.[1]



Note:

(1) The required time for each property development stage may vary among projects depending on the geographical location and the size of the projects. The sequence of specific planning and execution activities may also vary among projects due to the requirement of local laws and regulations.

Site Selection

We place a strong emphasis on selecting suitable locations for our projects. We focus on prime locations in regional hubs in the Western Taiwan Straits Economic Zone, Yangtze River Delta regions and first and second-tier cities in China.

We assess the appreciation potential of land primarily through investigating and evaluating the economic and demographic conditions of a city. Our site selection process is led by our dedicated site selection team consisting of key members of our senior management. Our asset business management center is responsible for identifying a potential project, conducting market research and performing preliminary screening. Thereafter, a detailed feasibility study will be submitted to our financial management center and our strategic investment and management committee chaired by Mr. Ou for review and ultimately approved by our Board.

We prudently carry out the site selection process in all projects with a strong focus on the quality. The factors we consider in assessing whether a site is suitable for development include, but are not limited to:

- scale and price of the land;
- prospects of the city's development;
- the potential for value appreciation;
- transportation infrastructure;
- the economic environment and the physical and geological characteristics of the site;
- historical features and natural resources;
- local zoning regulations; and
- the central and local governments' industry policy and development strategies.

Land Acquisition

In 2017, 2018 and 2019, we obtained our land reserves through the following methods:

- participation in government-organized tenders, auctions and listings-for-sale;
- cooperation with third-party property developers to jointly acquire and develop a project; and
- acquire equity interest from third-party property developers that have entered into land grant contracts with local governments.

We primarily acquire land through tenders, auctions and listings-for-sale from the PRC government in accordance with relevant PRC laws and regulations. For further details of the applicable PRC laws and regulations relating to land acquisition, see "Regulations—Sale of Real Estate."

We have also employed land acquisition strategies to acquire land at competitive costs by cooperation with leading third-party property developers through joint ventures. We believe that by sharing common business concepts and leveraging our respective strengths and experiences in project development, such cooperation can achieve mutual benefits for us as well as our joint venture partners.

In addition, we also acquire land through equity interest from third-party property developers that entered into land grant contracts with local governments.

Project Design

In order to provide our customers with distinctive designs and to achieve operations efficiency, we outsource the design of substantially all of our property development projects to third-party domestic or international architecture and design firms. We have worked closely with leading domestic and international architecture and design firms, such as Atkins, HBA and Belt Collins. Our design and research center is responsible for selecting such third-party partners, taking into consideration their reputation, proposed designs and their past relationship with us. From time to time, we also engage in a tender process in which the architecture and design firms submit proposals which we determine whether they can be translated into commercially viable projects. Our design and research center supervises and provides the third-party architecture and design firms with directions and design criteria on which we aim to market our property development projects. In addition, our design and research center works closely with the architecture and design firms in major aspects of the design process, from master planning, design specifications and adjustments, raw material selection, to ensuring that the designs are in compliance with local regulations. Upon receiving design schemes from the outside architecture and design firms, our design and research center is responsible for communicating with our construction contractors to ensure that the design elements are effected as we expect. Our design and research center monitors closely the work of the architecture and design firms to ensure that the project designs meet our specifications and works together with our project directors and our construction management divisions to ensure that any problems encountered with the proposed design during construction are resolved in a timely manner.

Construction and Procurement

Project Management

For each of our regional centers, we maintain a project management team consisting of approximately ten engineers or technicians. These employees are deployed on site and are responsible for communicating with our construction contractors and specialized contractors and performing quality inspection and control.

Appointment of Construction Contractors

We do not maintain a construction capacity and outsource construction works of all our property development projects to qualified third-party general construction contractors. Such construction works include, among other things, foundation digging, general construction and installation of equipment. The general contractors of our property developments are selected through an open tender process. The tender process is managed by the cost management center of our headquarters and the respective project companies. We conduct due diligence procedures on our potential contractors, such as inspecting their credentials and on-site supervision on their offices and property projects, and only those contractors who have passed such due diligence procedures are invited to participate in the tender. In selecting the winning bid, we typically consider the contractors' professional qualifications, technical capabilities, industry reputation, track record and prices tendered. We also involve the work of specialized contractors in specific areas, such as landscaping, glass wall panel installations, night lighting system installations and smart key entrance security control system. The specialized contractors are typically selected through a tender process and will typically enter into contracts with us.

We are not responsible for any labor issues of our contractors or accidents and injuries that may occur during construction. These risks are borne by the contractors, as provided in our contracts with them. However, our strict quality control measures require our contractors to comply with the relevant rules and regulations including environmental, labor, social and safety regulations to minimize our risks and liabilities. In 2017, 2018 and 2019, we were not involved in any dispute with our contractors nor were there any cases of material personal injury or death involving our contractors that had a material and adverse effect on our business.

Under typical agreements with our contractors, we make payments to contractors in stages according to the progress of construction works. The percentage of each stage payment varies from project to project according to the terms stipulated in the relevant contracts. Our contracts with contractors typically provide for the retention of a certain percentage (such as 3% to 5%) of the total payment as quality assurance. Depending on the type of construction works involved, such retention amount is released to the contractor upon the expiry of the relevant quality assurance period, which is generally one to five years.

Procurement

Our procurement activities fall into two categories: construction raw materials and equipment. Our construction contractors are responsible for procuring raw materials, notably steel and concrete. With respect to construction contracts of substantial value and of a long duration, we typically engage in discussions with our contractors and adjust construction fees if fluctuations in the market prices of such commodities exceed a certain threshold (typically 3% to 10%), and we, as a result, bear most of the risks associated with such commodity price movements. In 2017, 2018 and 2019, fluctuations in the price of construction raw materials did not exceed the relevant materiality threshold in the relevant contracts we had with our construction contractors and we therefore did not incur additional costs to compensate our construction contractors. Nonetheless, as we typically

pre-sell our properties prior to their completion, we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale. See the section headed "Risk Factors—Risks Relating to Our Business—Fluctuations in the price of construction materials and our construction contractors' labor costs could affect our business and financial performance."

We treat equipment procurement differently. We directly purchase equipment which we consider is important or is of high value, such as elevators. We do not normally maintain an inventory of such equipment and purchase these equipment only on an as-needed basis. We are generally agreeable for our contractors to procure what we believe to be less important equipment such as ventilation systems and control cabinets and reflect the purchase price in the contractor's fees.

Quality Control

We place significant emphasis on quality control in the management of our projects. As of December 31, 2019, our stringent quality control system includes 332 employees with more than seven years of experience on average in the construction industry. Below sets out certain important measures or procedures we have adopted in furtherance of this objective:

- we ask our construction contractors to first perform their own internal control, followed by inspections by our project management team, reviews by our regional project quality control team and a quarterly assessment at the Group level; also, our headquarters conducts an internal audit at least annually to identify potential issues and promote measures and initiatives that have proven to be successful in certain projects;
- we perform routine inspections of raw materials when they are delivered and reject materials which are below standard or that do not comply with our specifications and return them to the contractors or suppliers;
- we retain qualified independent third-party professional firms as well as the quality supervision units of the relevant local government authorities to oversee and supervise the overall construction of our projects;
- we assign each project its own on-site project management team, which comprises qualified engineers led by our project managers to ensure quality and monitor the progress and workmanship of construction;
- we compile a set of standardized technical guidelines for construction management of each project; and
- we carry out quality control in accordance with the relevant laws, regulations, and other compulsory standards promulgated by the relevant PRC governmental authorities and other industry associations.

Sales and Marketing

Sales and Marketing Plan

The sales and marketing teams of our project companies study local market information and formulate pre-marketing, sales and pricing plans and procedures for approval by the sales and marketing center of our headquarters. We determine our per unit sales price with reference to the sales price of market comparables, market conditions and our development costs. Our sales and marketing personnel are incentivized by performance-based compensation packages. Throughout and subsequent to the project development and pre-sale period, we provide comprehensive assistance to our customers, coordinate internally to address queries raised by, and collect feedback

from, our customers and potential customers for us to evaluate our products and devise modifications to designs of our future properties as appropriate to address any change in market demand.

Our promotion channels primarily include advertising through newspapers, television, radio, internet, billboards, magazines and mobile phone text messages. We generally engage professional property sales agencies and advertising design agencies in China to assist us in our sales campaigns. We hold promotional and sales events at our property development project premises and invite potential customers to visit exhibit units. Customers of some of our property development projects are entitled to referral bonuses. We also establish charities such as Rongxin Charity Foundation (融信公益基金會) and organize promotional events such as Community Cultural Festival (鄰裡文化節), which help increase public awareness of our "Rongxin 融信" brand.

Pre-sales

In line with market practice in the PRC, we normally commence pre-sales of our property development project before completion of the entire project. Our pre-sales typically comprise multiple phases in accordance with our marketing strategies and plans which are drawn up as early as the acquisition of the relevant land. Relevant PRC laws and regulations require property developers to fulfill certain conditions, including but not limited to payment of the land grant premium and obtaining the relevant land use rights certificate, construction works planning permit, construction works commencement permit and pre-sale permit before the commencement of pre-sales. See "Regulations—Sale of Real Estate" for further details of the laws and regulations governing pre-sales. We generally time the launch of our pre-sales campaigns according to the progress of construction, market conditions and any general holidays. Once a project is substantially sold out, we re-deploy our sales staff to other projects.

Our pre-sales contracts are prepared in accordance with applicable PRC laws and regulations. Purchasers are typically required to make a down-payment according to the schedule stipulated in the sales contract. The amount of down-payment to be paid and the circumstances in which deposits may be forfeited are stipulated in relevant pre-sales contracts. In accordance with the requirements of applicable PRC laws and regulations, we register such pre-sales with the relevant local authorities and provide warranties on the quality of properties we construct or sell to our customers for periods no shorter than that for quality warranties we receive from our construction contractors under the relevant construction contracts, being generally one to five years. See "Risk Factors—Risks Relating to Our Business—We are exposed to contractual and legal risks related to pre-sales, which could have a material adverse effect on our business, financial condition and result of operations" for further details regarding the associated risks.

Payment Arrangement

Our customers may choose to pay the purchase price of our properties by one lump sum payment or by mortgage financing. Customers choosing to settle the purchase price by one lump sum payment will be required to fully settle the purchase price shortly after the execution of the sales contract. Customers choosing to settle the purchase price of residential properties by mortgage financing normally pay, according to the terms stipulated in the relevant sales contract, a down-payment of no less than 30% of the purchase price upon the execution of the sales contract in accordance with applicable PRC laws and regulations. Depending on the processing time required by mortgagee banks, the balance of the purchase prices will typically be paid by the mortgagee banks shortly after the execution of the sales contracts.

In line with market practice in the PRC, we have arrangements with various banks for the provision of mortgage financing and, where required, provide our customers with guarantees as security for mortgage loans. The terms of such guarantees typically last until the transfer of the building ownership certificate to the purchaser and the certificate is registered in favor of the bank. As a guarantor, if the purchaser defaults in payment, we are obligated to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the loan and have the right to claim such amount from the defaulting purchaser. We do not conduct credit checks on our customers but rely on credit checks conducted by relevant banks.

As of December 31, 2017 and 2018 and 2019, our outstanding guarantees in respect of the mortgages for purchasers of our properties amounted to RMB20,646.2 million, RMB29,066.2 million and RMB34,322.0 million (US$4,930.0 million), respectively. See "Risk Factors—Risks Relating to Our Business—We guarantee the mortgage loans provided by financial institutions to our customers and, consequently, we are liable to the mortgagees if our customers default." In the case of a purchaser default, we are entitled to forfeit the deposits the purchaser made with us and foreclose on the relevant property.

Delivery of Properties and After-Sale Customer Service

Delivery of Completed Properties

We endeavor to deliver completed properties to our customers on a timely basis in accordance with the terms of the sales contracts. We closely monitor the progress of construction work at our projects under development. If we fail to deliver the completed properties within the stipulated timeframe due to our default, we may be liable to pay a certain percentage of the purchase price as penalty in accordance with the terms of the relevant sales contracts. Under current PRC laws and regulations, we are required to obtain completion certificates before delivering properties to our customers. See the section headed "Regulations" for further information. After a property development project has passed the requisite completion and acceptance inspections, we will notify our customers before the delivery date stipulated in the sale contracts, to arrange the delivery procedures. Our customers will then come to our designated locations to conduct the delivery procedure with us. We may assist our customers to obtain the individual building ownership certificates for our properties at our customers' expense. We may be liable to compensate our customers for any delay in the delivery of properties. In 2017, 2018 and 2019, we did not experience any significant delays in the completion of our property development projects or delivery of relevant title documents after sale.

After-sale Services

Our sales and marketing department is responsible for our after-sales customer services. Our customer service personnel provide after-sales services such as assisting customers to obtain building ownership certificates and handling customers' complaints. In 2017, 2018 and 2019, we were not aware of any material customers' complaints or product liability claims. Our customers may also participate in our activities and obtain first-handed information regarding our new property development projects. We also conduct customer satisfaction surveys annually through independent third-party and professional firms.

CONSTRUCTION OF RESETTLEMENT HOUSING

Background

In 2017, 2018 and 2019, in connection with our development of Lan County, The Coast and certain other projects, as specified in the relevant land grant contracts or related agreements, we (for convenience, references to "we" under this heading "—Construction of Resettlement Housing" include certain of our joint ventures and an associated company, where applicable, unless otherwise required by context) cooperated or agreed to cooperate with the local governments in constructing resettlement housing units adjacent to our own developments. The construction of such resettlement housing was typically included by the relevant local governments as part of the package for the acquisition of related parcels of land for commercial development. Under such arrangement, we pay the relevant land premium and receive the land use rights certificates registered to our name with respect to the land parcels underlying the resettlement properties during the construction phase, but are obligated to deliver the properties upon completion back to the local government. As advised by FenXun Partners, our PRC legal advisors, since we only have the rights to occupy and develop the relevant land and must deliver the completed properties back to the local governments pursuant to contractual terms, we do not have the rights of disposal and therefore are not freely entitled to the economic interests of the land use rights. Effectively, we do not own the land use rights and only provide a service to the local government in conducting property development. Similar to the development of our own property projects, we rely on contractors to carry out various construction works.

Salient Contractual Terms

The key terms of such construction contracts typically include the location, number of units and GFA of resettlement housing to be constructed, the construction period and consideration. In some cases, the consideration is set at zero; in certain other cases, a pre-determined repurchase price is specified; in other cases still, tax or other preferential government allowances are provided in lieu of a cash price. The repurchase price is typically expressed as a fixed amount or a sum of land cost, construction cost and a modest profit margin. Such considerations are not set at market levels for the services rendered, and are not viewed by the local governments and developers isolated from the cost and benefit analysis of the related land parcels for commercial development.

Reason for Entering into Contracts

In 2017, 2018 and 2019, our revenue from construction services amounted to RMB559.6 million, RMB650.6 million and RMB726.0 million (US$104.3 million), respectively. However, since undertaking construction services was a prerequisite to acquiring the relevant land parcels for property development, we would bid for the land parcels (and would be obliged to undertake such contracts if we succeed) if the economic return from such property development projects as a whole (taking the obligation to undertake such contracts into consideration) appeared attractive to us.

OUR HOTELS AND INVESTMENT PROPERTIES

We focus on property development projects at prime locations in first and second-tier cities, some of which have a combination of residential, hotel, commercial, retail and office properties. While we hold all of our residential properties for sale, we intend to hold our hotels and may hold some commercial, retail or office properties for investment purposes. As of December 31, 2019, we had 16 projects (excluding projects of our joint ventures or associated company) with investment properties.

PROPERTY MANAGEMENT SERVICE

We rely on Rongxin (Fujian) Property Management Co., Ltd., a property management company in which our chairman and controlling shareholder, Mr. Ou Zonghong, holds a majority interest, to provide property management services to our customers. The services provided by this property management company include security, property maintenance, gardening and other ancillary services.

The property management company obtained National Property Management Enterprise First Class Qualification (國家物業服務企業一級資質) in 2012 and is a member of the Golden Key Property Alliance (金鑰匙物業聯盟), a nationwide property management alliance targeting high-end property projects in China, and is committed to providing all property owners with comprehensive and considerate professional property management services.

PROPERTIES USED BY US

As of December 31, 2019, properties which we occupied for our own use had a total GFA of approximately 2,013 sq.m.

SUPPLIERS AND CUSTOMERS

Suppliers

In 2017, 2018 and 2019, our five largest suppliers, primarily comprising construction companies which are our contractors and each an independent third party, accounted for 39.57%, 39.78% and 31.72% of our total purchases and our single largest supplier accounted for 21.67%, 14.94% and 18.82% of our total costs of sales for the same periods, respectively. The length of our business relationship with our five largest suppliers ranges from three years to six years.

Customers

We primarily target customers from middle to upper-middle income households who are looking to either purchase their first homes or upgrade their living environment. In 2017, 2018 and 2019, we also derived revenue from certain local governments in Fuzhou for our construction services.

COMPETITION

The PRC real estate industry is highly fragmented and competitive. As a real estate developer in China, we primarily compete with other top Chinese real estate developers focusing on the development of residential properties in the PRC. We compete on many fronts, including product quality, service quality, price, financial resources, brand recognition, ability to acquire land and other factors. In recent years, an increasing number of property developers from the PRC and overseas have entered the property development markets in the cities where we have operations, resulting in increased competition for land available for development. Moreover, the PRC government has implemented a series of policies to control the growth and curtail the overheating of, and foreign investment in, the PRC property sector. We believe major entry barriers into the PRC property development industry include a potential entrant's limited knowledge of local property market conditions and limited brand recognition in these markets. We believe that the PRC real estate industry still has large growth potential. We believe that, with our solid experience in real estate development since 2003, our strategic focus on mid to high-end residential properties targeting middle to upper-middle income households in the Western Taiwan Straits Economic Zone, Yangtze River Delta regions and other first and second-tier cities in China, our reputable brand name and our effective management team, we are able to respond promptly and effectively to challenges in the PRC property market.

INTELLECTUAL PROPERTY

As of December 31, 2019, we owned seven trademarks in the PRC. We rely to a significant extent on our brand name, 雅居樂, in marketing our properties but our business is otherwise not materially dependent on any intellectual property rights. We believe that we did not suffer from any infringement of our intellectual property rights by any third parties or violate any intellectual property rights of third parties in 2017, 2018 and 2019.

INSURANCE

According to applicable PRC laws and regulations, property developers are not required to maintain insurance coverage in respect of their property development operations. We typically require the construction contractors of our property development projects to purchase construction-in-progress insurance for our projects under development. We have not maintained insurance in respect of litigation risks, business termination risks, product liability or important personnel of our Group, as such is not required under the applicable PRC laws and regulations. There is a risk that we may incur uninsured losses, damage or liabilities. See "Risk Factors—Risks Relating to Our Business—We may not have adequate insurance coverage to cover our potential liability or losses, and as a result our business, results of operations and financial condition may be materially and adversely affected."

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Environmental Matters

We are subject to a number of environmental and safety laws and regulations in the PRC including the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Prevention and Control of Noise Pollution Law (《中華人民共和國環境噪聲污染防治法》), the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). See "Regulations—Development of Real Estate Projects—Environmental Protection" for details of these laws and regulations. Pursuant to these laws and regulations, we have engaged independent third-party environmental consultants to conduct environmental impact assessments at all of our construction projects, and such environmental impact assessments were submitted to relevant governmental authorities for approval before commencement of development. Upon completion of construction works, we are required to be examined by a third party designated by the relevant governmental authorities and are subject to governmental authorities' acceptance. Only property development projects which have passed such examination and acceptance can be delivered.

Under our typical construction contracts, we require our contractors to strictly comply with relevant environmental and safety laws and regulations. We inspect the construction sites regularly and require our contractors to immediately rectify any default or non-compliance identified.

As of December 31, 2019, we had not encountered any material issues in passing inspections conducted by the relevant environmental authorities upon completion of our property development projects. As of December 31, 2019, we have obtained all required approvals in relation to the environmental impact reports, where applicable, for our projects under development.

Social, Health and Work Safety

In respect of social responsibilities, in particular health, work safety and social insurance, we have entered into employment contracts with our employees in accordance with the applicable PRC laws and regulations.

We maintain social welfare insurance for our full-time employees in the PRC, including pension insurance, medical insurance, personal injury insurance, unemployment insurance and maternity insurance, in accordance with relevant PRC laws and regulations.

Our employee's administrative measures (員工管理辦法) contain policies and procedures regarding work safety and occupational health issues. We provide our employees with annual medical checks and safety training, and our construction sites are equipped with safety equipments including gloves, boots and hats. Our chairman's office is responsible for recording and handling work accidents as well as maintaining health and work safety compliance records.

In 2017, 2018 and 2019, we did not encounter any material safety accident, there were no claims for personal or property damages and no compensation was paid to employees in respect of claims for personal or property damages related to safety accidents.

EMPLOYEES

As of December 31, 2019, we had a total of 3,389 full-time employees. Substantially all of our employees are located in the PRC.

We believe that the successful implementation of our growth and business strategies rests on a team of experienced, motivated and well-trained managers and employees at all levels. We recruit employees from well-known universities in the PRC. As of December 31, 2019, approximately 100% of our employees had a master's degree, a bachelor's degree or an associate degree. We have implemented systematic, specialty-focused vocational training programs for our employees at different levels on a regular basis to meet different requirements and emphasize individual initiative and responsibility. We believe that these initiatives have contributed to increased employee productivity.

The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raises, bonuses and promotions. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive in comparison with market rates.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. As of the date of this offering memorandum, we have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on our business operations.

LEGAL PROCEEDINGS

As of the date of this offering memorandum, we are not aware of any material legal proceedings, claims or disputes currently existing or pending against us. However, we cannot assure you that material legal proceedings, claims or disputes will not arise in the future. See "Risk Factors—Risks Relating to Our Business—We may be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result."

ESTABLISHMENT OF A REAL ESTATE DEVELOPER

General Regulations

The laws and regulations that permit the existence and investment in real estate development in China are the basis for our establishment and continued expansion in China.

According to the Law on Administration of Urban Real Estate of the PRC (《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 NPC on July 5, 1994, becoming effective in January 1995, and amended in August 2007, August 2009 and August 2019 respectively, real estate development refers to the act of constructing infrastructure and buildings on state-owned land, the land use rights of which have been legally acquired; and a real estate developer is defined as an enterprise which engages in the development and operation of real estate for the purpose of making profits. Under the Administrative Regulations on Urban Real Estate Development and Operation (《城市房地產開發經營管理條例》, the "Development and Operation Regulations") promulgated by the State Council on July 20, 1998 and revised on January 8, 2011, March 2018 and March 24, 2019, respectively, an enterprise which is to engage in the development of real estate shall satisfy the following requirements:

- its registered capital shall be RMB1 million or more; and
- it shall have four or more full-time professional real estate/construction technicians and two or more full-time accountants, each of whom shall hold the relevant qualification certificate.

According to the Development and Operation Regulations, the People's Government of a province, autonomous region or municipality directly under the Central Government may, based on local circumstances, impose more stringent requirements than the preceding clauses over the registered capital and professional technicians of a real estate developer.

According to the Development and Operation Regulations, to establish a real estate developer, an application for registration shall be submitted to the administration for industry and commerce. The real estate developer shall also file its establishment with the competent authority of real estate development in the location of its registration within 30 days upon obtaining its business license. Establishment of a foreign-invested enterprise engaging in real estate development and sale shall also go through the relevant review and approval procedures in accordance with the PRC laws and regulations on foreign-invested enterprises.

The minimum proportion of capital fund in real estate development projects (excluding affordable housing projects) was raised to 35% or more under the Circular on Adjusting the Proportion of Capital Fund in Fixed Asset Investment Projects of Certain Industries (《關於調整部分行業固定資產投資項目資本金比例的通知》) issued by the State Council on April 26, 2004. In May 2009, the State Council issued the Circular on Adjusting the Proportion of Capital Fund in Fixed Asset Investment Projects (《關於調整固定資產投資項目資本金比例的通知》) to reduce such proportion to 20% for ordinary commodity housing projects (普通商品住房項目) and indemnificatory housing projects (保障性住房項目) and 30% for other real estate development projects. In September 2015, the State Council issued the Circular on Adjusting and Improving the Proportion of Capital Fund in Fixed Asset Investment Projects (《關於調整和完善固定資產投資項目資本金比例的通知》) to maintain the proportion to 20% for ordinary commodity housing projects and indemnificatory housing projects and reduce the proportion from 30% to 25% for other real estate development projects.

On November 27, 2016, the NDRC promulgated the Measures for Energy Conservation Review of Fixed Asset Investment Projects (《固定資產投資項目節能審查辦法》), becoming effective on January 1, 2017, which provides that in the case of an enterprise investment project, the construction unit shall obtain the energy conservation review opinions issued by the relevant energy conservation examination authority before starting the construction of the project. Where a project fails to go through the energy conservation examination formalities, or a project fails to pass the energy conservation examination, the construction unit shall not start the construction thereof; or the project may not go into production or be used for other purposes when the construction thereof is completed.

According to the Administrative Measures for Approval and Record-filing of Foreign Investment Projects and the Notice of the State Council on Promulgating the Catalog of Investment Projects Approved by the Government (2016 Version) ("Catalog") (《國務院關於發佈政府核准的投資項目目錄(2016年本)的通知》), which was promulgated and became effective on December 12, 2016, two management methods are provided for the management of foreign investment projects, namely, approval and record-filing; the investment projects specified in the Catalog shall be approved by the NDRC or other competent authorities; the investment projects other than those specified in the Catalog shall be filed with the competent investment department of the local governments.

On March 8, 2017, the NDRC promulgated the Measures for the Administration of Enterprise Investment Projects by Verification and Approval and by Record-filing (《企業投資項目核准和備案管理辦法》), becoming effective on April 8, 2017, which stipulates that the projects shall be subject to administration by verification and approval or administration by record-filing respectively based on their different circumstances. The projects that have a bearing on national security, or involve the layout of China's major forces of production, strategic resources development, material public interests, etc. shall be subject to administration by verification and approval. Other Projects shall be subject to administration by record-filing. Project verification and approval organs and Project record-filing organs shall follow the principle of providing efficient services and convenience for the people, raise operational efficiency and provide quality services.

On May 25, 2017, the NDRC promulgated the Interim Measures for the Administration of the Operation of National Investment Project Online Approval and Regulation Platforms (《全國投資項目線上審批監管平臺運行管理暫行辦法》), becoming effective on June 25, 2017, which provides an online platforms, which shall apply to the approval, regulation and services throughout the whole process of the construction and implementation of various projects, including administrative licensing, internal government approval, recordation, evaluation and review, technical examination, project implementation monitoring, and policies and regulations and planning consulting services, among others. Confidential projects and information shall not be handled and delivered through online platforms.

Foreign-Invested Real Estate Developers

Under the Catalogue of Industries for Guiding Foreign Investment (2015 revised version) (《外商投資產業指導目錄(2015年修訂)》) promulgated by the Ministry of Commerce of the People's Republic of China (the "MOFCOM") and the NDRC on March 10, 2015 and becoming effective on April 10, 2015,

- the construction of golf courses and villas falls within the category of industries in which foreign investment is prohibited;
- the construction of large theme parks falls within the category of industries in which foreign investment is restricted; and
- other real estate development falls within the category of industries in which foreign investment is permitted.

On June 28, 2017, the NDRC and the MOFCOM jointly promulgated the Catalogue of Industries for Guiding Foreign Investment (2017 revised version) (《外商投資產業指導目錄(2017年修訂)》) ("2017 Catalogue"), and becoming effective from July 28, 2017, which replaced the Catalogue of Industries for Guiding Foreign Investment (2015 revised version) (《外商投資產業指導目錄(2015年修訂)》). The prohibition on the construction of golf courses and villas and restriction on the construction of large theme parks is removed from the 2017 Catalogue. On June 28, 2018, the NDRC and the MOFCOM jointly promulgated Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2018 Version) (《外商投資准入特別管理措施(負面清單)(2018年版)》), the Special Management Measures for the Market Entry of Foreign Investment (Negative List for the Market Entry of Foreign Investment) in 2017 Catalogue was simultaneously repealed and the Catalogue of Industries in Which Foreign Investment is Encouraged continued to be effective. On June 30, 2019, the NDRC and the MOFCOM jointly promulgated the Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2019 Version) (《外商投資准入特別管理措施(負面清單)(2019年版)》) and the Catalogue of Industries in Which Foreign Investment is Encouraged (2019 Version) (《鼓勵外商投資產業目錄(2019年版)》), and the Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2018 Version) and the Catalogue of Industries in Which Foreign Investment is Encouraged (2017 Amendment) were simultaneously repealed.

Subject to approval by the relevant foreign investment administration authorities, a foreign investor intending to engage in the development and operation of real estates shall establish an equity joint venture, a cooperative joint venture or a wholly owned foreign enterprise in accordance with the PRC laws and administrative regulations on foreign-invested enterprises.

On April 6, 2010, the State Council issued the Opinions on Further Enhancing the Utilization of Foreign Capital (《關於進一步做好利用外資工作的若干意見》), which provides that projects with a total investment amount (including increase in capital) of less than US$300 million within the category of industries in which foreign investment is encouraged or permitted as listed in the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) shall, other than those that are subject to the approval of relevant departments of the State Council under the requirements of the Catalogue of Investment Projects Approved by the Government (《政府核准的投資項目目錄》), be subject to the approval of relevant departments of local governments.

On May 4, 2010, the NDRC issued the Circular on Properly Delegating the Authority to Approve Foreign-invested Projects (《關於做好外商投資項目下放核准權限工作的通知》). Under the circular, projects with a total investment amount (including increase in capital) of less than US$300 million within the category of industries in which foreign investment is encouraged or permitted as listed in the Catalogue of Industries for Guiding Foreign Investment and originally subject to the approval of the NDRC shall, other than those that are subject to the approval of relevant departments of the State Council under the requirements of the Catalogue of Investment Projects Approved by the Government, be subject to the approval of the development and reform commissions at the provincial level. In particular, the authority to approve projects within the category of industries under restriction as set out in the Catalogue of Industries for Guiding Foreign Investment is not to be delegated for the time being.

On June 10, 2010, MOFCOM released the Circular on Issues Concerning Delegating the Review and Approval Authority for Foreign Investment (《關於下放外商投資審批權限有關問題的通知》). Under the circular, local competent authorities of commerce shall be responsible for the approval and management of the establishment and alteration of foreign-invested enterprises within the encouraged and permitted categories under the Catalogue of Industries for Guiding Foreign Investment with a total investment amount of US$300 million or less and within the restricted category under the Catalogue of Industries for Guiding Foreign Investment with a total investment amount of US$50 million or less; the local approval authorities shall be responsible for the approval and management of single increase of capital with an amount less than the above.

On July 11, 2006, Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly promulgated the Opinions on Regulating the Entry and Administration of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》). According to the opinions, a foreign investor shall meet the following requirements in order to invest in the real estate market in China:

- A foreign entity or individual purchasing non-self-occupied properties in China shall, subject to the principle of commercial existence, apply for the establishment of a foreign-invested enterprise pursuant to the regulations on foreign investment in real estate, and may only conduct relevant operations within the approved business scope after obtaining approval from the relevant government authorities and completing the relevant registrations.
- If the total investment amount of a foreign-invested real estate developer exceeds or equals to US$10 million, the registered capital shall not be less than 50% of the total investment amount. If the total investment amount is less than US$10 million, the prevailing regulations on the registered capital shall apply.
- The establishment of a real estate enterprise shall be legally approved by the competent administration of commerce and the administration for industry and commerce, which will conduct the registration procedures and issue the Foreign- Invested Enterprise Approval Certificate and business license for a term of one year. After fully settling the land premium, the enterprise may apply for the certificate of state-owned land use right from the administration of land with the above certificates. With the certificate of state-owned land use right, the enterprise may apply for the formal Foreign-Invested Enterprise Approval Certificate from the competent administration of commerce, and then apply for a business license with an operation term in line with that of the Foreign-Invested Enterprise Approval Certificate from the administration for industry and commerce, and apply for tax registration with the tax authorities.
- Transfer of projects of or equities in a foreign-invested real estate developer and the merger and acquisition of a domestic real estate developer by a foreign investor shall be approved by the competent administration of commerce in strict compliance with the relevant laws, regulations and policies. The investor shall submit: (a) a letter of guarantee pledging to comply with the state-owned land use right grant contract, the construction land planning permit and the construction project planning permit, etc.; (b) the certificate of state-owned land use right; (c) the proof of change of registration issued by the relevant competent construction and real estate administrations; and (d) the proof of tax payment issued by the relevant tax authorities.
- A foreign investor merging and acquiring a domestic real estate enterprise by way of equity transfer or other means, or acquiring a domestic investor 's equity interests in joint ventures, shall make proper arrangements for the real estate enterprise's employees and bank loans, and pay all transfer fee in a lump sum with its own capital. Foreign investors with unfavorable records are prohibited from carrying out such activities in China.

On August 14, 2006, MOFCOM issued the Circular Concerning the Implementation of the Opinions on Regulating the Entry and Administration of Foreign Capital in the Real Estate Market (《關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉有關問題的通知》). The circular requires that the registered capital of a foreign-invested real estate enterprise ("FIREE") shall be not less than 50% of its total investment if its total investment exceeds US$3 million and not less than 70% of its total investment if its total investment is US$3 million or less. A foreign investor

merging and acquiring a domestic real estate enterprise by way of equity transfer or other means shall make proper arrangements for the real estate enterprise's employees and bank loans, and pay all transfer fee in a lump sum with its own capital within 3 months after the date of issuance of business license for the foreign-invested enterprise.

On May 23, 2007, MOFCOM and SAFE jointly issued the Circular on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investments in the 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 "No. 50 Circular"), and on October 28, 2015, MOFCOM issued the Decision of Revising Certain Regulations and Normative Documents (《關於修改部分規章和規範性檔的決定》, the "Announcement 2015 No. 2"). According to the circular and the Announcement 2015 No. 2:

- The local competent authorities of commerce shall reinforce the approval and supervision of FIREEs, and strictly control foreign investors from investing in high-class real estate development projects.
- Foreign investors applying for the establishment of real estate enterprises shall first obtain land use rights and real estate or building ownership, or have entered into pre-contract purchase agreements with the relevant administrations of land, land developers or the owners of the real estate or building, otherwise the establishment will not be approved by approval authorities.
- Existing foreign-invested enterprises which intend to expand into real estate development or operation and existing FIREEs which intend to engage in the development and operation of new real estate projects shall go through the relevant procedures with approval authorities.
- The merger and acquisition of domestic real estate enterprises by means of round trip investment (including those with the same de facto controller) is strictly controlled. Foreign investors shall not avoid the examination and approval of foreign investment in real estates by changing the de facto controllers of domestic real estate enterprises.
- The Chinese or foreign investors in FIREEs are prohibited from reaching any term on fixed return or disguised fixed return in any form.
- A local approval authority shall promptly file with MOFCOM after approving the establishment of a foreign-invested real estate company. Local administrations of foreign exchange and designated foreign exchange banks shall not go through formalities for foreign exchange settlement and sale under capital accounts of the FIREEs which fail to file with MOFCOM.

The General Affairs Department of SAFE issued the Circular Concerning the Distribution of the List of the First Foreign-Invested Real Estate Projects Having Passed the Filing Procedures of the Ministry of Commerce (《關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》, "No. 130 Circular") on July 10, 2007 to further restrict foreign investment in the real estate sector in China. According to the No. 130 Circular:

- SAFE or its branches shall not go through the formalities of foreign exchange registration (or alteration) or settlement and sale under the capital accounts for FIREEs (including new establishment and increase in capital) which were granted approval certificates by the competent authority of commerce but have not filed with MOFCOM on or after June 1, 2007; and
- SAFE or its branches shall not approve the foreign debt registration or settlement for FIREEs which were granted approval certificates by the competent authority of commerce and have filed to MOFCOM for record on or after June 1, 2007.

Although this notice has been repealed in May 2013, the restrictions and requirements remain in effect.

On June 18, 2008, MOFCOM issued the Circular on Properly Handling the Filing of Foreign Investment in the Real Estate Sector (《關於做好外商投資房地產業備案工作的通知》, "No. 23 Circular"), which has become effective on July 1, 2008. According to the No. 23 Circular:

- MOFCOM entrusts provincial competent authorities of commerce to verify the filing materials of FIREEs;
- the establishment (including increase in capital) of a FIREE shall comply with the project company principle, and the business of the FIREE is limited to a single approved real estate project only.

On November 22, 2010, MOFCOM promulgated the Circular on Strengthening Administration of the Approval and Filing of Foreign Investment in the Real Estate Sector (《關於加強外商投資房地產業審批備案管理的通知》), which provides that a real estate enterprise established in China with foreign capital is prohibited from arbitraging by purchasing and selling domestic properties which have been completed or which are under construction; local competent authorities of commerce shall not approve investment companies engaging in real estate development and operation, and shall strictly control the establishment of real estate enterprises in China by way of round-trip investment.

On June 24, 2014, MOFCOM and SAFE jointly promulgated the Circular on Improving the Filing Procedure of Foreign Investment in the Real Estate Sector (《關於改進外商投資房地產備案工作的通知》, "No. 340 Circular"), which became effective on August 1, 2014. According to the No. 340 Circular, the filing procedure of foreign investment in the real estate sector has been simplified. According to the No. 340 Circular, the provincial MOFCOM branch and other relevant authorities shall jointly verify the paper documents provided by FIREEs and the digital data in the filing system in accordance with relevant laws and regulations, and then MOFCOM shall make random inspections weekly after aforementioned verifications.

On March 30, 2015, SAFE promulgated the Notice on Reforming the Administrative Approach Regarding the Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》, the "SAFE Notice 19"), which takes effect on June 1, 2015. The notice provides that foreign-invested enterprises shall be allowed to settle their foreign exchange capitals on a discretionary basis. For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis. RMB funds derived from foreign exchange capital settlement of a foreign-invested enterprise shall be used within the business scope approved by the governmental authority and foreign-invested enterprises other than FIREEs shall not purchase non-self-occupied domestic properties with RMB funds derived from foreign exchange capital settlement. Except for the transfer of equity investment payments in their original currencies, a foreign-invested enterprise whose main business is investment is allowed to directly settle its foreign exchange capital or transfer the RMB funds under its account for foreign exchange settlement pending payment to the account of an invested enterprise according to the actual amount of investment, provided that the relevant domestic investment project is real and compliant.

On August 19, 2015, MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly promulgated the Circular on Amending the Policies Concerning Access by and Administration of Foreign Investment in the Real Estate Market (《關於調整房地產市場外資准入和管理有關政策的通知》), which amended certain policies on foreign investment real estate enterprises and property purchase by overseas organizations and individuals as stated in the Opinions on Regulating the

Entry and Administration of Foreign Capital in the Real Estate Market. For example, branches and representative offices established by overseas organizations in China (except for enterprises engaging in real estate business operation upon approval) and foreign individuals studying or working in China are allowed to purchase property for self-use or self-occupation according to their actual needs; and the requirement on full payment of registered capital of the foreign investment real estate enterprises before applying for domestic or foreign loans or foreign exchange loan settlement is lifted.

On June 9, 2016, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (《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》, the "SAFE Notice 16"), which became effective on June 9, 2015. The SAFE Notice 16 provides that domestic enterprises (including Chinese-funded enterprises and foreign-invested enterprises but excluding financial institutions) may all settle their external debts in foreign currencies on a discretionary basis. Domestic enterprises are currently permitted to settle 100% of their foreign exchange earnings under capital account on a discretionary basis. The SAFE may adjust the foregoing percentage as appropriate according to balance of payments situations. A domestic institution may use its foreign exchange earnings under capital account and the RMB funds obtained from the settlement thereof for current account expenditure within the scope of its business, as well as for capital account expenditure permitted by laws and regulations. Domestic enterprises other than FIREEs shall not construct or purchase non-self-occupied domestic properties with RMB funds derived from settlement.

On October 8, 2016, MOFCOM promulgated the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》, the "MOFCOM order 2016 No. 3"), which became effective on the same date. The MOFCOM order 2016 No. 3 provides that as long as the special market entry management measures prescribed by the State are not involved, the establishment and changes of foreign-invested enterprises can be achieved by record-filing. The MOFCOM order 2016 No. 3 provides procedures of record-filing. The MOFCOM order 2016 No. 3 was revised on July 30, 2017 and on June 29, 2018, which provides that a non-foreign-invested enterprise is changed into a foreign-invested enterprise through merger and acquisition, combination by absorption or any other method and a foreign investor makes strategic investment in a non-foreign-invested listed company may fall within the record-filing scope.

QUALIFICATIONS OF A REAL ESTATE DEVELOPMENT ENTERPRISE

Under the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) promulgated by the State Council on July 20, 1998 and revised on January 8, 2011 and March 2018 respectively, the real estate development authorities shall examine applications for registration of qualifications of a real estate developer when it reports its establishment, by considering its assets, professional personnel and business results. A real estate developer shall only undertake real estate development projects in compliance with the approved qualification registration.

Under the Provisions on Administration of Qualification of Real Estate Developers (《房地產開發企業資質管理規定》), or the Provisions on Administration of Qualifications, promulgated by Ministry of Construction and implemented on March 29, 2000 and revised on May 4, 2015, a real estate development enterprise must apply for registration of its qualification according to the Provisions on Administration of Qualifications. An enterprise may not engage in the development and sale of properties without a qualification classification certificate for real estate development. Ministry of Construction oversees the qualifications of real estate developers with national

operations, and local Ministry of Construction authorities at or above the county level oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, the qualification of a real estate development enterprise is classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualifications should be examined and approved by corresponding authorities.

- Class 1 qualifications are subject to preliminary examination by Ministry of Construction authorities at the provincial level and the final approval of 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.
- Class 2 or lower qualifications are regulated by Ministry of 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 total GFA of less than 250,000 sq.m. subject to confirmation by Ministry of Construction authorities at the provincial level.

Under the relevant PRC laws and regulation, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employment, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer within any specific qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification.

For a newly established real estate developer, the competent authorities 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 since its issuance, and MOHURD authorities may extend the validity to a period of no longer than 2 years considering the actual business situation of the enterprise. The real estate developer should apply for qualification of classification to the relevant authorities within one month before expiration of its provisional qualification certificate.

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

DEVELOPMENT OF REAL ESTATE PROJECTS

Land for Real Estate Development

Although all land in the PRC is owned by the state or is collectively owned, individuals and entities may obtain land use rights and hold such land use rights for development purposes.

On April 12, 1988, NPC amended the Constitution, permitting the legal transfer of land use right. On December 29, 1988, the Standing Committee of NPC amended the "Land Administration Law of the PRC" (《中華人民共和國土地管理法》), permitting the legal transfer of land use right.

Under the Interim Regulations on Grant and Assignment of the State-owned Urban Land Use Right of the PRC (《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 Grant and Assignment") promulgated by the State Council on May 19, 1990, China adopts a system of granting and assigning state-owned land use right. A land user shall pay a land premium to the State as the consideration for the grant of the land use right by the State for a specified period of time, during which the land user may assign, lease, mortgage or otherwise commercially exploit the land use right. Under the Urban Real Estate Law and the Interim Regulations on Grant and Assignment, the land administration authorities at city or county level shall enter into a land grant contract with the land user to grant land use right. The land user shall pay the land premium as stipulated by the land grant contract. After paying the land premium in full, the land user may register with the land administration authorities and obtain a land use right certificate evidencing the acquisition of land use right.

The Urban Real Estate Law and the Development and Operation Regulations provide that the land use right of land for real estate development must be obtained through grant, except for land use rights which may be obtained through premium-free allocation pursuant to the provisions of the PRC laws or the administrative regulations of the State Council.

On September 24, 2003, Ministry of Land and Resources promulgated the Circular on Strengthening Land Supply Management and Promoting the Sustainable Sound Development of the Real Estate Market (《關於加強土地供應管理促進房地產市場持續健康發展的通知》), revised on December 3, 2010, which provides that land supply for high-class commodity housing shall be strictly controlled.

On August 31, 2006, the State Council promulgated the Circular on Strengthening Land Control (《關於加強土地調控有關問題的通知》). The circular requires to establish a system for uniformly publicizing the minimum rate standards of industrial land grant to uniformly formulate and publicize the minimum rate standards of industrial land grant in all localities. The minimum rate standards of industrial land grant shall not be less than the sum of the cost of obtaining the land, the preliminary cost of land development and the related expenses collected as required. The industrial land must be transferred by way of tender, auction or listing at a price not less than the minimum rates as publicized.

Under the Rules Regarding the Grant of State-Owned Land Use Right By Way of Tender, Auction and Listing (《招標拍賣掛牌出讓國有土地使用權規定》) which was promulgated by Ministry of Land and Resources on May 9, 2002 and implemented from July 1, 2002, land for operational purposes, such as business, tourism, entertainment and commercial residential housing, shall be granted through tender, auction or listing. On September 28, 2007, Ministry of Land and Resources promulgated the Rules Regarding the Grant of Right to Use State-Owned Construction Land By Way of Tender, Auction and Listing (《招標拍賣掛牌出讓國有建設用地使用權規定》), which were effective from November 1, 2007. The Rules further clarify the procedures for the grant of land use right by way of tender, auction and listing. Moreover, pursuant to the Rules, land for operational purposes such as industry (including warehouse land, but excluding mining land), business, tourism, entertainment and commercial residential housing, and a land parcel with two or more potential users must be granted by way of tender, auction or listing. The grantee of land use right may only have the land registered and obtain the land use right certificate after full settlement of the land premium as specified in the relevant land grant contract. No land use right certificate shall be issued before full settlement of the land premium or in proportion to the land premium paid.

On January 24, 2017, MOHURD promulgated the Measures for the Administration of Bidding for the Design of Construction Projects (《建築工程設計招標投標管理辦法》), becoming effective from May 1, 2017, which applies to the bidding activities for the design of various housing

construction projects for which bidding is required. The scope and scale standards of bid invitation for the design of construction projects shall be governed by the relevant provisions of the state. Bid invitation is not required under any of the following circumstances: (i) An irreplaceable patent or proprietary technology is adopted; (ii) There are special requirements for the art of architectural modeling and relevant competent department has granted approval thereto; (iii) The construction entity may legally conduct design on its own; (iv) The reconstruction, expansion or technological transformation of a construction project shall be designed by the original design entity, otherwise, it will affect the supporting functional requirements; (v) Other special circumstances as prescribed by the state. Public bidding or invited bidding shall be legally conducted for a bid invitation for the design of a construction project.

On September 30, 2007, Ministry of Land and Resources issued the Circular on Implementation of the State Council's Certain Opinions on Resolving Housing Difficulties of Urban Low Income Families By Further Strengthening Control of Land Supply (《關於認真貫徹〈國務院關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知》) to further enhance the control of land supply on September 30, 2007, and revised on December 3, 2010. The circular provides that the annual total supply of the land to be developed for low-rent housing, affordable housing and ordinary commodity housing at low-to-medium price and of small-to-medium size must be not less than 70% of the total supply of land for residential housing; the land and resources authorities shall reasonably control the size of each land parcel, shorten the development cycle of the land (the development and construction period of each land parcel shall be no longer than three years in principle) and increase the total amount of land supply, in order to prevent "land enclosure" in large scale by real estate developers. Real estate enterprises which fail to commence and complete construction according to the terms of the relevant land grant contract and rectify the situation within the specified period are prohibited from purchasing new land by tender, auction or listing.

On January 3, 2008, the State Council issued the Circular on Promoting the Economical and Intensive Use of Land (《關於促進節約集約用地的通知》), which provides that for land currently used for industrial purpose, under the precondition that it accords with the relevant planning and that the use of land is not changed, if the land utilization ratio and the plot ratio are increased, no additional land fee should be collected. For newly added land for industrial purpose, control indicators should be further enhanced and no additional land fee should be collected for any part that the GFA of a plant exceeds the control indicators for the plot ratio of such plant. The land user and land fee for land used for industrial and operational purposes must be determined by way of tender, auction or listing.

On May 11, 2009, Ministry of Land and Resources issued the Circular on Adjusting the Minimum Rate Standards for Industrial Land Grant (《關於調整工業用地出讓最低價標準實施政策的通知》).

According to the Circular, for industrial projects which fall within the category of priority industries of the provinces (districts/cities) with an intensive use of land, the base price for land grant may be determined at a level of not less than 70% of the price standard for the class of land where they locate. The base price for industrial land grant shall not be less than the sum of the cost of obtaining the land, the preliminary cost of land development and the related expenses collected as required.

On August 10, 2009, Ministry of Land and Resources and the Ministry of Supervision of the PRC promulgated the Circular on Further Implementing the Industrial Land Grant System (《關於進一步落實工業用地出讓制度的通知》). The circular provides that the industrial land shall be granted through tender, auction or listing. During the industrial land grant period, the grantee may increase the plot ratio without paying any additional land premium upon approval, provided that such increase conforms with the plan and that the use of land is not changed.

MOF, Ministry of Land and Resources, PBOC, the Ministry of Supervision of the PRC and the National Audit Office of the PRC issued the Circular on Further Tightening Control over Income and Expenses of Land Grant (《關於進一步加強土地出讓收支管理的通知》) on November 18, 2009. According to the circular, the term of payment by installment for land premium as stipulated in the land grant contract shall not exceed one year in principle or, in the case of special projects, the payment shall be fully settled within two years as collectively decided by local land grant coordination and decision-making authorities. The down payment shall not be less than 50% of the land premium.

On March 8, 2010, Ministry of Land and Resources promulgated the Circular Concerning Issues on Strengthening Real Estate Land Supply and Supervision (《關於加強房地產用地供應和監管有關問題的通知》) to strictly regulate the grant of land for commodity housing. According to the circular,

- the supply of land for affordable housing, rebuilt shanty areas and small-to-medium sized self-occupied commodity housing shall not be less than 70% of the total land supply for residential housing construction. Land supply for large-sized residential housing construction shall be strictly controlled, and land supply for villas shall be suspended.
- the area of a single land parcel granted for commodity housing shall be strictly controlled.
- the minimum price of land grant shall not be less than 70% of the benchmark price of the class where the land parcel being granted is located, and the bidding deposit shall not be less than 20% of the minimum grant price.
- after a land grant deal is closed, a land grant contract shall be signed within 10 working days therefrom. The first installment, which is 50% of the grant price, shall be paid within one month after signing the contract, while the remaining payment shall be made in time in accordance with the contract, which shall not be later than one year.

On September 21, 2010, Ministry of Land and Resources and MOHURD jointly released the Circular on Further Strengthening Administration and Control over Land Utilization and Construction of Real Estate (《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. The circular specifies that when a bidder takes part in the bidding, auction or listing of the granted land, the competent department of land and resources shall, in addition to requiring effective certificate of identity and payment of the tender (bid) deposit, require an undertaking letter stating that the tender (bid) deposit is not sourced from any bank loan, shareholders' borrowing, on-lending or fund-raising as well as a credit certificate issued by a commercial financial institution. Where a bidder is found to have violated the laws, regulations or contracts as follows, the competent department of land and resources shall forbid the bidder and his controlling shareholders from participating in land bidding activities: (1) committing crimes, such as forgery of instruments with an aim of obtaining the land by deception and illegal re-sale of the land; (2) conducting illegal activities, such as illegal transfer of land use right; (3) leaving the land idle for more than one year for developer 's own reasons; (4) where the development and construction enterprise develops and utilizes the land in violation of the conditions stipulated in the grant contract. Besides, the grant of two or more bundled land parcels or uncleared lands is prohibited.

On December 19, 2010, Ministry of Land and Resources issued the Circular on Issues Concerning Strict Implementation of Real Estate Land Control Policies and Promotion of Healthy Development of the Land Market (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》). According to the circular, where a bidder and his controlling shareholders are found to act in violation of relevant laws, regulations and contracts, such as forging instruments with an aim of obtaining the land by deception, illegally reselling the land, illegally transferring land use right, leaving the land idle for more than one year for developer's own reason and developing and utilizing the land in violation of the conditions stipulated in grant contracts, they shall not pass the bidding qualification examination. Arbitrary adjustment of the plot ratio shall be stopped firmly. Where plot ratio adjustment is approved in line with relevant laws, the competent departments of land and resources at city or county level shall determine the land premium differences to be paid on the basis of the land value in terms of per unit floorage in the land market at the time when the adjustments are approved.

On May 13, 2011, Ministry of Land and Resources issued the Opinions on Maintaining and Improving the System for the Grant of Land by way of Tender, Auction and Listing (《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》). According to the opinions, on the basis of determining the base price of land grant in accordance with the law, factors affecting the development and utilization of land, such as land price and time of payment, development and construction cycle, construction requirements, degree of economical and intensive use of land and performance of previous grant contracts by the enterprises, shall be taken as bid evaluation conditions. On March 16, 2012, Ministry of Land and Resources issued the Opinions on Promoting the System of the Economical and Intensive.

On April 1, 2017, the MOHURD and MLR jointly promulgated the Notice on Reinforcing Recent Works of Management and Regulation of Housing and Land Supply (《住房城鄉建設部國土資源部關於加強近期住房及用地供應管理和調控有關工作的通知》), becoming effective on the same date, which clarifies the positioning that "the house is used to live, not to speculate" and requires, among other things: (i) to categorize 5 types of housing supply situation (significant increase, increase, flat, appropriate decrease, and decrease until suspension) for land regulation. Cities shall adjust housing land use supply with respect to allocation, structure and timing sequence in accordance with the local situations of commercial housing destocking cycle. Those whose destocking cycles are more than 36 months shall suspend land use supply, between 18-36 months shall appropriately reduce supply, between 6-12 months shall increase supply, and fewer than 6 months shall significantly increase supply and supply rate; (ii) local authorities to make and release a 3-year rolling plan and medium-term plan of housing land use supply; and (iii) to establish a land-purchase funding review system to guarantee real estate enterprises bidding land with compliant own funds. Real estate enterprises whose funds are reviewed as incompliant by the land and financial authorities would be disqualified to purchase land for a certain period.

Use of Land

On May 23, 2012, Ministry of Land and Resources and NDRC jointly issued the Catalogue of Restricted Use of Land (2012 Version) (《限制用地項目目錄(2012年本)》) and the Catalogue of Prohibited Use of Land (2012 Version) (《禁止用地項目目錄(2012年本)》). According to the above catalogues, the area of a parcel of land granted for residential project shall be no more than 7 hectares in small cities and designated towns, 14 hectares in medium cities or 20 hectares in large cities; the plot ratio shall not be lower than 1.0 (1.0 included); real estate development projects for villas and golf courses shall fall into the category of prohibited use of land.

In accordance with the Regulations for the Expropriation of and Compensation for Housing on State-Owned Land (《國有土地上房屋徵收與補償條例》) promulgated by the State Council and implemented in January 2011, with regard to the expropriation of the housing of entities and individuals on the State-owned land, the owners of the housing being expropriated shall be offered a fair compensation for the need of public interest.

Compensation offered by governments at municipal and county levels that make housing expropriation decision to parties with housing being expropriated includes: (i) compensation for the value of the housing being expropriated; (ii) compensation for relocation and temporary settlement caused by expropriation of housing; and (iii) compensation for the loss arising from the suspension of production and operation caused by expropriation of housing.

The amount of compensation for value of housing being expropriated shall not be less than market price of the real estate similar to it on the announcement date of the housing expropriation decision. The value of housing being expropriated shall be appraised and determined by a real estate price appraisal institution with corresponding qualification according to the housing expropriation appraisal measures. A party that objects to the value of the housing being expropriated appraised and determined may apply to the real estate price appraisal institution for review of the appraisal. A party that objects to the review result may apply to the real estate price appraisal expert committee for verification.

The parties with housing being expropriated may choose monetary compensation, or may choose to exchange the property right of housing. If the parties with housing being expropriated choose to exchange the property right of housing, governments at municipal and county levels shall provide housing used for the exchange of property right, and calculate and settle the difference between the value of housing being expropriated and the value of housing used for the exchange of property right. If residential housing of an individual is expropriated due to renovation of old urban district and individual chooses to exchange for the property right of housing in the area being renovated, governments at municipal and county levels that make the housing expropriation decision shall provide the housing in the area being renovated or the nearby area.

Commencement of Development of a Real Estate Project

In accordance with the Measures for Administration of Examination and Approval of Construction Land (《建設用地審查報批管理辦法》) promulgated by Ministry of Land and Resources on March 2, 1999 and amended in November 2010 and on November 25, 2016, and becoming effect from January 1, 2017, and the Measures for Administration of Preliminary Examination of Construction Project land (《建設項目用地預審管理辦法》) promulgated by Ministry of Land and Resources on July 25, 2001, and amended on November 1, 2004 and November 29, 2008 and on November 25, 2016, and becoming effect from January 1, 2017, the constructor or developer must make a preliminary application for the construction land to the relevant competent land administration authorities. After receiving the preliminary application, the competent land administration authorities shall carry out preliminary examination on matters related to the construction project in compliance with the overall land utilization plans and national land supply policy. The competent land administration authorities at city or county level will sign a land grant contract with the land user and issue an Approval Certificate for Construction Land to the constructor or developer.

On March 14, 2017, MOHURD promulgated the Measures for Urban Design Administration (《城市設計管理辦法》), becoming effective from June 1, 2017, which provides that the state-owned land use right provided by way of transfer and the large-scale public building projects in the planned town area of the town where the city and county governments are located shall incorporate the urban design requirements into the planning conditions.

Idle Land

According to the Urban Real Estate Law, those who obtain land use right for real estate development by grant must develop the land according to the purposes and within the development time frame as agreed under the land use right grant contract. These who fail to commence development of the land within one year from the construction commencement date stipulated in the land grant contract may be charged an idle land fee of up to 20% of the land premium, and those who fail to commence development within two years may be deprived of land use right without compensation, except where the delay in commencement is due to force majeure, actions of governments or relevant government departments, or preliminary work necessary for the commencement of development.

According to the Regulations on the Disposal of Idle Land (《閒置土地處置辦法》) promulgated by Ministry of Land and Resources on April 26, 1999, amended on June 1, 2012 and taking effect from July 1, 2012, land with the following conditions is considered to be idle:

- the holder of the state-owned construction land use right fails to commence developing the state-owned construction land within one year after the construction commencement date as agreed or stated in the contract of compensated use of state-owned construction land or the land allocation decision;
- the area of the construction land developed upon commencement of development is less than 1/3 of the planned total area for development and construction, and the development and construction of the state-owned construction land has been suspended for more than one year;
- the amount invested in the land is less than 25% of the total investment, and the development and construction of the state-owned construction land has been suspended for more than one year; or
- fails to commence development and construction within one year from the date of actual delivery of land, if the construction commencement date is not agreed or stated or not clearly agreed or stated.

According to the above regulations, for idle land where construction and development has not commenced for one year, the competent department of land and resources at city or county level shall charge idle land fee at 20% of the cost of land grant or allocation. In the event that the construction and development has not commenced for two years, the competent department of land and resources at city or county level shall, upon the approval of the People's Government with approval authorities, issue the Decision on Recovering the Right to Use State-owned Construction Land to a holder of state-owned construction land use right, and recover the right to use the state-owned construction land without compensation. The above regulations also list the situations where the idleness of land is due to the reasons attributable to the governments as well as the ways of handling idle land under such situations.

Planning of a Real Estate Project

Under the Measure for Planning and Administration of Grant and Assignment 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》) promulgated by Ministry of Construction on December 4, 1992, becoming effective from January 1, 1993 and revised on January 26, 2011, the grantee under a land grant contract, i.e. a real estate developer, shall apply for a construction land planning permit from the relevant competent authorities of urban planning and administration. The enterprise may apply for the certificate of land use right only after obtaining such permit.

Under the Law on Urban and Rural Planning of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the Standing Committee of NPC on October 28, 2007, effective from January 1, 2008 and revised on April 24, 2015 and April 23, 2019, a real estate developer shall apply for the construction work planning permit from the competent authorities of urban and rural planning under the People's Government at city or county level for project construction.

Construction of a Real Estate Project

According to the Measures for Administration of Construction Permit for Construction Projects (《建築工程施工許可管理辦法》) promulgated by MOHURD on June 25, 2014, becoming effective from October 25, 2014 and revised on September 28, 2018, a developer engaging in the construction and decoration of various kinds of houses and buildings as well as the ancillary facilities shall apply for a construction permit from the competent construction administration authorities at county level or above where the construction is located before the commencement of the construction.

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

Completion of a Real Estate Project

According to the Development and Operation Regulations, the Provisions on Acceptance Inspection Upon Completion of House Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated by MOHURD on December 2, 2013 and the Administrative Measures on the Filing of Acceptance Inspection upon Completion of House Construction and Municipal Infrastructure Projects (《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 Ministry of Construction on April 4, 2000 and revised by MOHURD on October 19, 2009, after the completion of real estate projects, the real estate developer must organize an acceptance inspection and, after passing the inspection, file with the relevant governmental authorities on such completion of acceptance inspection. A real estate development project shall not be delivered for use until and unless it has carried out and passed the acceptance inspection. Where a real estate project is developed in phases, acceptance inspection may be carried out by phase.

Construction Safety

Under relevant laws and regulations such as the Laws of Safe Production of the PRC (《中華人民共和國安全生產法》), promulgated by the Standing Committee of NPC in June 2002 and revised in August 2009 and August 2014, the property development enterprise should apply to the supervisory department on safety for the registration of supervision for work safety in construction before the commencement of construction. Constructions without such registration will not be granted a construction work commencement permit by the supervisory body. Contractors for the construction should establish the objectives and measures for work safety and improve the working environment and conditions of workers in a planned and systematic way. A work safety protection scheme should also be set up to carry out the work safety job responsibility system. At the same time, contractors should adopt corresponding site work safety protective measures according to the work protection requirements in different construction stages and such measures shall comply with the labor safety and hygiene standards of the State.

Under the Construction Law of the PRC (《中華人民共和國建築法》) promulgated and revised by the Standing Committee of NPC in November 1997, April 2011 and April 2019, respectively, general construction contractor shall take overall responsibility for the safety in the construction site. Each subcontractor is required to comply with the protective measures adopted by general contractor and to purchase insurance policies covering accident injury for its employees on site.

Civil Air Defense Property

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

Insurance of a Property Project

There are no mandatory provisions in PRC laws, regulations and government rules which require a property development enterprise to take out insurance policies for its property projects. However, PRC commercial banks may require the property development enterprise to purchase insurance as a condition for the commercial bank intends to grant a development loan to the property development enterprise.

Environmental Protection

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

SALE OF REAL ESTATE

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, sale of commodity houses may include both sales before the completion of the properties, or pre-sale, and sales after the completion of the properties.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Urban Commodity Properties (《城市商品房預售管理辦法》), or the Urban Pre-sale Regulation, promulgated by Ministry of Construction in November 1994, as amended in August 2001 and July 2004, and other related regulations. The pre-sale regulations provide that any pre-sale of commodity properties is subject to specified procedures. According to the current PRC laws and regulations, a presale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authorities for a pre-sale permit. The pre-sale proceeds of commodity buildings must be used to develop the relevant project so pre-sold. A commodity building may be sold before completion only if:

- the land premium has been paid in full for the grant of the land use rights involved and a land use rights certificate has been properly obtained;
- a construction works planning permit and a construction permit have been properly obtained;
- the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been properly ascertained; and
- a pre-sale permit has been obtained through pre-sale registration. According to the Urban Real Estate Law and the Urban Pre-sale Regulation, for the pre-sale of a commodity property, the developer must sign a contract on the pre-sale of the commodity property with the purchaser. The developer must, within 30 days of signing the contract, apply for registration and record of the contract for pre-sale of commodity property at the relevant departments of the county-level governments. Property administrative departments are required to use network information technology to gradually implement a web-based registration of pre-sale contracts.

On April 13, 2010, MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses (《關於進一步加強房地產市場監管完善商品住房預售制度的有關問題的通知》). Pursuant to the notice, without the pre-sale approval, the commodity properties are not permitted to be pre-sold and the real estate developers are not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

Pursuant to the Administration of sale of commodity properties (《商品房銷售管理辦法》) promulgated by Ministry of Construction on April 4, 2001 which became effective on June 1, 2001, commodity buildings may be put to post-completion sale and delivery after they have passed the completion examination and 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 relating to the project evidencing the satisfaction of the preconditions for post-completion sale to the real estate development authority for its record.

A property developer shall not sell uncompleted commercial properties through after-sale lease guarantee or by any such means in covert forms. After-sale lease guarantee stipulated in the aforementioned regulatory measures refers to that a property developer sells commodity houses by making commitment to lease back or assist buyers in renting out commercial properties within a certain period after sale. A property developer may not sell commercial properties by means of

cost-returned sale or any such means in disguised forms. The cost- returned sale in these measures refers to an arrangement under which a property developer sells commercial properties and refunds periodically to the purchaser certain portions of the sales proceeds.

In accordance with the Regulation of the Release of Real Estate Advertisement (《房地產廣告發佈規定》) promulgated on December 24, 2015, which became effective on February 1, 2016 by SAIC, the real estate advertisement shall not appear contents of financing or disguised financing or promises of appreciation or return on investment. Pursuant to the said regulation, a real estate advertisement shall not defraud or mislead the public. A real estate advertisement shall not contain geomancy, divination or other superstitious information, or give any promise to purchasers for a city permanent resident status or for school admission for his/her children.

On October 10, 2016, MOHURD issued the Notice on Further Regulating the Operation of Real Estate Enterprises to Keep the Order of Real Estate Market (《關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知》), which became effective on October 10, 2016. Pursuant to the said regulation, the relevant real estate authorities shall take effort to protect the order of real estate market and punish the unfair management actions of real estate enterprises, such as publish deceptive advertisements, hoard houses.

LOAN FOR REAL ESTATE

Under the Circular on Further Strengthening the Administration of Real Estate Credit (《關於進一步加強房地產信貸業務管理的通知》) issued by PBOC on June 5, 2003, the requirements for banks to provide loans for residential development, individual housing mortgage and individual commodity housing are tightened:

- Real estate development loans shall be granted to real estate developers which are qualified for real estate development, rank high in credibility and have no overdue payment for construction fees. Such loans shall be given in support of residential housing projects which are affordable by families with medium-to- low income particularly, and shall be strictly restricted from projects involving building properties of large size and/or covering large area, such as luxurious commodity housing and villas. For real estate developers with high vacancy rate of commodity housing and high debt ratio, strict approval and close monitoring must be applied to their new real estate development loans.
- Commercial banks may not grant loans to real estate developers for the payment of land premium.
- Commercial banks shall not grant any kind of loans to projects without the certificate of land use right, the construction land planning permit, the construction project planning permit and the construction permit. Loans applied for by real estate developers shall only be granted by commercial banks in the name of real estate development loans, but not in the name of real estate development liquidity loans or other types of loans. Commercial banks may recover the non-real estate development loans that have been granted to the real estate developers, but are not allowed to grant new ones. To apply for bank loans, a real estate developer's self-owned funds (owner's equity) shall not be less than 30% of the total investment of the development project. The real estate loans granted by a commercial bank may only be used for the real estate projects in the region where the developer is located, and are prohibited to be used across regions.

In the Circular on Facilitating the Continuous Healthy Development of the Real Estate Market (《關於促進房地產市場持續健康發展的通知》) issued by the State Council on August 12, 2003, a series of measures were adopted by the government to control the real estate market, including, among others, strengthening the construction and management of affordable houses, increasing the supply of ordinary commodity housing and controlling the construction of high-class commodity housing. Besides, the government also staged a series of measures on developing residential housing credit, including strengthening efforts on housing provident fund collection and granting of loans, improving the guarantee mechanism of individual residential housing loans and strengthening the supervision over real estate loans.

Pursuant to the Guidance on Risk Management of Real Estate Loans Granted by Commercial Banks (《商業銀行房地產貸款風險管理指引》) issued by CBRC on August 30, 2004, commercial banks shall not provide any loan in any form for projects without the certificate of land use right, the construction land planning permit, the construction project planning permit and the construction permit. For any real estate developer applying for real estate development loan, the proportion of capital fund to be invested in the development project shall be no less than 35%.

On September 27, 2007, PBOC and CBRC jointly issued the Circular on Strengthening the Administration of Commercial Real Estate Credit (《關於加強商業性房地產信貸管理的通知》) to further regulate the administration of commercial real estate credit. These measures include:

- prohibiting commercial banks from granting any kind of loans to projects with a proportion of capital fund (owners' equity) of less the 35%, or without the certificate of land use right, the construction land planning permit, the construction project planning permit and the construction permit;
- prohibiting commercial banks from granting loans to real estate developers solely for the payment of land premium.

According to the requirements under the Circular on Promoting Economical and Intensive Utilization of Land through Financing (《關於金融促進節約集約用地的通知》) issued by PBOC and CBRC on July 29, 2008, a real estate developer applying for land reserve loans from a financial institution by way of mortgage shall have the legitimate certificate of land use right. The maximum amount of mortgage loan offered by a financial institution shall not be more than 70% of the assessed value of the collateral and the loan term shall not exceed two years in principle. The circular also required to tighten the examination and approval of loans for municipal infrastructure and industrial land projects. No credit support shall, in any form, be given to the construction of any municipal infrastructure, ecological planting project or industrial project which does not meet the national standards, or for which no land use approval has been obtained from the land and resources authorities. A financial institution should give prioritized financial support to projects which are to increase the land utilization rate and plot ratio of the existing industrial land as well as to projects which are to develop and utilize the spare, abandoned or idle land provided that such projects meet the planning requirements without changing the original purposes.

On October 28, 2008, the general office of CBRC promulgated the Notice on Strengthening Regulation of Real Estate and Securities Business of Trust Companies (《關於加強信託公司房地產、證券業務監管有關問題的通知》). Pursuant to this notice, trust company is strictly prohibited from loaning to real estate projects which have not acquired state-owned land use rights certificates, construction land planning permits, construction projects planning permits, and construction commencement permits ("four permits"), or indirectly loaning to such real estate projects through investment with additional commitment to repurchase, commercial housing group purchase. Trust loan application (including indirect loans through investment with additional commitment to

repurchase, commercial housing pre-sales repurchase and etc.) shall be made by real estate development enterprise with not less than the secondary real estate development qualification, and the proportion of the capital fund shall be not less than 35% (except for economically affordable housing). Furthermore, trust company is prohibited to offer liquidity loans to real estate development enterprises (including indirectly offer through assets purchase with commitment to repurchase), or to offer loans to real estate development enterprises to pay land transfer price.

According to the Circular on Adjusting the Proportion of Capital Fund in Fixed Asset Investment Projects (《國務院關於調整固定資產投資項目資本金比例的通知》) issued by the State Council on May 25, 2009, the proportion of capital fund for affordable housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and, for other properties, from 35% to 30%. Financial institutions shall decide on their own whether to issue loans to real estate developers based on the adjustments to the proportion of capital fund.

According to the Notice on Adjusting and Improving the System for Capital in Fixed Asset Investment Projects (《國務院關於調整和完善固定資產投資項目資本金制度的通知》) issued by the State Council on September 9, 2015, the minimal capital proportion for affordable housing projects and ordinary commodity housing projects remain to be 20%, whereas other real estate projects shall be adjusted from 30% to 25%.

On September 29, 2010, PBOC and CBRC jointly issued the Circular on Issues Concerning Improving Differentiated Housing Credit Policies (《關於完善差別化住房信貸政策有關問題的通知》), which provides that if a real estate developer has records of violating the laws and regulations, such as having idle land, changing the use and nature of land, delaying project commencement or completion and hoarding the real estates, all commercial banks shall stop granting loans or providing loan extension to such real estate developer for its new development projects.

According to Notice on Further Improving Differentiated Housing Credit Lending Policies (《關於進一步完善差別化住房信貸政策有關問題的通知》) issued by PBOC and CBRC on September 24, 2015, in cities where there is no "property purchase control", the minimum down payment ratio for a personal commercial housing loan borrowed by a resident household that purchases ordinary housing for the first time shall be adjusted to 25%.

MEASURES ON STABILIZING HOUSING PRICE

The General Office of the State Council promulgated a Circular on Stabilizing Housing Price (《關於切實穩定住房價格的通知》) in March 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. In April 2005, the Ministry of Construction NDRC, MOF, Ministry of Land and Resources, PBOC, SAT and CBRC jointly issued the Opinions on Stabilizing Housing Prices (《關於做好穩定住房價格工作的意見》) with the following guidance:

- where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low cost affordable houses. The construction of low-density, high quality houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as building height, plot ratio and green space and to impose such requirements as sale price, type and GFA as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdiction.

- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to 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 quality housing property construction should be strictly restricted.
- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the gain from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.
- Ordinary residential houses with medium or small GFAs and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy all the following conditions in principle: the plot ratio is above 1.0, the GFA of one single unit is less than 120 square meters, and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.
- 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 commodity property pre-sale contract must also be filled with the relevant government agencies electronically immediately after its execution.

On May 24, 2006, the General Office of the State Council issued the Opinions of Ministry of Construction and Other Departments on Adjusting the Housing Supply Structure and Stabilizing the Housing Prices (《關於調整住房供應結構穩定住房價格的意見》). The regulations on the property credit of this are as follows:

- Strictly impose credit conditions on property development. In order to suppress property development enterprises from storing up land housing resources by use of bank loans, commercial banks shall not provide loans to those property enterprises that fail to meet loan conditions, for example, having a project capital less than 35%. For property development enterprises that have much idle land and vacant commodity properties, the commercial banks shall, in light of the principle of prudential operations, be stricter in controlling the renewal of loans or any form of revolving credit. The commercial banks shall not accept any commodity property that has been idle for more than three years as collateral for loans; and
- From June 1, 2006, the proportion of initial payment of individual housing mortgage loans shall not be lower than 30%. However, considering the demands for housing by the medium and low-income populations, the purchase of self-used housing with loans with gross floor area no more than 90 square meters is still subject to the provisions of the initial payment of housing at 20%.

In December 2008, the State Council issued the Opinions on Promoting the Healthy Development of Real Estate Market (《關於促進房地產市場健康發展的若干意見》). The opinion provides that in order to expand domestic demand and encourage purchase of ordinary residential housing, residents who purchase ordinary self-occupied housing for the first-time by borrowing a mortgage loan must enjoy preferential policies in relation to loan interest rates and down payment. For residents who have already borrowed a mortgage loan and purchased self- occupied housing for the first time, if the GFA per person of that first housing is lower than the local average, such residents may still enjoy the preferential policies in relation to loan interest rates and down payment when they purchase a second self-occupied house. For any other application on mortgage loans for purchasing a second or subsequent housing unit, the interest rate must be determined by the commercial banks based on the benchmark interest rate and the banks' risk assessments.

On January 7, 2010, the State Council issued a 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》), which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), who have already purchased a residence through mortgage financing and have applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

In April 2010, the State Council issued the Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities (《關於堅決遏制部分城市房價過快上漲的通知》), which increases (i) the amount of down payment to 30% of the property price for the purchase of the first property over 90 sq. m.; (ii) the amount of down payment to 50% of the property price for the purchase of the second property and the mortgage interest rate to be no less than 1.1 times the benchmark rate in China and (iii) the amount of down payment and the mortgage interest rate for additional properties significantly as determined by the banks in accordance with their risk management policies.

MOHURD, PBOC and CBRC jointly released the Circular on Regulating the Recognition Standards of the Second House in Commercial Individual Housing 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》) on May 26, 2010 to regulate the recognition standards of the second house for applicants of commercial housing loans. Under the circular, for commercial individual housing loans, the number of houses owned by a family shall be calculated based on the number of flats which are actually owned by the members (including the loan applicant and his/her spouse and minor children, hereinafter the same) of the family who plans to purchase a house. The circular also stipulates that house purchasers shall check the house registration records of the family via the house registration information system and provide written enquiry results. Loan applicants who cannot provide enquiry results shall provide written credit guarantee to prove the actual number of houses owned by his/her family.

On September 29, 2010, MOF, SAT and MOHURD jointly issued the Notice on Adjustments to Deed Tax and Individual Income Tax on Real Estate Transactions (《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》), according to which, the deed tax will be reduced to 50% on the purchase of an ordinary residence for a family (including the purchaser, his/her spouse and children under 18) purchasing their first residence that is also the only housing belonging to the family; in such a case, if the unit floor area is less than 90 sq.m., the deed tax will be at 1%. Purchaser of a residence within one year after his/her sale of former residence will not enjoy the same individual income tax exemption.

On September 29, 2010, PBOC and CBRC jointly issued the Notice on Relevant Issues regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), according to which, the minimum down-payment has been raised to 30% of or all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer 's third or additional residential property. For a mortgage on the second residential property, the down-payment must not be less than 50% of the purchase price and the interest rates must not be less than 1.1 times the base rate. All banks are prohibited from lending for the purposes of new development projects by property companies that have a record of speculating on idle land, changing the land use and nature, delaying development time, manipulating market prices or performing other non-compliant conducts.

On January 26, 2011, the General Office of the State Council issued the Notice on Further Strengthening Regulation and Control of Real Property Markets (《關於進一步做好房地產市場調控工作有關問題的通知》) requiring, among other restrictive measures: (i) a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate (the "Specified Cities"), local residents (including their spouses and minor children) with two or more residential properties, non-local residents with one or more residential properties and non-local residents that are unable to provide documentation certifying payment of local tax or social security for a specified time period, are not permitted to purchase any (further) residential properties located in the Specified Cities.

The General Office of State Council promulgated the Circular on Further Promoting Real Estate Market Regulation (《關於繼續做好房地產市場調控工作的通知》) on February 26, 2013, introducing six policy measures to control the real estate market, including: (i) improving the accountability system for stabilization of house prices; (ii) strictly controlling over house purchase for speculation; (iii) increasing the supply of ordinary residential houses and the land supply for residential houses; (iv) accelerating the planning and construction of subsidized housing projects; (v) tightening the market regulations and forecast management; (vi) accelerating the establishment and optimization of the long-term mechanism for the healthy development of the real estate market.

The highlights of the measure for "control over house purchase for speculation" under the notice are as follows:

- Continuous enforcement of stringent restrictions on commodity housing purchases;
- For cities with soaring house prices, the local branches of the PBOC may further increase the proportion of down payments and interest rates for second-home buyers according to the price control targets and policy requirements for newly-constructed commodity housing of the local governments;
- The taxation department and the housing and urban-rural development department shall work closely together to impose person income tax on the sales of self-owned houses. A tax rate of 20% on the proceeds from the transfer shall be strictly levied upon verification of the value of the houses based on tax collection and housing registration data.

The notice also stipulated that if the number of small- and medium-sized units of a general commodity housing project accounted for more than 70% of the total units to be constructed, the banking financial institutions shall give priority to the financing need of the development of the project subject to credit conditions. In addition, the local authorities shall strengthen the pre-sale fund management and improve their regulatory systems. For overpriced pre-sale commodity

housing projects in breach of the guidance of the housing and urban- rural development department or the regulations on pre-sale fund, the approval and issuance of the pre-sale permits may be suspended.

On September 29, 2014, PBOC and CBRC jointly issued the Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving Housing Financial Services (《中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知》), which provides that as regards a household that borrows a loan to purchase the first ordinary owner-occupied residential property, the minimum down payment ratio of the loan shall be 30%, and the floor of the loan interest rate shall be 0.7 times the benchmark lending rate. Banking financial institutions shall determine the specifics in this regard on their own according to risk profiles. Where a household that owns an existing property for which the property purchase loan has been paid off applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant banking financial institution shall adopt the lending policies applicable to the first owner-occupied property. In cities where "property purchase control measures" have been canceled or are not implemented, if a household that owns two or more existing properties for which the property purchase loans have been paid off applies for a new loan to purchase yet another new property, the relevant banking financial institution shall specifically determine the down payment ratio and the loan interest rate in a prudent manner based on the borrower's repayment capability, credit standing and other factors. A banking financial institution may, according to the local urbanization development planning, disburse housing loans to non-local residents who satisfy policy conditions.

According to the Notice on Matters Concerning Individual Housing Loan Policies (《關於個人住房貸款政策有關問題的通知》), promulgated by PBOC, MOHURD and CBRC on March 30, 2015 and effective on the same date, and the Notice on Adjusting the Business Tax Policies Concerning Transfer of Individual Housing (《關於調整個人住房轉讓營業税政策的通知》) promulgated by MOF and SAT on March 30, 2015 and effective on March 31, 2015 (collectively, the "330 New Policy"), where a household, which has already owned a home and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to 40%. The actual down payment ratio and loan interest rate should be determined by the banking financial institution concerned based on the borrower's credit record and financial condition. For working households that have contributed to the housing provident fund, when they use the housing provident fund loans to purchase an ordinary residential house as their first home, the minimum down payment shall be 20% of the house price; for working households that have contributed to the housing provident fund and that have already owned a home and have paid off the corresponding home loans, when they apply for the housing provident fund loans for the purchase of an ordinary residential house as their second property to improve their housing conditions, the minimum down payment shall be 30% of the property price. In addition, where an individual sells a property purchased within two years, business tax shall be levied on the full amount of the sales income; where an individual sells a non-ordinary property that was purchased more than two years ago, business tax shall be levied on the difference between the sales income and the original purchase price of the house; the sale of an ordinary residential property purchased by an individual more than two years ago is not subject to such business tax.

On September 24, 2015, PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Further Improvement of Differential Mortgage Loan Policies (《關於進一步完善差別化住房信貸政策有關問題的通知》), according to which, in the cities where no restrictions on house purchase are in force, when a household uses a commercial personal housing mortgage loan to purchase an ordinary residential property as the first home, the minimum down payment shall not be less than 25% of the house price.

On August 27, 2015, MOHURD, MOF and PBOC jointly issued the Notice on Adjustments to the Down Payment of a Housing Provident Fund Loan (《關於調整住房公積金個人住房貸款購房最低首付款比例的通知》), which provides that resident households which already own one residential property with the mortgage loans paid off shall be entitled to a reduced down-payment requirement, from 30% to 20% of the total purchase price, when they re- apply for a housing provident fund loan to purchase a second home. The relevant authorities in Beijing, Shanghai, Guangzhou and Shenzhen shall have the discretion to decide the local down-payment requirement for second-home purchases with housing provident fund loans.

On February 1, 2016, PBOC and CBRC jointly issued The Notice on the Adjustment of Individual Housing Loans Policies (《關於調整個人住房貸款政策有關問題的通知》), which provides that in certain cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners who have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30%.

PROPERTY MANAGEMENT

According to the Regulations on Property Management (《物業管理條例》) issued by the State Council on June 8, 2003, effective from September 1, 2003, amended on August 26, 2007, February 6, 2016 and on March 19, 2018, the State implements a qualification scheme in managing property service enterprises.

Under the Measures for Administration of Qualifications of Property Service Enterprises, the qualifications of property service enterprises shall be classified into class one, class two and class three. The competent construction authorities of the State Council shall be responsible for issuance and administration of the qualification certificates of class one property service enterprises. The competent construction authorities of the People's Governments of provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificates of class two property service enterprises, and the competent departments of real estate of People's Governments of municipalities directly under the Central Government shall be responsible for issuance and administration of the qualification certificates of classes two and three property service enterprises. The competent departments of real estate of the People's Governments of cities divided into districts shall be responsible for the issuance and administration of the qualification certificates of class three property service enterprises.

Property service enterprises with class one qualification may undertake various property management projects. Property service enterprises with class two qualification may undertake property management business for residential projects of less than 300,000 sq.m. and non-residential projects of less than 80,000 sq.m. Property service enterprises with class three qualification may undertake property management business for residential projects of less than 200,000 sq.m. and non-residential projects of less than 50,000 sq.m.

Under the Interim Measures for Offer and Acceptance of Tender Management of Property

Management in Early Stages (《前期物業管理招標投標管理暫行辦法》), which was promulgated by Ministry of Construction on June 26, 2003 and became effective on September 1, 2003, prior to the selection and engagement of property management enterprises by owners of properties and the general meeting of owners of properties, the construction unit of residences and non-residences within the same management area shall select and engage a qualified property management

enterprise through tender. For a project with less than three bidders or small scale residences, the qualified property management enterprise may be selected and engaged by way of an agreement, which is subject to the approval of the real estate administrative departments of the local government at the district or county level where the property is located. Such tenders typically include open tenders and invitational tenders. Where a property management enterprise is selected through a tender, the tender inviter shall complete the work of the tender before obtaining the pre-sale permits for commodity properties.

INTELLECTUAL PROPERTY RIGHTS

China has adopted legislations related to intellectual property rights, including trademarks, patents and copyrights. China is a signatory party to the major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, the Madrid Agreement concerning the International Registration of Marks and Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, the Patent Cooperation Treaty, the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, and the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPs").

Regulations on Trademarks

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

The Trademark Office under SAIC is responsible for the registration and administration of trademarks throughout the country. Trademarks are granted on a term of 10 years. Six months prior to the expiration of the 10-year term, an applicant can renewed the application and reapply for trademark protection.

Under the Trademark Law, any of the following acts may be regarded as an infringement of the exclusive right to use of a registered trademark:

- use of a trademark that is identical with or similar to a registered trademark on the same or similar kind of commodities of the trademark registrant's without the authorization of the trademark registrant;
- sale of commodities infringing upon the exclusive right to use the registered trademark;
- counterfeiting or making, without authorization, representations of a registered trademark, or sale of such representation of a registered trademark; and
- otherwise infringing upon other person's exclusive right to use a registered trademark and cause damages.

Violation of the Trademark Law may result in the imposition of fines, confiscation and destruction of the infringing commodities.

Trademark license agreements must be filed with the Trademark Office under the SAIC and Commerce or its regional counterparts. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

Regulations on Domain Names

The Measures for the Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》) were promulgated by the Ministry of Industry and Information Technology of the PRC on November 5, 2004 and became effective on December 20, 2004. These measures regulate the registration of domain names in Chinese with the Internet country code of ".cn."

The Measures on Top Level Domain Names Dispute Resolution (《中國互聯網路資訊中心國家頂層網域名爭議解決辦法》) were promulgated by the China Internet Network Information Center on November 11, 2014 and became effective on the same date. These measures require domain name disputes to be submitted to institutions authorized by the China Internet Network Information Center for resolution.

The Administrative Measures for Internet Domain Names (《互聯網功能變數名稱管理辦法》) were promulgated by the Ministry of Industry and Information Technology of the PRC on August 24, 2017 and became effective on November 1, 2017. These measures regulate Internet domain name services and related operation, maintenance, supervision and management, and other related activities that are carried out within the territory of the PRC.

On November 7, 2016, the Standing Committee of the 12th National People's Congress promulgated the Network Security Law (《網路安全法》), becoming effective on June 1, 2017, which provides that when running business and services, network operators shall comply with the laws, administrative regulations, respect social morality, abide by professional ethics; operate honestly, and fulfill their obligations to safeguard security in the network; accept supervision by the government and the public, and assume their social responsibilities.

LABOR PROTECTION AND SOCIAL INSURANCE

As our operation is mainly based in China, our PRC subsidiaries are required to comply with Chinese labor- related laws and regulations and provide compensation and other benefits to our employees, such as provision of vocational trainings and contribution to social insurance and housing provident funds.

According to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by NPC on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Law on Labor Contract of the PRC (《中華人民共和國勞動合同法》), which was promulgated by NPC on June 29, 2007 and amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law (《勞動合同法實施條例》) (Order No.535 of the State Council), which was promulgated on September 18, 2008 and became effective since the same day, regulate both parties through a labor contract, namely the employer and the employee, and contain specific

provisions involving the terms of the labor contract. It is stipulated under the Law on Labor Contract and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Pursuant to the Law on Labor Contract, labor contracts concluded prior to the enactment of the said law and subsisting within the validity period of the said law shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the effective date of the Law on Labor Contract law.

The Employment Promotion Law of the PRC (《中華人民共和國就業促進法》), which became effective on January 1, 2008 and amended on April 24, 2015, requires that individuals have equal employment opportunities, both in hiring and in employment terms, without discrimination on the basis of ethnicity, race, gender, religious belief, communicable disease or rural residence. Under this law, enterprises are also required to provide employees with vocational training. Administrative authorities at the county level or above are responsible for implementing policies to promote employment.

According to the Temporary Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees.

The Law on Social Insurance of the PRC (《中華人民共和國社會保險法》) (No.35 of the President), which was promulgated on October 28, 2010 and amended on December 29, 2018, has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated on April 3, 1999, and amended on March 24, 2002 and March 24, 2019, housing provident fund contributions paid up in deposit by an individual employee and housing provident fund contributions paid up in deposit by his or her employer shall belong to the individual employee.

MAJOR TAXES APPLICABLE TO REAL ESTATE DEVELOPERS

Since our revenue is mainly derived from our operations in China, we are subject to Chinese taxation regimes.

Corporate Income Tax

Prior to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》, "new Enterprise Income Tax Law") and its implementation rules that became effective on January 1, 2008,

amended on February 24, 2017 and December 29, 2018, our PRC subsidiaries and joint ventures were generally subject to a 33% corporate income tax. Under the new income tax law, effective from January 1, 2008, a unified corporate income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises, with the exception of those enterprises that enjoyed preferential tax treatment according to laws and regulations before the new Corporate Income Tax Law took effect. However, there will be a five-year transition period for enterprises established before March 16, 2007 and enjoying a preferential income tax rate under the previous tax laws and administrative regulations.

Simultaneously, under the new EIT Law and its implementation rules, enterprises established under the laws of foreign jurisdictions with "de facto management body" located in China are treated as "resident enterprises" for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. Under the implementation rules of the new Corporate Income Tax Law, a "de facto management body" is defined as a body that has real and overall management control over the business, personnel, accounts and properties of an enterprise.

In addition, dividends paid by a PRC subsidiary to its foreign shareholder will be subject to a withholding tax at a rate of 10% unless such foreign investor 's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. According to the tax treaty entered into between the Mainland China and Hong Kong in August 2006, dividends paid by a foreign-invested enterprise in the Mainland China to its shareholders in Hong Kong will be subject to a withholding tax at a rate of 5% if such Hong Kong shareholder directly holds a 25% or more interest in the Mainland China enterprise.

SAT issued the Measures for Handling Corporate Income Tax on Real Estate Development and Operation (《房地產開發經營業務企業所得稅處理辦法》) on March 6, 2009, with retrospective effect from January 1, 2008, and amended on June 16, 2014 and on June 15, 2018. The circular provides that the gross profit margin for tax calculation of the sale of uncompleted development product by an enterprise shall be determined by the state taxation bureau and local taxation bureau of each province, autonomous region and municipality directly under the Central Government pursuant to the following stipulations. For development products located in the city proper and suburbs of cities in which the People's Governments of provinces, autonomous regions, municipalities directly under the Central Government and cities specifically designated in the state plan are located, it shall not be lower than 15%; for development products located in the city proper and suburbs of prefectures or prefecture-level cities, it shall not be lower than 10%; and for development products located in other areas, it shall not be lower than 5%.

On May 12, 2010, SAT issued the Circular on Issues Concerning Conditions for Confirmation of the Completion of Real Estate Development Products (《關於房地產開發企業開發產品完工條件確認問題的通知》), which clarifies the conditions for confirming the completion of real estate development products. According to the circular, regardless of whether the project quality has passed the inspection and acceptance, or whether the completion filing and final accounting procedures have been completed, any real estate development product meeting one of the following conditions shall be deemed as a completed development product: (1) The enterprise starts to process the delivery procedure of the development product (including the check-in procedure); (2) The development product has started to be put into use. The developer shall timely settle the tax costs of the development product, and compute its taxable income of the year.

On January 1, 2008, SAT issued the SAT Circular No. 698, pursuant to which, except for the purchase and sale of equity through a public securities market, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas holding company (an "Indirect Transfer"), and the overseas holding

company is located in a tax jurisdiction that has an effective tax rate of less than 12.5% or does not tax foreign income of its residents, the non-resident enterprise, being the transferor, must report such Indirect Transfer to the competent tax authority relating to the PRC resident enterprise. Using a "substance over form" approach, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such an Indirect Transfer may be subject to PRC tax at a rate of up to 10%. SAT Circular No. 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income in respect of the transaction.

On February 3, 2015, the SAT issued the SAT Circular No. 7, which abolished certain provisions in SAT Circular No. 698 and provided more guidance on a number of issues in the SAT Circular No. 698.

If a non-resident enterprise indirectly transfers assets (including equity interests) in a PRC resident enterprise by entering into arrangements without reasonable commercial purposes but to evade EIT, the nature of this indirect transfer shall be reclassified and recognized as a direct transfer of assets of a PRC resident enterprise. Assets include (i) properties of an establishment or place in the PRC, (ii) real estate in the PRC or (iii) equity investment in a PRC resident enterprise and other assets directly held by such non-resident enterprise and for which the proceeds from the transfer of such assets shall be subject to EIT as specified by the PRC tax laws (collectively the "PRC Taxable Assets"). An indirect transfer of the PRC Taxable Assets refers to transactions with the same or similar substantive results as a direct transfer of the PRC Taxable Assets arising from a transfer by a non-resident enterprise of equity interest or other similar interest in an overseas enterprise (excluding the PRC resident enterprises registered overseas) that directly or indirectly holds the PRC Taxable Assets, including a change in overseas enterprise's shareholders as a result of reorganization of such non-resident enterprise.

The relevant provisions in SAT Circular No. 7 are not applicable if the overall arrangement regarding the indirect transfer of the PRC Taxable Assets meets any of the following circumstances: (1) such non-resident enterprise obtains income from an indirect transfer of PRC Taxable Assets by acquiring and disposing of the equity interests of the same offshore listed company in a public market ("Public Market Safe Harbor"); or (2) such non-resident enterprise directly holds and transfers the PRC Taxable Assets in accordance with applicable tax treaty or arrangement which exempts the transfer from relevant enterprise income tax in the PRC.

If the above exemptions do not apply, transfers of shares by shareholders which are non-resident enterprises may be re-defined and recognized as a direct transfer of the PRC Taxable Assets if it is determined that such arrangements have no reasonable commercial purposes but to evade the EIT.

SAT Circular No. 7 provides that the overall circumstances of such transfer shall be considered and the following relevant factors shall all be analyzed in determining whether an indirect transfer of the PRC Taxable Assets has a reasonable commercial purpose, which should be determined on a case-by-case basis: (1) whether the main value of the equity of the overseas enterprise is, directly or indirectly, sourced from the PRC Taxable Assets; (2) whether the assets of the overseas enterprise are, directly or indirectly, mainly comprised of investments in the PRC, or whether its income is, directly or indirectly, mainly sourced from the PRC; (3) whether the actual functions performed and risks undertaken by the overseas enterprises and its subsidiaries which, directly or indirectly, hold the PRC Taxable Assets can prove the economic substance of the corporate structure; (4) the existence duration of the shareholders, business model and related organizational structure of the

overseas enterprise; (5) the information regarding overseas income tax payment for the indirect transfer of the PRC Taxable Assets; (6) whether the indirect investment or indirect transfer of the PRC Taxable Assets by the equity transferor can be substituted by a direct investment or a direct transfer of the PRC Taxable Assets; (7) the information regarding the tax treaties or tax arrangements applicable to the income from indirect transfer of the PRC Taxable Assets; and (8) other relevant factors.

SAT Circular No. 7 also provides that, unless covered by the exemptions stipulated, an indirect transfer shall be directly deemed to have no reasonable commercial purpose if it meets all the following circumstances ("Deemed Negative Determination"): (1) 75% or more of the equity value of the overseas enterprise is, directly or indirectly, derived from the PRC Taxable Assets; (2) at any time within one year before the indirect transfer of the PRC Taxable Assets, 90% or more of the total assets of the overseas enterprise (not including cash) are, directly or indirectly, comprised of investments in PRC, or 90% or more of the overseas enterprise's income in the year before the indirect transfer of the PRC Taxable Assets is, directly or indirectly, derived from PRC; (3) the overseas enterprise and its subsidiaries which, directly or indirectly, hold the PRC Taxable Assets are incorporated in a country (region) to meet the organizational form as required by law, but actually only perform limited functions and undertake limited risks which are not enough to substantiate their economic substance; and (4) the overseas income tax payable for the indirect transfer of the PRC Taxable Assets outside of the PRC is less than the possible tax burden in the PRC on the direct transfer of the PRC Taxable Assets in the PRC.

SAT Circular No. 7 also provides that an indirect transfer of the PRC Taxable Assets shall be deemed to have reasonable commercial purpose if it meets all the following conditions: (1) parties to the indirect transfer have one of the following equity holding relationships: (a) the transferor, directly or indirectly, holding over 80% equity interest in the transferee; (b) the transferee, directly or indirectly, holding over 80% equity interest in the transferor; or (c) over 80% equity interest in each of the transferee and the transferor is held, directly or indirectly, by the same party. To the extent that the offshore subject company derives directly and indirectly more than 50% of its value from real estate in the PRC, the equity shareholding threshold shall be 100%; for the aforesaid indirect shareholding, the equity interest shall be calculated by multiplying the equity shareholding percentage at each level; (2) The current indirect transfer does not result in a reduction in the PRC income tax payable on the proceeds from subsequent potential indirect transfers of the PRC Taxable Properties; and (3) The transferee pays the consideration for the indirect transfer solely in the form of its equity interest or the equity interest of entities with equity controlling holding relationship (excluding equity interest in publicly listed companies).

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《國家税務總局關於非居民企業所得税源泉扣繳有關問題的公告》, "Announcement No. 37"), which will become effective on December 1, 2017. The Announcement No. 37 shall apply in handling matters relating to the withholding of non-resident enterprise income tax at source in accordance with Article 37, Article 39 and Article 40 of the EIT Law, and shall not apply to the matters relating to the implementation of Article 38 of the EIT Law.

The income from the transfer of property as prescribed in Item (2) of Article 19 of the EIT Law shall include the income from the transfer of equity and other equity investment assets ("Equity"). The balance of the income from the transfer of Equity less the net value of Equity shall be taxable income from the transfer of Equity. Income from transfer of Equity shall refer to the consideration collected by the transferor of Equity for transfer of Equity, including various incomes in the form of currency or in non-currency form.

Net value of Equity refers to the taxable base for obtaining such Equity. Taxable base is the cost of capital actually paid by the Equity transferor to the Chinese resident enterprise when making investment in shares or the cost for accepting the transfer of such Equity actually paid by the Equity transferor to the original transferor when purchasing such Equity. In case of decrease or increase of value of Equity during the period of holding thereof, the net value of the Equity shall be adjusted accordingly if the loss or profits can be confirmed according to the provisions of the competent department of finance or the competent department of taxation of the State Council. In calculating the income from the transfer of Equity, an enterprise shall not deduct the amount that may be distributed based on such Equity from the undistributed profits of the invested enterprise or any other retained earnings of shareholders. Where the same Equity invested or purchased on multiple occasions is transferred in part, the corresponding cost of the transferred Equity shall be determined according to the proportion thereof in the total cost of such Equity.

Where amount paid or payable when due by the withholding agent is paid or denominated in a currency other than Renminbi, the foreign currency shall be converted respectively according to the following circumstances: (i) Where the withholding agent withholds the enterprise income tax, the taxable income of the non-resident enterprise shall be calculated by conversion into Renminbi according to the RMB central parity rate on the date of occurrence of the withholding obligation. The date of occurrence of the withholding obligation shall be the date when relevant amount is actually paid or payable when due. (ii) Where the non-resident enterprise that has obtained income voluntarily declares and pays the amount of the tax to be withheld at source before the competent tax authority orders it to pay the tax within a specified time limit, the taxable income of the non-resident enterprise shall be calculated by conversion into Renminbi according to the RMB central parity rate on the date immediately prior to the date when the tax payment voucher is issued. (iii) Where the competent tax authority orders the non-resident enterprise that has obtained income to pay within a specified time limit the tax that should be withheld at source, the taxable income of the non-resident enterprise shall be calculated by conversion into Renminbi according to the RMB central parity rate on the date immediately prior to the date when the competent tax authority makes the decision on payment of the tax within the specified time limit.

In the case the income from the transfer of property or the net value of property denominated in a currency other than Renminbi, based on the three circumstances respectively, i.e., withholding of the tax by the withholding agent, declaration and payment of tax by the taxpayer voluntarily and order by the competent tax authority to pay tax within a specified time limit, the amount of the item denominated in a currency other than Renminbi shall be converted into the amount in RMB by referring to the provision of Article 4 of this Announcement and then taxable income of the non-resident enterprise from transfer of property shall be calculated according to Item (2) of Article 19 of the EIT Law and other relevant provisions. The currency for denominating the net value of property or the income from transfer of property shall be determined according to the currency denominating the payment actually made or collected when the property is obtained or transferred. Where the circulation of the original currency denominating the payment is stopped and new currency is put into use, calculation shall be made after the original currency is converted into new currency according to the market rate of converting the original currency into new currency.

Where the withholding agent and the non-resident enterprise enter into a business contract relating to the income specified in Paragraph 3 of Article 3 of the EIT Law, the tax required to be withheld shall be calculated and paid by converting the tax-exclusive income obtained by the non-resident enterprise into the tax-inclusive income, provided that it is agreed in the contract that the withholding agent shall actually bear the payable tax.

Where the income obtained by the withholding agent and required to be withheld at source is in the form of dividends, extra dividends or any other equity investment gains, the date of occurrence of the obligation for withholding relevant payable tax is the date of actual payment of the dividends, extra dividends or other equity investment gains.

Where the non-resident enterprise receives in installments the income subject to withholding of tax at source from the same transfer of property, the amount received thereby in installments can be deemed as the recovered cost of the property invested previously and the withholding tax shall be calculated and paid after the recovery of the cost in full.

Business Tax

Pursuant to the Notice on Adjustment of Transforming Business Tax to Appreciation Tax (《關於全面推開營業税改徵增值税試點的通知》) (Cai Shui [2016] No. 36) issued on March 23, 2016 and implemented on May 1, 2016, and amended on July 11, 2017 by the MOF and the SAT, the pilot program of replacing business tax with appreciation tax shall be implemented nationwide effective from May 1, 2016 and all business tax payers in industry areas, including construction, real estate, finance and consumer service, shall be included in the scope of the pilot program and pay appreciation tax instead of business tax. According to the said regulation, the sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by common taxpayer among real estate developers shall be subject to a simple tax rate of 5%, whereas, for self-developed real estate after May 1, 2016 by common taxpayer among real estate developers shall be subject to a general method tax rate of 5%. Moreover, real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving the advance payment.

Land Appreciation Tax (LAT)

Under the Interim Regulations on Land Appreciation Tax of the PRC (《中華人民共和國土地增值税暫行條例》) promulgated by the State Council on December 13, 1993 and effective from January 1, 1994, and revised on January 8, 2011 as well as its implementation rules issued on January 27, 1995, land appreciation tax is payable on the appreciation value derived from the transfer of land use rights and buildings or other facilities on such land, after deducting the "deductible items" that include the followings:

- Payment made to acquire land use rights;
- Costs and charges incurred in connection with land development;
- Construction costs and charges for newly constructed buildings and facilities, or assessed value for old buildings and facilities;
- Taxes in connection with the transfer of real estates; and
- Other deductible items allowed by MOF.

The land appreciation tax shall adopt four levels of progressive tax rates, ranging from 30% to 60% of the appreciation value as follows:

Appreciation value	LAT rate
Portion not exceeding 50% of deductible items	30%
Portion over 50% but not more than 100% of deductible items	40%
Portion over 100% but not more than 200% of deductible items	50%
Portion over 200% of deductible items	60%

Exemption from LAT is available to the following cases:

- Taxpayers constructing ordinary residential properties for sale, where the appreciation amount does not exceed 20% of the sum of deductible items;
- Real estates taken over or recovered according to laws due to the construction needs of the State;
- Relocation due to the need of city planning and national construction;
- Due to redeployment of work or improvement of living standard, transfer by individuals of originally self-occupied residential properties after five years or more of self-residence with the approval of the tax authorities.

SAT issued the Circular on Careful Management of Land Appreciation Tax Collection (《關於認真做好土地增值稅徵收管理工作的通知》) on July 10, 2002 to require local authorities to optimize the withholding methods of LAT. This requirement is restated in the Circular of SAT on Further Strengthening Administration Work in Relation to the Collection of Urban Land Use Tax and Land Appreciation Tax (《國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知》) issued on August 5, 2004 by SAT. On December 28, 2006, SAT promulgated the (Circular Concerning the Administration of Settlement of Land Appreciation Tax Imposed on Real Estate Developers (《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 from February 1, 2007 and amended on June 15, 2018. Starting from February 1, 2007, real estate developers shall settle the LAT in connection with their real estate development projects with the competent tax bureau at applicable tax rates. LAT shall be settled on the basis of the real estate development projects examined and approved by the relevant authority, and projects developed in phases shall be settled on the basis of the project phase.

LAT must be paid if a project meets any one of the following requirements:

- The real estate development project has been completed and sold out;
- The entire uncompleted and unsettled development project has been transferred; or
- The land use right of the relevant project has been transferred.

In addition, the competent tax authorities may require a real estate developer to settle the LAT in any one of the following circumstances:

- For completed real estate development projects, the transferred GFA represents more than 85% of the total saleable GFA, or if the proportion is less than 85%, the remaining saleable GFA has been leased out or used by the developer;
- The project has not been sold out three years after obtaining the sale or pre-sale permit;
- The developer applies for cancellation of tax registration without having settled the LAT; or

- Other conditions stipulated by the provincial tax authorities.

The provincial tax authorities will, taking into account of the local practical conditions, stipulate specific rules or measures on the management of the LAT settlement as required by the circular.

SAT issued the Circular on the Publication of the Administrative Rules for the Settlement of Land Appreciation Tax (《關於印發〈土地增值稅清算管理規程〉的通知》) on May 12, 2009, effective from June 1, 2009 and amended on July 7, 2016, which reiterated the above standards and requirements in the circular. On May 19, 2010, SAT issued the Circular on Issues Concerning Settlement of Land Appreciation Tax (《關於土地增值稅清算有關問題的通知》), which clarifies the revenue recognition in the settlement of land appreciation tax and other relevant issues. According to the circular, in the settlement of land appreciation tax, if the sales invoices of commodity housing are issued in full, the revenue shall be recognized based on the amount indicated in the invoices; if sales invoices are not issued or are issued in part, the revenue shall be recognized based on the purchase price and other income indicated in the sales contract signed by both parties. If the area of a commodity housing specified in a sales contract is inconsistent with the actual area measured by the relevant authorities and the purchase price has already been made up or returned before the settlement of land appreciation tax, adjustments shall be made in the calculation of land appreciation tax. The circular provides that the deed tax paid by a real estate developer for obtaining land use right shall be treated as the "relevant fees paid in accordance with the uniform regulations of the State" and be deducted as the "amount paid for obtaining land use right".

On May 25, 2010, SAT published the Circular on Strengthening the Collection and Administration of Land Appreciation Tax (《關於加強土地增值稅徵管工作的通知》) to require all local governments to scientifically formulate the withholding tax rate and strengthen the withholding of land appreciation tax. According to the circular, all local governments shall make adjustments to the current withholding rate. Apart from indemnificatory housing, the withholding rate of provinces in the eastern region shall not be lower than 2%, the provinces in the central and northeastern region shall not be lower than 1.5% and the provinces in western region shall not be lower than 1%. The local governments shall determine the appropriate withholding rates applicable to different types of real estates.

Pursuant to the Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers (《房地產開發企業銷售自行開發的房地產項目增值稅增收管理暫行辦法》) issued on March 31, 2016, implemented on May 1, 2016 and amended on June 15, 2018 by SAT, the real estate developer which sell self-developed real estate projects shall pay the appreciation tax ("VAT"). VAT is payable by taxpayers in the calendar month immediately following receipt of the presale proceeds of self- developed real estates in accordance with the following formula: VAT = prepayments ÷ (1+ applicable taxable rate or levy rate) × 3%. Where the method of general VAT taxation is applicable, the applicable taxable rate is 11%, and where the method of simplified VAT taxation is applicable, the levy rate is 5%.

Deed Tax

Under the Interim Regulations on Deed Tax of the PRC (2019 Amendment) (《中華人民共和國契税暫行條例(2019修正)》) promulgated by the State Council on July 7, 1997 and effective from October 1, 1997, and amended on March 2, 2019, deed tax is chargeable to transferees of land use right and/or ownership of real estates in the PRC. These taxable transfers include:

- Grant of state-owned land use rights;
- Sale, gift and exchange of land use rights; and
- Sale, gift and exchange of buildings.

Deed tax rate is from 3% to 5% subject to determination by local governments at the provincial level in light of the local conditions.

On September 29, 2010, SAT, MOF and MOHURD issued the Circular on Adjusting the Preferential Policies on Deed Tax and Individual Income Tax in Real Estate Deals (《關於調整房地產交易環節契税個人所得税優惠政策的通知》), effective from October 1, 2010, which provides that where an individual purchases an ordinary house as the sole house for his/her family (family members include the purchaser and his/her spouse and minor children, hereinafter the same) to live in, deed tax thereon shall be reduced by half. Where an individual purchases an ordinary house of 90 sq.m. or less as the sole house for his/her family to live in, the deed tax shall be reduced and levied at the rate of 1%. The tax authority shall inquire about the deed tax payment record of a taxpayer. In respect of individual purchase of an ordinary house that fails to satisfy the above requirements, no preferential tax policies set out above may be enjoyed.

Pursuant to the Notice on Adjustment of Preferential Treatment Policies in Respect of Deed Tax and Business Tax on Real Estate Transactions (《關於調整房地產交易環節契税、營業税優惠政策的通知》) promulgated by MOF, SAT and MOHURD on February 17, 2016 and became effective on February 22, 2016, the rate of deed tax payable for real estate transactions is adjusted downward as follows:

- for an individual purchasing the only residential property for his/her household, the rate of deed tax is adjusted downward to 1% for a property of 90 sq.m. or less and to 1.5% for a property of more than 90 sq.m.; and
- for an individual purchasing the second residential property for his/her household to improve the living conditions, the rate of deed tax is reduced to 1% for a property less than 90 sq.m. or less and to 2% for a property of more than 90 sq.m.

Beijing, Shanghai, Guangzhou and Shenzhen are not subject to the above deed tax preferential treatment policies temporarily.

Urban Land Use Tax

Pursuant to the Interim Regulations on Urban Land Use Tax of the PRC (《中華人民共和國城鎮土地使用税暫行條例》) promulgated by the State Council on September 27, 1988, revised on December 7, 2013 and March 2, 2019, the urban land use tax is levied based on the area of the relevant land. As of January 1, 2007, the annual tax on each sq.m. of urban land shall be between RMB0.6 and RMB30.0.

Real Estate Tax

Under the Interim Regulations on Real Estate Tax of the PRC (《中華人民共和國房產税暫行條例》) promulgated by the State Council on September 15, 1986, effective from October 1, 1986 and amended on January 8, 2011, the real estate tax is 1.2% if calculated on the basis of the residual value of the real estate and 12% if calculated on the basis of the rental of the real estate.

Stamp Duty

Under the Interim Regulations on Stamp Duty of the PRC (《中華人民共和國印花税暫行條例》) promulgated by the State Council on August 6, 1988, effective from October 1, 1988 and amended on January 8, 2011, for transfer instruments of property rights, including those in respect of property ownership transfer, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including real estate title certificates and certificates of land use right, stamp duty is levied on an item-by-item basis of RMB5.0 per item.

Urban Maintenance and Construction Tax

Under the Interim Regulations on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設税暫行條例》) promulgated by the State Council on February 8, 1985 and amended on January 8, 2011, starting from 1985, any taxpayer of product tax, value-added tax or business tax, whether an enterprise or an individual, is liable for an urban maintenance and construction tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area, county or town.

On October 18, 2010, the State Council issued the Circular on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested.

Enterprises and Individuals

(《關於統一內外資企業和個人城市維護建設税和教育費附加制度的通知》), which provides that, starting from December 1, 2010, the "Interim Regulations on Urban Maintenance and Construction Tax of the People's Republic of China" promulgated in 1985 shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners. Laws, regulations, rules and policies on urban maintenance and construction tax promulgated by the State Council and the competent finance and tax authorities under the State Council since 1985 shall also be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated by the State Council on April 28, 1986 and revised on June 7, 1990, August 20, 2005 and January 8, 2011, any taxpayer of value-added tax, business tax or consumption tax, whether an individual or an enterprise, is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Circular 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》).

On October 18, 2010, the State Council issued the Circular on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals, which provides that, starting from December 1, 2010, the Interim Provisions on Imposition of Education Surcharge promulgated in 1986 shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners. Laws, regulations, rules and policies on education surcharge promulgated by the State Council and the

competent finance and tax authorities under the State Council since 1986 shall also be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

FOREIGN EXCHANGE CONTROL

As the Company, incorporated in the Cayman Islands with limited liabilities, is a foreign investor under Chinese laws, we are subject to foreign currency regulations that are related to capital contribution and repatriation of dividends and other proceeds.

General Regulations

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange control and is not freely convertible into foreign exchange at the time being. SAFE, under the authority of PBOC, is empowered to administer all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was used for the management of foreign exchange in the PRC. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE before it could convert the Renminbi into foreign currency through the Bank of China or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis.

On December 28, 1993, PBOC, under the authority of the State Council, promulgated the Circular of the People's Bank of China Concerning Further Reform of the Foreign Currency Control System (《中國人民銀行關於進一步改革外匯管理體制的公告》), effective from January 1, 1994 (abolished on August 28, 2009). The circular announced the abolition of the foreign exchange quota system, the implementation of conditional conversion of RMB in current account items, the establishment of the system of settlement and payment of foreign exchange by banks and the unification of the official Renminbi exchange rate and the Renminbi market rate established by swap centers.

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》, the "Administrative Regulations on Foreign Exchange") which became effective from April 1, 1996 and was subsequently amended on January 14, 1997 and August 5, 2008. The Administrative Regulations on Foreign Exchange classifies all international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE's approval while capital account items are still subject to its approval.

On June 20, 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on the convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

The Administrative Regulations on Foreign Exchange was amended by the State Council on August 1, 2008 and became effective on August 5, 2008. Under the revised Administrative Regulations on Foreign Exchange, the compulsory settlement of foreign exchange is dropped. As long as the foreign exchange income and expenses under the current accounts are based upon real and legal transactions, the foreign exchange income generated from current account transactions may be retained or sold by individuals and entities to financial institutions engaged in foreign currency settlement and sale according to the provisions and terms to be set forth by SAFE. Whether to retain or sell the foreign exchange income generated from capital account transactions to

financial institutions engaged in foreign currency settlement and sale is subject to the approval of SAFE or its branches, except otherwise stipulated by the State. Foreign exchange or Renminbi funds for settlement under the capital account must be used in the way as approved by SAFE and its branches, and SAFE and its branches are empowered to supervise the use of the foreign exchange or Renminbi funds for settlement under the capital account and the alterations of the capital accounts.

According to the SAFE Notice 19, for actual needs of business operation, foreign invested enterprises may convert their foreign currency capital into Renminbi at their own discretions. The ratio of the discretionary settlement of foreign currency capital of foreign enterprises is tentatively set at 100%, which is subject to adjustment by SAFE in accordance with the status of international balance of payment. In addition, the foreign currency registered capital of a foreign-invested enterprise that has been settled in Renminbi may only be used for purposes within the business scope approved by the applicable governmental authority and shall not be used for the following purposes: (i) directly or indirectly used for expenditures prohibited by the laws and regulations or beyond the enterprise's business scope; (ii) directly or indirectly used for securities investments unless otherwise specified by laws and regulations; (iii) directly or indirectly used for providing Renminbi entrusted loans (unless permitted in the business scope), repaying loans between enterprises (including third party cash advance), or repaying bank loans it has obtained and on-lent to third parties; (iv) used to purchase non-self-use real estate, except for foreign invested real estate enterprises. Furthermore, foreign invested enterprises whose main business is investment are allowed to directly settle their foreign currency capital and transfer that amount into the account of the enterprise being invested, provided that the domestic investment project is real and compliant. For an ordinary foreign invested enterprise intending to engage in domestic equity investment using Renminbi settled from foreign currency capital, Circular 19 stipulates that the enterprise being invested shall first complete a domestic reinvestment registration and open a foreign currency settlement account with local foreign exchange authority (bank), after which the investing enterprise may transfer the Renminbi settled (consisting of the actual amount of the investment) to the account opened by the enterprise being invested.

Renminbi Exchange Rate Regulations

On January 1, 1994, the dual exchange rate system for Renminbi was abolished and replaced by a single controlled floating exchange rate system, which was based on market demand and supply. Pursuant to such system, PBOC set and published the daily Renminbi-US dollar exchange rate. Such exchange rate was determined with reference to the transaction price for RMB-US dollar in the inter-bank foreign exchange market on the previous day. PBOC would also, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of the Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by PBOC.

On July 21, 2005, PBOC announced that, beginning from July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar only. PBOC will announce the closing price of the Renminbi exchange rate, such as the trading price of US dollar against RMB, in the inter- bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of Renminbi on the following business day.

Foreign Exchange Registration of Offshore Special Purpose Companies

On October 21, 2005, SAFE issued the Circular on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Round-trip Investment Activities of Domestic Residents

Conducted via Offshore Special Purpose Companies (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》, "No. 75 Circular"), which became effective on November 1, 2005. According to the circular, a "special purpose company" refers to an offshore company established or indirectly controlled by a PRC resident for the purpose of carrying out offshore financing with his/her assets or equity interest in a domestic enterprise. Prior to establishing or controlling such a special purpose company, each PRC resident must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch.

SAFE issued the Circular on Further Improving and Adjusting the Direct Investment Foreign Exchange Administration Policies (《關於進一步改進和調整直接投資外匯管理政策的通知》) on November 19, 2012, effective on December 17, 2012 and amended on May 4, 2015. The circular contains an attachment which made specific provisions on the implementation of various matters, including the foreign exchange registration and alteration of special purpose company, establishment of special purpose company and merger and acquisition of domestic enterprises, as well as foreign exchange registration of newly-established foreign-invested enterprises and merger and acquisition of domestic enterprises by foreign-invested enterprises.

On July 4, 2014, SAFE issued the Circular on Issues Relating to the Administration of Foreign Exchange in Overseas Investment, Fund-raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore 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》, "No. 37 Circular") to further simplify and facilitate the cross-border capital transactions involved in the investment and financing activities carried out by domestic residents through special purpose companies, which became effective on the date of promulgation. According to the No. 37 Circular, a "special purpose company" refers to an offshore company that are directly established or indirectly controlled for the purpose of investment and financing by Mainland China residents (including Mainland China institutions and Mainland China individuals) with their legitimate holdings of the assets or interests in Mainland China enterprises, or their legitimate holdings of overseas assets or interests. Prior to making contribution to a special purpose company with legitimate holdings of domestic or overseas assets or interests, a Mainland China resident shall apply to the relevant local SAFE branch for foreign exchange registration of overseas investment. The No. 75 Circular was repealed on the effective date of the No. 37 Circular.

On February 13, 2015, SAFE issued the Circular on Issues Relating to the Policies of the Foreign Exchange Administration in 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》, "No. 13 Circular"), which came into effect on June 1, 2015, to further simplify the procedures of foreign exchange administration applicable to direct investment. According to the No. 13 Circular, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment including the foreign exchange registration under the No. 37 Circular.

On January 26, 2017, SAFE issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving Authenticity and Compliance Review (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》, "Notice No. 3"), becoming effective on the same date, which aims to further deepening the reform of foreign exchange administration, streamlining policies and delegating authority, supporting the development of the real economy, promoting trade and investment facilitation, and establishing and improving a capital flow management system under the macro- prudent management framework. The Notice No. 3 provides that funds under overseas loans secured by domestic guarantees shall be allowed to be repatriated to the Mainland for use. A debtor may directly or indirectly repatriate the funds under guarantee to the Mainland for use by way of

disbursing loans in the Mainland, equity investment, etc. The model of full-coverage RMB and foreign currency overseas lending management shall be adopted. Where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

Special Foreign Exchange Regulations on Real Estate Enterprises

On September 1, 2006, SAFE and Ministry of Construction jointly issued the Circular on Regulating Issues Relevant to Administration of Foreign Exchange in the Real Estate Market (《關於規範房地產市場外匯管理有關問題的通知》) (amended on May 4, 2015). The circular provides that:

- where a FIREE fails to obtain a state-owned land use right certificate or to make its capital fund for a development project reach 35% of the total investment to the project, the foreign exchange bureau shall not register the foreign debt or approve the settlement of foreign debt;
- where a foreign institution or individual acquires a domestic real estate enterprise but fails to pay the transfer price in a lump sum with its (his) own fund, the foreign exchange bureau shall not register the foreign exchange income from the transfer of equities;
- the domestic and foreign investors of a FIREE shall not reach an agreement including any clauses which promise a fixed return or fixed revenue in any disguised form to any party, otherwise the foreign exchange bureau will not handle the foreign exchange registration or registration alteration for the foreign-invested enterprise; and
- the funds in the foreign exchange account exclusive for foreign investors opened by a foreign institution or individual in a domestic bank shall not be used for real estate development or operation. The circular also provides for the foreign exchange handling process related to the purchase and sale of commodity houses in the PRC by branches of overseas institutions established in the PRC, overseas individuals, Hong Kong, Macao or Taiwan residents and overseas Chinese.

FOREIGN INVESTMENT AND ACQUISITION

As the Company, incorporated in the Cayman Islands with limited liabilities, is a foreign investor under Chinese laws, all of its PRC subsidiaries are foreign-invested enterprises. We are therefore subject to laws and regulations relating to foreign investment in China.

According to the Provisions on the Mergers and Acquisitions 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 amended on June 22, 2009 and December 29, 2018, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity interests of a domestic enterprise or subscribes to the increased capital of a domestic enterprises in order to convert the domestic enterprise into a foreign-invested enterprise; or (ii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets, or purchases the assets of a domestic enterprise and invests such assets to establish a foreign-invested enterprise. Furthermore, under the M&A Provisions, foreign acquisitions under specified circumstances shall be subject to the approval of MOFCOM, rather than local commercial authorities and such requirement shall not be evaded by domestic investment of a foreign-invested enterprise or by any other means. According to the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》, the "MOFCOM order 2016 No. 3") promulgated by MOFCOM on October 8, 2016, effective on the same date, revised on

July 30, 2017 and amended again on June 29, 2018, as long as the special market entry management measures prescribed by the State are not involved, a non-foreign-invested enterprise is changed into a foreign-invested enterprise through merger and acquisition, combination by absorption or any other method and a foreign investor makes strategic investment in a non-foreign-invested listed company may fall within the record-filing scope as well.

DIVIDEND DISTRIBUTION

According to the Company Law of the PRC (《中華人民共和國公司法》), the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》) and its Implementing Regulations, sino-foreign equity joint venture enterprises, or EJVs, in China may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. After making up for any deficit in prior years pursuant to the PRC laws, an EJV in China is required to set aside each year as general reserves at least 10% of its after-tax profit, determined in accordance with PRC accounting standards and regulations, until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends.

The shareholders of an EJV may, in their discretion, allocate a portion of the enterprise's after-tax profit to such enterprise's staff welfare and bonus funds. EJVs that are in deficit or liquidation may not distribute dividends.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) and its Implementing Regulations became effective on January 1, 2020, the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》) and its Implementing Regulations were revoked on the same date.

Sino-foreign equity joint venture enterprises, or EJVs, established in accordance with the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC prior to the implementation of the Foreign Investment Law may adjust their organizational forms, organizational structures, and among other, within five years after the implementation of the Foreign Investment Law pursuant to the Company Law of the PRC, the Partnership Enterprise Law of the PRC and other relevant laws and go through change of registration procedures pursuant to the law. Alternatively, they may choose to retain their current organizational forms, organizational structures, etc.

After the organizational forms, organizational structures, and among others, of Existing Foreign-invested Enterprises have been adjusted pursuant to the law, existing parties to Sino-foreign equity or cooperative joint ventures may continue to handle relevant matters according to the method of equity or interest transfer, the method of income distribution, the method of surplus assets distribution, and among others, agreed in the relevant contracts.

With effect from January 1, 2025, as regards an existing Foreign-invested Enterprise that fails to adjust its organizational form, organizational structure, and among others, pursuant to the law and go through change of registration procedures, the relevant administration for market regulation shall not process other registration matters applied for by the said enterprise, and shall make public relevant circumstances.

Our board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of the members of our board:

Name	Age	Position
Mr. Ou Zonghong	51	Chairman, Executive Director and Chief Executive Officer
Ms. Yu Lijuan.....	39	Executive Director
Ms. Zeng Feiyan	45	Executive Director
Mr. Ruan Youzhi	45	Executive Director
Mr. Zhang Lixin	42	Executive Director and Chief Financial Officer
Ms. Chen Shucui	46	Non-executive Director
Mr. Ren Yunan	45	Independent Non-executive Director
Mr. Qu Wenzhou	48	Independent Non-executive Director
Mr. Ruan Weifeng.....	43	Independent Non-executive Director
Mr. Yu Zuoyi.....	46	Joint Company Secretaries
Ms. Ng Wing Shan	43	Joint Company Secretaries

Executive Directors

Mr. Ou Zonghong, aged 51, is the founder of our Group. Mr. Ou has been a Director since September 11, 2014, the Chairman of the Board since December 1, 2014 and was re-designated as our Executive Director and appointed as our Chief Executive Officer on December 15, 2014. Mr. Ou is primarily responsible for the overall development strategy and daily operation of our Group. He has more than 20 years of experience in the property development and construction industries. Mr. Ou established Putian Transport Engineering Company Limited on August 1, 1995, which engaged in the construction of motorways. On April 20, 2000, Mr. Ou started his engagement with the property related business and established Putian Transport and Real Estate Development Company Limited. On September 23, 2003, Mr. Ou established Rongxin Fujian (formerly known as Fujian Rongxin Real Estate Development Company Limited). Mr. Ou has been a director of Renmin University of China since October 18, 2011. Mr. Ou has also been the managing vice president of the Federation of Fujian Enterprise and Entrepreneur Association since April 2012. Mr. Ou has also assumed various positions in the subsidiaries of our Company, including being the sole director of Rongda Company Limited since September 11,2014, the sole director of Rongtai Company Limited since September 26, 2014, a director of Rongxin Fujian since September 23, 2003, a director of Rongxin (Zhangzhou) Property Company Limited from January 7, 2011 to February 1, 2013 and a director of Fujian Rongshengmei Business Information Consultancy Company Limited since October 28, 2014. Mr. Ou was awarded membership within the fourteenth and fifteenth sessions of the Excellent Entrepreneurs of Fujian in December 2011 and June 2014, respectively. He also received the Silver Award of the Ten Young Entrepreneurs of Fujian in April 2008.

Ms. Yu Lijuan, aged 39, was appointed as an Executive Director on March 22, 2019. Ms. Yu possesses extensive experience in real estate development and management, having been engaged in the real estate industry for 15 years. Ms. Yu first joined the Group in September 2017, and she has since served in various positions within the Group, including as the marketing director of the Group, as the deputy general manager responsible for the East China region for the Company and as the general manager responsible for the Hangzhou region for the Company. Ms. Yu is currently the vice president of the Group, and concurrently serves as the president of division 1 and division 3 within the Group. Ms. Yu graduated from Fuzhou University (福州大學) with a bachelor's degree in

administrative management in 2004. In November 2018, Ms. Yu was awarded "Top Ten Outstanding Professional Managers of Zhejiang Province for 2018 (2018年度浙江省十大傑出職業經理人)".

Ms. Zeng Feiyan, aged 45, has been an Executive Director since July 27, 2015. She joined our Group in August 2013. Ms. Zeng was the joint company secretary of the Company from December 15, 2014 to February 20, 2019. She is primarily responsible for the financial affairs and company secretarial matters of our Group. Before joining our Group, Ms. Zeng Feiyan has more than 10 years of finance-related experiences in various entities. Ms. Zeng Feiyan had served as the manager of the operation and financial management center and the vice director of the supervisory committee of Hopson Development Holdings Limited (a property development company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 754) from May 2003 to October 2007. She was the vice general manager responsible for finance and investment management of Guangdong Pearl River Investment Management Group Company Limited (a company principally engaged in the investment in energy and infrastructure projects) from October 2007 to September 2011, and the vice president and secretary of the board of directors of Cnhomeland Environmental Co., Ltd. (an environmental-protection company engaged in the provision of environmental solutions services) from September 2011 to August 2013. Ms. Zeng Feiyan has been a certified public accountant authorized by the Institute of Certified Public Accountants of Guangdong Province since January 7, 2003. She has also been a senior economist as credentialed by the Senior Professional Titles Evaluation Committee of Dezhou Private Economic Organizations since September 26, 2013 and a Registered Tax Agents authorized by the Certified Tax Agents Association of Guangdong Province since December 13, 2011. Ms. Zeng Feiyan graduated from Changsha Communication College (now known as Changsha University of Science and Technology) in Changsha, Hunan province in June 1998 where she obtained a bachelor's degree in accounting. Ms. Zeng Feiyan graduated from Guanghua School of Management of Peking University with an executive master of business administration in 2016.

Mr. Ruan Youzhi, aged 45, graduated from Fujian Normal University in July 2005 with a bachelor's degree in Chinese literature. Mr. Ruan currently serves as the vice president of the Company and is mainly responsible for managing the Company's investments and public relations. From August 1997 to August 2001, Mr. Ruan taught at Xianyou Fengjiang Middle School. From March 2003 to May 2008, he was the reporter for Straits News. Since joining the Company in June 2008, Mr. Ruan successively worked as the director of the President Office, the general manager of the brand center, the general manager of the investment development center, the assistant to the chairman of the Board and the vice president of the Company.

Mr. Zhang Lixin, aged 42, graduated from Dongbei University of Finance and Economics in July 2001 with a bachelor's degree in Management. He further obtained a master degree of Economics (Regional Economics) in April 2004. Mr. Zhang has extensive experience in the financial management. From April 2003 to September 2007, Mr. Zhang held various positions, as the finance supervisor, deputy finance manager and finance manager within a subsidiary of Dalian Wanda Group. From September 2009 to April 2012, Mr. Zhang served initially as the deputy finance manager and subsequently as the chief financial officer in the business department of Shanghai Greenland Holdings Corporation Limited. From May 2012 to August 2015, he was the general manager of the financial management center within Hailiang International Holdings Limited. From August 2015 to January 2019, Mr. Zhang was the general manager of the Company's finance center. Currently, Mr. Zhang is the chief financial officer and is primary responsible for the financial affairs of the Company.

Non-executive Director

Ms. Chen Shucui, aged 46, has been our Non-executive Director since June 18, 2018. She is primarily responsible for supervising and providing independent judgment to the Board. Ms. Chen graduated from Hebei University of Economics and Business (河北經貿大學) in the PRC, where she obtained a bachelor degree of trade economics in June 1997. She further obtained a master degree of currency banking from Xiamen University (廈門大學) in October 2000. Ms. Chen has over 20 years of experience in asset management and securities trading. She has been the general manager assistant of China Everwin Asset Management Co., Ltd. (華夏久盈資產管理有限責任公司) since June 2017. She is also currently serving as an independent director of the board at Xinhu Zhongbao Co., Ltd. at Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司) since June 2018, a company listed on the Shanghai Stock Exchange (stock code: 600208). From July 1997 to November 2006, Ms. Chan was the general manager assistant of (i) the sales department in Beijing and (ii) the securities and asset management department in Hebei of Hebei Securities Co., Ltd. (河北證券有限責任公司). From December 2006 to April 2009, she was serving as the deputy general manager at the securities investment department of New Times Securities Co., Ltd. (新時代證券有限責任公司). From April 2009 to February 2013, Ms. Chen has been serving a number of positions in Huarong Securities Co., Ltd. (華融證券股份有限公司), including (i) deputy general manager of the asset management department and (ii) deputy general manager of its futures intermediate business. From February 2013 to December 2016, she was the general manager of the securities investment department of Dongxing Securities Co., Ltd. (東興證券股份有限公司). From December 2016 to June 2017, Ms. Chen was the assistant to the president of New Times Trust Co., Ltd. (新時代信託股份有限公司).

Independent Non-executive Directors

Mr. Ren Yunan, aged 45, has been our Independent Non-executive Director since January 13, 2016. He is primarily responsible for supervising and providing independent judgment to the Board. Mr. Ren Yunan obtained a bachelor degree in law from Peking University in Beijing in July 1997 and a master's degree in law from Harvard University in the United States in June 1999. Mr. Ren Yunan has been qualified to practice law in New York since March 2000 and is also admitted to practice in Hong Kong since March 2003.

Mr. Ren currently holds or has in the past three years held directorship in several listed companies, including those set out below:

Name of entity	Principal business	Place of listing and stock code	Position and period of time
Prosperous Future Holdings Limited (formerly known as China Childcare Corporation Limited)	a company principally engaged in the design and provision of children care products	listed on the Main Board of the Stock Exchange (stock code: 1259)	an independent nonexecutive director from February 2011 to October 2015 and a non-executive director from October 2015 to April 2018
Labixiaoxin Snacks Group Limited	a snack food provider	listed on the Main Board of the Stock Exchange (stock code: 1262)	a non-executive director from February 2015 to May 2017

Name of entity	Principal business	Place of listing and stock code	Position and period of time
SPI Energy Co., Ltd. (formerly known as Solar Power, Inc.)	a photovoltaic project developer	shares are traded on the NASDAQ in the U.S. (stock code: SPI)	an independent director from April 2015 to May 2017
International Entertainment Corporation	a hotel and entertainment company in the Philippines	listed on the Main Board of the Stock Exchange (stock code: 1009)	an independent nonexecutive director from May 2017 to July 2018
OKG Technology Holdings Limited (formerly known as LEAP Holdings Group Limited)	an investment holding company, which together with its subsidiaries is principally engaged in provision of foundation works and ancillary services, construction wastes handling, investments in securities and money lending business	listed on the Main Board of the Stock Exchange (stock code: 1499)	an executive director, chairman of the board and the chief executive officer since July 2018

Mr. Qu Wenzhou, aged 48, has been our Independent Non-executive Director since January 13, 2016. He is primarily responsible for supervising and providing independent judgment to the Board. Mr. Qu served as a professor of Business Management of Xiamen University since 2005.

Mr. Qu Wenzhou has served as an independent non-executive director or independent director in several listed companies, including those set out below:

Name of entity	Principal business	Place of listing and stock code	Position and period of time
Mingfa Group (International) Company Limited	a property development company	listed on the Main Board of the Hong Kong Stock Exchange (stock code: 846)	an independent non-executive director and chairman of the audit committee from August 19, 2010 to September 4, 2018
Fujian Cosunter Pharmaceutical Co., Ltd ...	a pharmaceutical company	listed on the Shenzhen Stock Exchange (stock code: 300436)	an independent director since December 2, 2014
Guangdong Baolihua New Energy Stock Co., Ltd	an energy company	listed on the Shenzhen Stock Exchange (stock code: 000690)	an independent director since March 24, 2015

Name of entity	Principal business	Place of listing and stock code	Position and period of time
Fujian Septwolves Industry Co., Ltd	a fashion design and manufacturing company	listed on the Shenzhen stock exchange (stock code: 002029)	an independent director since July 8, 2016
Geo-Jade Petroleum Corporation.....	a petroleum company	listed on the Shanghai stock exchange (stock code: 600759)	an independent director since July 27, 2016
China Merchants Sheko Industrial Zone Holdings .	a China-based company principally engaged in the development and operation of industrial parks, communities and cruise business	Listed on Shenzhen stock exchange (stock code: 001979)	an independent director from September 12, 2018 to September 11, 2021
Fuyao Glass Industry Group Co., Ltd.	a China-based company principally engaged in manufacture of automobile safety glass and industrial technical glass	listed on the Shanghai Stock Exchange (stock code: 600660)	an independent director from October 30, 2019 to January 7, 2021
Fuyao Glass Industry Group Co., Ltd.	a joint stock company incorporated in the PRC principally engaged in providing total solutions of safety glass for various transportation vehicles	listed on the Main Board of the Stock Exchange (stock code: 3606)	an independent non-executive director since October 30, 2019

Mr. Qu Wenzhou has been a member of the eleventh All-China Youth Federation since August 2010. He was awarded the Youth May 4th Medal of Fujian Province in May 2008. He has been a certified public accountant authorized by The Chinese Institute of Certified Public Accountants since November 2003 and a chartered financial analyst authorized by CFA Institute since November 2004. Mr. Qu Wenzhou graduated from Xiamen University in Xiamen, Fujian province with a bachelor's degree in science in July 1995. He also obtained his master's degree in economics in June 1999, master's degree in business administration in October 2001 and doctorate degree in economics in December 2003 from Xiamen University.

Mr. Ruan Weifeng, aged 43, was appointed as a on independent non-executive Director of the Company on March 22, 2019. Mr Ruan is a practising full-time lawyer in the PRC for 19 years. He graduated from the Faculty of Law of the Northwest University of Political Science and Law (西北政法學院) (previously known as Northwest College of Political Science and Law) in July 1999, and obtained a bachelor's degree in law upon finishing its full-time legal undergraduate program. Mr. Ruan was admitted as a lawyer in 1999. From June 2000 to September 2001, he served as a full-time lawyer of Fujian Mentors Law Firm (福建名仕律師事務所), where he was mainly responsible for handling non-performing asset businesses for financial institutions and asset management

companies. From October 2001 to April 2006, he served as a full-time lawyer in Fujian Huiyang Law Firm (福建輝揚律師事務所). He also successively served as a legal advisor to a number of banks, enterprises and institutions, and had handled nearly 100 civil and commercial cases. From April 2006 to July 2012, he served as a partner of the Fuzhou branch of Beijing Horizon Lawyers (北京市地平線律師事務所福州分所), where he was primarily responsible for the business development and management of the non-litigation department. Since August 2012, he established Fujian Gong Lue Law Firm (福建攻略律師事務所), where he held the position of partner and director. Fujian Gong Lue Law Firm is mainly engaged in advising on corporate legal matters, non-contentious legal practice areas such as finance, insurance, investment, mergers and acquisitions, global wealth planning (civil trust) matters, as well as handling other complex litigation and arbitration cases.

Senior Management

The senior management of our Group include the five Executive Directors as disclosed above.

Joint Company Secretaries

Mr. Yu Zuoyi and Ms. Ng Wing Shan are our Joint Company Secretaries.

Mr. Yu Zuoyi, aged 46, holds a Bachelor of Accounting degree from Hainan University (formerly known as South China University of Tropical Agriculture) in the PRC. From August 1995 to March 2011, Mr. Yu worked as a company accountant, finance manager, audit manager, finance director and securities manager within Tahoe Group Co., Ltd. (泰禾集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000732), during which he was mainly responsible for financial management, financial and auditing related matters, internal system construction, asset and debt restructuring, mergers and acquisitions, internal standardization and administration, disclosure of information, and other matters related to listing. Since April 2011, Mr. Yu has been serving in various capacities as the Company's finance supervisor, senior manager and senior director and is mainly responsible for other matters related to listing, such as financial management and disclosure of information.

Ms. Ng Wing Shan, aged 43, is currently an assistant vice president of SWSC Corporate Services Group (Hong Kong) Limited. Ms. Ng is a fellow member of The Hong Kong Institute of Chartered Secretaries and a fellow member of The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Board Committees

We have established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the Board Committees has specific written terms of reference which deal clearly with their authority and duties. The chairman of the respective Board Committees will report their findings and recommendations to the Board after each meeting.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system of our Group, oversee the audit process, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board. The Audit Committee consists of three members, namely Mr. Qu Wenzhou, Mr. Ruan Weifeng and Mr. Ren Yunan, each of them being an Independent Non-executive Director. The chairman of the Audit Committee is Mr. Qu Wenzhou who possesses appropriate professional qualifications.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Remuneration Committee are to establish, review and make recommendations to the Board on our policy and structure concerning remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, to make recommendations to the Board on the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time. The Remuneration Committee consists of three members, namely Mr. Ou Zonghong, an Executive Director, Mr. Ren Yunan and Mr. Qu Wenzhou, both of whom are Independent Non-executive Directors. The chairman of the remuneration committee is Mr. Ren Yunan.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes, identify, select or make recommendations to the Board on the selection of individuals nominated for directorship, assess the independence of the independent non-executive Directors and make recommendations to the Board on relevant matters relating to the appointment, reappointment and removal of the Directors and succession planning for the Directors. The Nomination Committee consists of three members, namely Mr. Ou Zonghong, an Executive Director, Mr. Ruan Weifeng and Mr. Qu Wenzhou, both of whom are Independent Non-executive Directors. The chairman of the nomination committee is Mr. Ou Zonghong.

Compensation of Directors and Senior Management

The Group's remuneration policies are formulated based on qualifications, years of experiences and the performance of individual employees and are reviewed regularly.

The aggregate amount of compensation (including any salaries, fees, discretionary bonuses and other allowances and benefits in kind) incurred by those persons who had been or were our directors during 2017, 2018 and 2019, was approximately RMB21.6 million, RMB20.6 million and RMB27.1 million (US$3.9 million), respectively.

Share Option Scheme

We adopted our share option scheme (the "Share Option Scheme") on December 28, 2015. Set forth below are the details of the Share Option Scheme:

The purpose of the Share Option Scheme is to grant options to selected participants as incentives or rewards for their contribution to our Group.

The participants of the Share Option Scheme are any directors (including executive Directors, non-executive Directors and independent non-executive Directors), employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners and service providers of any member of our Group who the Board considers, in its sole discretion, have contributed or will contribute to our Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 10% of the aggregate of the shares in issue on the day on which trading of the shares commences on the Hong Kong Stock Exchange, and such 10% limit represents 135,000,000 shares. 135,000,000 Shares represents approximately 7.87% of the total shares in issue as of December 31, 2019.

The total number of shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company.

An option may be accepted by a participant to whom the offer is made within five business days from the date on which the letter containing the offer is delivered to that participant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price per share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the shares first commences on the Stock Exchange, the new issue price of the shares for the Global Offering shall be used as the closing price for any business day falling within the period before listing of the shares on the Hong Kong Stock Exchange); and (iii) the nominal value of a share on the date of grant. A nominal consideration of HK$1 is payable upon acceptance of the grant of an option.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

PRINCIPAL SHAREHOLDERS

As of June 30, 2020, as recorded in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in our shares or underlying shares:

Name of Shareholders	Nature of Interest/Capacity	Number of Shares or underlying Shares[1]	Approximate percentage of shareholding
Dingxin Company Limited[2] ..	Beneficial owner	1,123,974,411 (L)	65.90%
Honesty Global Holdings Limited[2]	Interest in controlled corporation	1,123,974,411 (L)	65.90%
TMF (Cayman) Ltd.[2]	Trustee of a trust	1,123,974,411 (L)	65.90%
Mr. Ou Guofei[2][3]	Settlor of a trust	1,125,218,891 (L)	65.97%
Ms. Xu Lixiang[4]	Beneficiary of a trust/interest of spouse	1,123,974,411 (L)	65.90%
Mr. Ou Zonghong	Protector of a trust	1,123,974,411 (L)	65.90%

Notes:

(1) The letter "L" denotes the entity's long position in our relevant shares.

(2) Dingxin Company Limited is a BVI company wholly owned by Honesty Global Holdings Limited, another BVI company, wholly owned by TMF (Cayman) Ltd., the trustee of the Ou Family Trust which is a discretionary trust established by Mr. Ou Guofei (as the settlor) with Mr. Ou Zonghong being the protector. Accordingly, each of Honesty Global Holdings Limited, TMF (Cayman) Ltd. and Mr. Ou Guofei is deemed to be interested in our shares held by Dingxin Company Limited.

(3) Mr. Ou Guofei is the son of Mr. Ou Zonghong.

(4) Ms. Xu Lixiang is the spouse of Mr. Ou Zonghong and is therefore deemed under the SFO to be interested in our shares held by Mr. Ou Zonghong.

Except as disclosed above, as of the date of this offering memorandum, our Company had not been notified of any persons (other than a Director or chief executive of our Company) who had an interest or short position in our shares or underlying shares that were recorded in the register required to be kept under section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material transactions between us and our related parties in 2017, 2018 and 2019.

BALANCES WITH RELATED PARTIES

The following table summarizes balances with our related parties as of December 31, 2017, 2018 and 2019.

	As of December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Amounts due to related parties:				
Joint ventures	**933,569**	**3,646,941**	**5,800,306**	**833,162**
Associates	**300,412**	**1,055,576**	**1,227,676**	**176,345**
Other related parties	**120,843**	**775,595**	**265,906**	**38,195**
	1,354,824	**5,478,112**	**7,293,888**	**1,047,702**

Amounts due to other related parties mainly represent cash advances which are unsecured, interest-free, repayable on demand and denominated in Renminbi.

TRANSACTIONS WITH RELATED PARTIES

The following table summarizes transactions with our related parties for the periods indicated.

	For the year ended December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Services of property management and landscape engineering	54,170	254,256	442,665	63,585

Guarantee for borrowings of related parties

	As of December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Guarantee to joint ventures	2,057,910	3,000,000	3,164,440	454,543

Movements of cash advances

	For the year ended December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Cash advances to related parties	**(3,881,863)**	**(6,736,972)**	**(2,922,792)**	**(419,833)**
Cash advances from related parties ...	**1,137,877**	**4,325,477**	**3,816,467**	**548,201**

The cash advances with related parties are denominated and settled in RMB.

KEY MANAGEMENT PERSONNEL REMUNERATION

The following table summarizes our key management personnel's remuneration for the periods indicated.

	For the year ended December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Salaries and other employee benefit	1,484	3,551	4,114	591
Pension costs	47	103	98	14
Value of employee services under share option scheme	4,222	3,058	7,041	1,011
	5,753	6,712	11,253	1,616

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing agreements with various financial institutions and enterprises. As of December 31, 2019, our total borrowings (including current and non-current borrowings from financial institutions, the Private Corporate Bonds, the Public Corporate Bonds, the Asset-backed Securities, the 2016 Notes (which have been fully repaid upon maturity), the February 2018 Notes, the January 2019 Notes (which have been fully repaid upon maturity), the February 2019 Notes, the March 2019 Notes, the April 2019 Notes, the July 2019 Notes and the December 2019 Notes) amounted to RMB63,177.8 million (US$9,074.9 million). Subsequent to December 31, 2019, we also issued the June 2020 Notes. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC LOAN AGREEMENTS AND OTHER FINANCING

As of December 31, 2019, the aggregate outstanding amount of our total borrowings was approximately RMB63,177.8 million (US$9,074.9 million), of which RMB18,706.4 million (US$2,687.0 million) was due within one year, and RMB44,471.4 million (US$6,387.9 million) was due after a year or more.

Certain of our PRC subsidiaries have entered into loan agreements with local branches of various PRC banks, including Bank of China, Agricultural Bank of China, China CITIC Bank, China Merchant Bank, China Guangfa Bank, Bank of Jiangsu, SPD Bank, China Zheshang Bank, ICBC (China) and Bohai Bank. These loans are mainly used to finance the construction of our projects and our working capital requirements. They have terms ranging from six months to ten years, which generally correspond to the construction periods of the particular projects. Our PRC loans are typically secured by land use rights and properties as well as guaranteed by certain of our PRC subsidiaries.

From time to time, our PRC subsidiaries enter into financing arrangements with local trust institutions, security companies and asset management companies. These local trust institutions, security companies and asset management companies provide loans for purposes of our project development in return for interest payments, and have terms ranging from six to 120 months. We have also entered into arrangements whereby our PRC subsidiaries' right to receive dividends or the proceeds from property sales or accounts receivables were sold and repurchased after a period of time. Some of our trust loans and other financing arrangements are guaranteed by our Company or secured by the relevant PRC subsidiaries' shares (through share pledge or ownership of shares) or land use rights in favor of the trust finance provider, or a combination of these. The trust loans and other financing arrangements contain customary events of default, including non-payment of principal or interest and breaches of the terms of the arrangements. If an event of default has occurred, the trust finance provider may, without prior notice, exercise its rights to realize the security held under the share pledge agreement and loan mortgage agreement, and demand payments from us as guarantor.

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 December 31, 2019, the weighted average effective interest rate on the aggregate outstanding amount of our PRC loans was 6.9% 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 of 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 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 December 31, 2019, most of the PRC loans were secured by our assets which includes properties held for sale, properties under development, property, plant and equipment, land use rights, investment properties and equity interests of certain subsidiaries. In addition to pledge of our assets, Mr. Ou Zonghong, our Chairman and controlling shareholder, has also provided personal guarantee for the bank and other borrowings.

Dividend Restrictions

Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries, also agreed not to distribute any dividend:

- before prior notice has been made to or written approval has been obtained (if the proposed dividend exceeds a certain percentage of such subsidiary's net profit) from the lender; or

- if after-tax net profit is zero or negative or is insufficient to meet cumulative losses in prior years or if pre-tax net profit has not been used to repay principal interest and costs on the relevant loan due in the same year or is insufficient to repay principal, interest and costs on the relevant loan due on the next payment date.

PUBLIC CORPORATE BONDS

Rongxin Fujian, our wholly owned subsidiary in the PRC, issued a series of public corporate bonds which are listed and traded on the Shanghai Stock Exchange in an aggregate principal amount of RMB2.5 billion (US$0.4 billion) to qualified investors in tranches. The first tranche was issued on December 23, 2015 in an amount of RMB1.2 billion (US$0.2 billion) with a term of 3+1+1 years at an initial coupon rate of 6.4% per annum to repay the principal balance on our institutional borrowings after deducting the administrative expenses payable by us. The second tranche was issued on January 18, 2016 in an amount of RMB1.3 billion (US$0.2 billion) with a term of 3+1+1 years at an initial coupon rate of 6.2% per annum. Rongxin Fujian has a right to adjust the coupon rate for any extension of the term of each tranche.

On July 3, 2019, Rongxin Fujian issued a series of public corporate bonds in an aggregate principal amount of RMB4.0 billion (US$0.6 billion) in tranches. The first tranche "19 Rongxin 01" was issued in an amount of RMB2.85 billion (US$0.4 billion) with a term of 2+2 years at an initial coupon rate of 6.45% per annum. The second tranche "19 Rongxin 02" was issued in an amount of RMB1.15 billion (US$0.2 billion) with a term of 3+2 years at an initial coupon rate of 6.78% per annum. Rongxin Fujian has a right to adjust the coupon rate for any extension of the term of each tranche.

PRIVATE CORPORATE BONDS

RMB2.0 Billion Private Corporate Bonds

Rongxin Fujian issued two series of corporate bonds which are listed and traded on the Shenzhen Stock Exchange in an aggregate principal amount of RMB2.0 billion (US$0.3 billion) to qualified investors only. The first series was issued on November 12, 2019 in a principal amount of RMB1.5 billion (US$0.2 billion) with a term of 2+2 years at a coupon rate of 7.2% per annum. The second series was issued on November 28, 2019 in a principal amount of RMB0.5 billion (US$71.8 million) with a term of 0.82+2.18+2 years at an initial coupon rate of 7.8% per annum. Rongxin Fujian has a right to adjust the coupon rate for any extension of the term of each series.

RMB3.0 Billion Private Corporate Bonds

Rongxin Fujian issued two series of corporate bonds which are listed and traded on the Shenzhen Stock Exchange in an aggregate principal amount of RMB3.0 billion (US$0.4 billion) to qualified investors only. The first series was issued on August 26, 2019 in a principal amount of RMB2.0 billion (US$0.3 billion) with a term of 2+2 years at an initial coupon rate of 7.25% per annum. The second series was issued on August 26, 2019 in a principal amount of RMB1.0 billion (US$0.1 billion) with a term of 1.07+1.93+2 years at an initial coupon rate of 7.7% per annum. Rongxin Fujian has a right to adjust the coupon rate for any extension of the term of each series.

RMB2.0 Billion Private Corporate Bonds

Rongxin Fujian issued corporate bonds which are listed and traded on the Shanghai Stock Exchange in a principal amount of RMB2.0 billion (US$0.3 billion) to qualified investors. The tranche was issued on November 28, 2018 in a principal amount of RMB2.0 billion (US$0.3 billion) with a term of 1+1+1 years at an initial coupon rate of 7.28% per annum. Rongxin Fujian has a right to adjust the coupon rate for any extension of the term.

ASSET-BACKED SECURITIES

Rongxin Fujian 2018 Asset-backed Securities

Rongxin Fujian issued asset-backed securities with an aggregate principal amount of RMB1.3 billion (US$0.2 billion) in the PRC in September 2018. The Rongxin Fujian 2018 Asset-backed Securities have a coupon rate of 7.5% per annum and are due on July 31, 2020. The Rongxin Fujian 2018 Asset-backed Securities are backed by certain account receivables for the balance payment of properties sold. The proceeds from the issuance of such securities are used for general working capital purposes. Our Company provides guarantees for the punctual performance by Rongxin Fujian of its shortfall payment obligations.

Rongxin Fujian 2019 Asset-backed Securities

Rongxin Fujian issued asset-backed securities with an aggregate principal amount of RMB1.1 billion (US$0.2 billion) in the PRC in July 2019. The Rongxin Fujian 2019 Asset-backed Securities have a coupon rate of 7.2% per annum and are due on July 26, 2021. The Rongxin Fujian 2019 Asset-backed Securities are backed by certain account receivables for the balance payment of properties sold. The proceeds from the issuance of such securities are used for general working capital purposes. Our Company provides guarantees for the punctual performance by Rongxin Fujian of its shortfall payment obligations.

Rongxin Fujian March 2020 Asset-backed Securities

Rongxin Fujian issued asset-backed securities with an aggregate principal amount of RMB1.3 billion (US$0.2 billion) in the PRC on March 13, 2020. The Rongxin Fujian March 2020 Asset-backed Securities have a coupon rate of 5.9% per annum and are due on March 11, 2022. The Rongxin Fujian March 2020 Asset-backed Securities are backed by certain account receivables for the balance payment of properties sold. The proceeds from the issuance of such securities are used for general working capital purposes.

Rongxin Fujian April 2020 Asset-backed Securities

Rongxin Fujian issued asset-backed securities with an aggregate principal amount of RMB1.1 billion (US$0.2 billion) in the PRC on April 30, 2020. The Rongxin Fujian April 2020 Asset-backed Securities have a coupon rate of 5.9% per annum and are due on April 29, 2022. The Rongxin Fujian April 2020 Asset-backed Securities are backed by certain account receivables for the balance payment of properties sold. The proceeds from the issuance of such securities are used for general working capital purposes.

INTERCREDITOR AGREEMENT

On June 15, 2017, the Company, the subsidiary guarantor pledgor under the Indenture, the security agent, the trustee for the 2016 Notes for the benefit of holders of the 2016 Notes and the trustee for the June 2017 Notes for the benefit of holders of the June 2017 Notes entered into an intercreditor agreement (as amended from time to time, the "Intercreditor Agreement"). The Intercreditor Agreement provides that the security interests created by the Shared Collateral will be shared on a pari passu basis among (i) the holders of the 2016 Notes, (ii) the holders of the June 2017 Notes and (iii) any holder of permitted pari passu secured indebtedness or their representatives who become parties to the intercreditor agreement.

Shared Collateral

On December 8, 2016, we issued the 2016 Notes in an aggregate principal amount of US$175,000,000 on December 8, 2016 and further issued additional 2016 Notes in an aggregate

principal amount of US$225,000,000 on February 21, 2017. As of the date of this offering memorandum, the 2016 Notes have been fully repaid upon maturity.

In order to secure the obligations under the 2016 Notes, the Company and the relevant subsidiary guarantors under the indenture governing the 2016 Notes pledged the capital stock of all such subsidiary guarantors for the benefit of the holders of the 2016 Notes (the "Shared Collateral"). The Shared Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and the subsidiary guarantor pledgor under the indenture governing the 2016 Notes may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the 2016 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the indenture governing the 2016 Notes.

FEBRUARY 2018 NOTES

On February 1, 2018, we entered into an indenture (as amended or supplemented from time to time, the "February 2018 Indenture") and issued an aggregate principal amount of US$325,000,000 on the same date. We further issued an additional US$100,000,000 in aggregate principal amount of the February 2018 Notes on February 27, 2018, an additional US$225,000,000 in aggregate principal amount of the February 2018 Notes on July 12, 2018 and an additional US$150,000,000 in aggregate principal amount of the February 2018 Notes on August 30, 2018, which were collectively consolidated and form a single class with the notes issued on February 1, 2018.

On February 8, 2019, we commenced the Exchange Offer of the February 2018 Notes for the February 2019 Notes, with an exchange consideration comprising, for each US$1,000 principal amount of the February 2018 Notes tendered for exchange, (i) US$1,000 principal amount of such February 2019 Notes, (ii) US$2.50 in cash, (iii) Capitalized Interest and (iv) cash in lieu of any fractional amount of the February 2019 Notes. Concurrently with the Exchange Offer, we also commenced the Consent Solicitation to amend the terms of the February 2018 Indenture. The Exchange Offer and the Consent Solicitation expired at 4:00 p.m., London time, on February 15, 2019. US$390,466,000 principal amount of the February 2018 Notes were validly tendered and accepted for exchange pursuant to the Exchange Offer, and the requisite consents with respect to the Consent Solicitation were also obtained.

In addition, we conducted the Concurrent New Money Issuance. On February 22, 2019, we issued the February 2019 Notes in the aggregate principal amount of US$600,000,000, consisting of US$392,238,000 (which includes Capitalized Interest) principal amount of such February 2019 Notes issued in the Exchange Offer and US$207,762,000 principal amount of such February 2019 Notes issued pursuant to the Concurrent New Money Issuance. On the same date, the supplemental indenture to the February 2018 Indenture was executed among the Company, the Subsidiary Guarantors and the trustee named therein.

Following consummation of the Exchange Offer and cancellation of the US$390,466,000 principal amount of the February 2018 Notes exchanged for February 2019 Notes as well as certain repurchases pursuant to the exercise of a put option by relevant noteholders in February 2020 in the principal amount of US$20,860,000, the total outstanding amount of the February 2018 Notes as of the date of this offering memorandum is US$323,729,000.

Guarantee

The obligations pursuant to the February 2018 Notes are guaranteed by our existing subsidiaries (the "February 2018 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other offshore subsidiaries. Each of the February 2018 Subsidiary

Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable, under the February 2018 Notes.

Collateral

The February 2018 Notes and the subsidiary guarantees provided by the February 2018 Subsidiary Guarantors are secured by the Shared Collateral. See "— Intercreditor Agreement — Shared Collateral."

Interest and Maturity

The February 2018 Notes bear an interest rate of 8.25% per annum, payable semi-annually in arrear on February 1 and August 1 of each year, commencing August 1, 2018. The maturity date of the February 2018 Notes is February 1, 2021.

Covenants

Subject to certain conditions and exceptions, the February 2018 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

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

Events of Default

The February 2018 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the February 2018 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the February 2018 Indenture or the holders of at least 25% of the outstanding February 2018 Notes may declare the principal of the February 2018 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding February 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

FEBRUARY 2019 NOTES

On February 22, 2019, we entered into an indenture (as amended or supplemented from time to time, the "February 2019 Indenture") and issued an aggregate principal amount of US$600,000,000 on the same date. As of the date of this offering memorandum, a total of US$560,000,000 principal amount of the February 2019 Notes is outstanding.

Guarantee

The obligations pursuant to the February 2019 Notes are guaranteed by our existing subsidiaries (the "February 2019 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other offshore subsidiaries. Each of the February 2019 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable, under the February 2019 Notes.

Collateral

The February 2019 Notes and the subsidiary guarantees provided by the February 2019 Subsidiary Guarantors are secured by the Shared Collateral. See "— Intercreditor Agreement — Shared Collateral."

Interest and Maturity

The February 2019 Notes bear an interest rate of 11.25% per annum, payable semi-annually in arrear on February 22 and August 22 of each year, commencing August 22, 2019. The maturity date of the February 2019 Notes is August 22, 2021.

Covenants

Subject to certain conditions and exceptions, the February 2019 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

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

Events of Default

The February 2019 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the February 2019 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the February 2019 Indenture or the holders of at least 25% of the outstanding February 2019 Notes may declare the principal of the February 2019 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding February 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

MARCH 2019 NOTES

On March 1, 2019, we entered into an indenture (as amended or supplemented from time to time, the "March 2019 Indenture") and issued an aggregate principal amount of US$300,000,000 on the same date. We further issued additional March 2019 Notes on May 6, 2019 in an aggregate principal amount of US$200,000,000 which were consolidated and form a single class with the March 2019 Notes issued on March 1, 2019. As of the date of this offering memorandum, a total of US$488,000,000 principal amount of the March 2019 Notes is outstanding.

Guarantee

The obligations pursuant to the March 2019 Notes are guaranteed by our existing subsidiaries (the "March 2019 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other offshore subsidiaries. Each of the March 2019 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the March 2019 Notes.

Collateral

The March 2019 Notes and the subsidiary guarantees provided by the March 2019 Subsidiary Guarantors are secured by the Shared Collateral. See "— Intercreditor Agreement — Shared Collateral."

Interest and Maturity

The March 2019 Notes bear an interest rate of 10.5% per annum, payable semi-annually in arrear on March 1 and September 1 of each year, commencing September 1, 2020. The maturity date of the March 2019 Notes is March 1, 2022.

Covenants

Subject to certain conditions and exceptions, the March 2019 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;

- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The March 2019 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the March 2019 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the March 2019 Indenture or the holders of at least 25% of the outstanding March 2019 Notes may declare the principal of the March 2019 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding March 2019 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") and issued an aggregate principal amount of US$200,000,000 on the same date. We further issued additional April 2019 Notes on June 13, 2019 in an aggregate principal amount of US$235,000,000 and on October 15, 2019 in an aggregate principal amount of US$265,000,000 which are collectively consolidated and form a single class with the April 2019 Notes issued on April 25, 2019. As of the date of this offering memorandum, a total of US$700,000,000 principal amount of the April 2019 Notes is outstanding.

Guarantee

The obligations pursuant to the April 2019 Notes are guaranteed by our existing subsidiaries (the "April 2019 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other offshore subsidiaries. Each of the April 2019 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the April 2019 Notes.

Collateral

The April 2019 Notes and the subsidiary guarantees provided by the April 2019 Subsidiary Guarantors are secured by the Shared Collateral. See "— Intercreditor Agreement — Shared Collateral."

Interest

The April 2019 Notes bear an interest rate of 8.75% per annum, payable semi-annually in arrear on April 25 and October 25 of each year, commencing October 25, 2020.

Covenants

Subject to certain conditions and exceptions, the April 2019 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

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

Events of Default

The April 2019 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the April 2019 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the April 2019 Indenture or the holders of at least 25% of the outstanding April 2019 Notes may declare the principal of the April 2019 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we are required 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.

Maturity and Redemption

The maturity date of the April 2019 Notes is October 25, 2022.

On or after April 25, 2021, we may on any one or more occasions redeem the April 2019 Notes, in whole or in part, at a redemption price equal to 102.5% of the principal amount of the April 2019 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to maturity, we may at our option redeem up to 35% of the April 2019 Notes at a redemption price of 108.75% of the principal amount of the April 2019 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date in each case, using the net cash proceeds from sales of certain kinds of capital stock of the Company.

In addition, we may redeem the April 2019 Notes, in whole but not in part, at any time prior to April 25, 2021, at a price equal to 100% of the principal amount of the April 2019 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date.

JULY 2019 NOTES

On July 22, 2019, we entered into an indenture (as amended or supplemented from time to time, the "July 2019 Indenture") and issued an aggregate principal amount of US$300,000,000 on the same date. We further issued additional July 2019 Notes on October 24, 2019 in an aggregate principal amount of US$120,000,000 which were consolidated and form a single class with the July 2019 Notes issued on July 22, 2019. As of the date of this offering memorandum, a total of US$415,000,000 principal amount of the July 2019 Notes is outstanding.

Guarantee

The obligations pursuant to the July 2019 Notes are guaranteed by our existing subsidiaries (the "July 2019 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other offshore subsidiaries. Each of the July 2019 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the July 2019 Notes.

Collateral

The July 2019 Notes and the subsidiary guarantees provided by the July 2019 Subsidiary Guarantors are secured by the Shared Collateral. See "— Intercreditor Agreement — Shared Collateral."

Interest

The July 2019 Notes bear an interest rate of 8.95% per annum, payable semi-annually in arrear on January 22 and July 22 of each year, commencing January 22, 2020.

Covenants

Subject to certain conditions and exceptions, the July 2019 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

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

Events of Default

The July 2019 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the July 2019 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the July 2019 Indenture or the holders of at least 25% of the outstanding July 2019 Notes may declare the principal of the July 2019 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding July 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the July 2019 Notes is January 22, 2023.

On or after January 22, 2022, the Company may on any one or more occasions redeem the July 2019 Notes, in whole or in part, at a redemption price equal to 102% of the principal amount of the July 2019 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to maturity, we may at our option redeem up to 35% of the July 2019 Notes at a redemption price of 108.95% of the principal amount of the July 2019 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date in each case, using the net cash proceeds from sales of certain kinds of capital stock of the Company.

In addition, we may redeem the July 2019 Notes, in whole but not in part, at any time prior to January 22, 2022, at a price equal to 100% of the principal amount of the July 2019 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date.

DECEMBER 2019 NOTES

On December 9, 2019, we entered into an indenture (as amended or supplemented from time to time, the "December 2019 Indenture") and issued an aggregate principal amount of US$324,000,000 on the same date. As of the date of this offering memorandum, a total of US$316,000,000 principal amount of the December 2019 Notes is outstanding.

Guarantee

The obligations pursuant to the December 2019 Notes are guaranteed by our existing subsidiaries (the "December 2019 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other offshore subsidiaries. Each of the December 2019 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable, under the December 2019 Notes.

Collateral

The December 2019 Notes and the subsidiary guarantees provided by the December 2019 Subsidiary Guarantors are secured by the Shared Collateral. See "— Intercreditor Agreement — Shared Collateral."

Interest

The December 2019 Notes bear an interest rate of 8.10% per annum, payable semi-annually in arrear on June 9 and December 9 of each year, commencing June 9, 2020.

Covenants

Subject to certain conditions and exceptions, the December 2019 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

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

Events of Default

The December 2019 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the December 2019 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the December 2019 Indenture or the holders of at least 25% of the outstanding December 2019 Notes may declare the principal of the December 2019 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding December 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the December 2019 Notes is June 9, 2023.

On or after December 9, 2021, we may on any one or more occasions redeem the December 2019 Notes, in whole or in part, at a redemption price equal to 102% of the principal amount of the December 2019 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to maturity, we may at our option redeem up to 35% of the December 2019 Notes at a redemption price of 108.10% of the principal amount of the December 2019 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date in each case, using the net cash proceeds from sales of certain kinds of capital stock of the Company.

In addition, we may redeem the December 2019 Notes, in whole but not in part, at any time prior to December 9, 2021, at a price equal to 100% of the principal amount of the December 2019 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date.

JUNE 2020 NOTES

On June 15, 2020, we entered into an indenture (as amended or supplemented from time to time, the "June 2020 Indenture") and issued an aggregate principal amount of US$250,000,000 of the June 2020 Notes on the same date. We further issued additional June 2020 Notes on July 2, 2020 in an aggregate principal amount of US$160,000,000 which were consolidated and form a single class with the June 2020 Notes issued on June 15, 2020. As of the date of this offering memorandum, a total of US$410,000,000 principal amount of the June 2020 Notes is outstanding.

Guarantee

The obligations pursuant to the June 2020 Notes are guaranteed by our existing subsidiaries (the "June 2020 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other offshore subsidiaries. Each of the June 2020 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the June 2020 Notes.

Collateral

The June 2020 Notes and the subsidiary guarantees provided by the June 2020 Subsidiary Guarantors are secured by the Shared Collateral. See "—2016 Notes—Collateral".

Interest

The June 2020 Notes bear an interest rate of 7.35% per annum, payable semi-annually in arrears on June 15 and December 15 of each year.

Covenants

Subject to certain conditions and exceptions, the June 2020 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

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

Events of Default

The June 2020 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the June 2020 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the June 2020 Indenture or the holders of at least 25% of the outstanding June 2020 Notes may declare the principal of the June 2020 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding June 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the June 2020 Notes is December 15, 2023.

On or after December 15, 2022, the Company may on any one or more occasions redeem the June 2020 Notes, in whole or in part, at a redemption price equal to 102% of the principal amount of the June 2020 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to maturity, we may at our option redeem up to 35% of the June 2020 Notes at a redemption price of 107.35% of the principal amount of the June 2020 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date in each case, using the net cash proceeds from sales of certain kinds of capital stock of the Company.

In addition, we may redeem the June 2020 Notes, in whole but not in part, at any time prior to December 15, 2022, at a price equal to 100% of the principal amount of the June 2020 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "Company" refers only to Ronshine China Holdings Limited (融信中國控股有限公司), a company incorporated with limited liability under the laws of the Cayman Islands, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which guarantees the Notes (other than as a JV Subsidiary Guarantor) is referred to as a "Subsidiary Guarantor" and each such guarantee is referred to as a "Subsidiary Guarantee." Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined herein) is referred to as a "JV Subsidiary Guarantor".

The Notes are to be issued under the indenture (the "Indenture") dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. It does not restate those 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 on or after the Original Issue Date at the corporate trust office of the Trustee at 20th Floor, 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 Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under "—The Subsidiary Guarantees and JV Subsidiary Guarantees" and in "Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral";
- effectively subordinated to all existing and future 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 (except for 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 "—Security" and will:

- be entitled to a first priority lien on the Collateral (subject to any Permitted Liens) shared on a *pari passu* basis pursuant to the Intercreditor Agreement (as defined below) with holders of the Existing Pari Passu Secured Indebtedness and any holders of Permitted Pari Passu Secured Indebtedness;
- 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); and
- rank effectively senior in right of payment to unsecured obligations of each Subsidiary Guarantor Pledgor to the extent of the Collateral pledged by such Subsidiary Guarantor Pledgor securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Company will initially issue US$200,000,000 in aggregate principal amount of the Notes, which will mature on August 5, 2024, 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 6.75% 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 arrear on February 5 and August 5 of each year (each an "Interest Payment Date"), commencing February 5, 2021. Interest on the Notes will be paid to Holders of record at the close of business on January 21 or July 21 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancelation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under "Optional Redemption" and "Redemption for Taxation Reasons" and as otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no additional interest on the Notes shall accrue for the period after such date if payment is made on such next succeeding Business Day.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made by

check mailed at the expense of the Company to the address of the Holders as such address appears in the Note register maintained by the Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees and JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of Rongda Company Limited and Rongtai Company Limited. Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries outside of the PRC will be a Subsidiary Guarantor on the Original Issue Date. All of the Subsidiary Guarantors are holding companies that do not have significant operations.

None of the Company's Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries") will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries (as defined herein) may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries and Listed Subsidiaries), as soon as practicable and in any event within 30 days after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor.

Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary (each such Person an "Offshore Non-Guarantor Subsidiary" and, together with the PRC Non-Guarantor Subsidiaries, the "Non-Guarantor Subsidiaries"), *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors do not account for more than 20% of the Total Assets of the Company.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with 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 Offshore Non-Guarantor Subsidiaries (such that they will no longer guarantee the Notes) and (b) instruct the Security Agent to (i) discharge the pledge of the Capital Stock granted by each such Offshore Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in each such Offshore 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 such Offshore Non-Guarantor Subsidiaries but excluding Exempted Subsidiaries or Listed Subsidiaries) do not account for more than 20% of the Total Assets of the Company. 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 Restricted Subsidiary that would have the effect of (a) prohibiting the Company or any Restricted Subsidiary 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, as evidenced by an Officers' Certificate from the Company. In the exercise of its duties, the Trustee and the Security Agent shall not be responsible for the verification of the accuracy or completeness of the Officers' Certificate provided to it by the Company and is entitled to rely exclusively on, and take action based on the information contained in, the Officers' Certificate.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than through a JV Subsidiary Guarantee 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 the case of a Restricted Subsidiary (i) that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, (ii) that is organized in any jurisdiction other than the PRC and (iii) in respect of which the Company or any Restricted Subsidiary (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the total outstanding Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase an Independent Third Party such that it becomes a Subsidiary of the Company and designate such entity as a Restricted Subsidiary, the Company may, concurrently with or as soon as practicable after the consummation of such sale or purchase, cause the provision of a JV Subsidiary Guarantee instead of a Subsidiary Guarantee by (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, no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (a) prohibiting the Company or any such Restricted Subsidiary from providing such JV Subsidiary Guarantee or (b) requiring the Company or any Restricted Subsidiary to deliver or keep in place a guarantee by any such Restricted Subsidiary on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) of the Fair Market Value of such Capital Stock;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed 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 (each, a "JV Subsidiary Guarantee"), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor and each such Restricted Subsidiary of such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee will be limited to the JV Entitlement Amount;

(ii) a duly executed Security Document that pledges in favor of the Security Agent for itself and for the benefit of the Trustee 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) an Opinion of Counsel confirming that under New York law such JV Subsidiary Guarantee is the valid and binding obligation of the applicable JV Subsidiary Guarantor, enforceable against the applicable JV Subsidiary Guarantor in accordance with its terms (subject to customary qualifications and assumptions).

As of December 31, 2019, the Company and its subsidiaries (including the Non-Guarantor Subsidiaries) had total bank and other borrowings of RMB63,177.8 million (US$9,074.9 million), of which RMB29,676.8 million (US$4,262.8 million) were secured.

As of December 31, 2019, the Non-Guarantor Subsidiaries had total bank and other borrowings of RMB40,818.3 million (US$5,863.2 million), capital commitments of RMB21,818.1 million (US$3,134.0 million) and contingent liabilities arising from guarantees of RMB37,486.46 million (US$5,384.6 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

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

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and

- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law).

In addition, subject to the limitations described in "Risk Factors—Risks Relating 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 "—Security" shared on a pari passu basis pursuant to the Intercreditor Agreement (as defined below) with holders of the Existing Pari Passu Secured Indebtedness and any holders of the 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 is not required to be secured (no JV Subsidiary Guarantor is required to pledge the shares of any Restricted Subsidiary that it holds).

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 will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their respective rights to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under

applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

No assurance can be given that the preceding provision limiting the maximum amount of each Subsidiary Guarantee or JV Subsidiary Guarantee will be given effect. If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral—The Subsidiary Guarantees or JV Subsidiary Guarantees (if any) 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—Defeasance and Discharge";
- in the case of a Subsidiary Guarantee, upon the replacement of such Subsidiary Guarantee with a JV Subsidiary Guarantee in compliance with the terms of the Indenture;
- 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, consolidation, transfer or other disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under "—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 (other than a Subsidiary of such Subsidiary Guarantor or JV Subsidiary Guarantor) and (2) the proceeds from such sale, merger, consolidation, transfer or other disposition are used for the purposes permitted or required by the Indenture; or
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor that becomes an Offshore Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

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 Restricted Subsidiary of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (a) prohibiting the Company or any Restricted Subsidiary from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any Restricted Subsidiary from providing such JV Subsidiary Guarantee, or (c) requiring the Company or any Restricted Subsidiary 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 or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such Subsidiary Guarantor that is being released from its Subsidiary Guarantee 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 by which it will no longer be a Subsidiary Guarantor and become a JV Subsidiary Guarantor and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor and each such Restricted Subsidiary of such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee will be limited to the JV Entitlement Amount;
  - (ii) a duly executed Security Document that pledges in favor of the Security Agent for itself and for the benefit of the Trustee 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) an Opinion of Counsel confirming that under New York law such JV Subsidiary Guarantee is the legal, valid and binding obligations of the applicable JV Subsidiary Guarantor, enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee in accordance with its terms (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales", "Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" 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 "—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.

Security

The Company for the benefit of the Holders has pledged, or has caused the initial Subsidiary Guarantor Pledgor to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors owned by the Company or the Subsidiary Guarantor Pledgor on the Original Issue Date (the "Collateral") on a first priority basis (subject to Permitted Liens) in order to secure the obligations of the Company and the Subsidiary Guarantors under the Existing Pari Passu Secured Indebtedness, the Notes and the Indenture and of such Subsidiary Guarantees and any Permitted Pari Passu Secured Indebtedness.

The Company has agreed to extend, or cause the initial Subsidiary Guarantor Pledgor 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.

The initial Subsidiary Guarantor Pledgor is Rongda Company 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 pledge the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Security Agent for itself and for the benefit of the Trustee.

The Company has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Subsidiary Guarantor or JV Subsidiary Guarantor (or any additional Capital Stock of a JV Subsidiary Guarantor or a Subsidiary Guarantor acquired by the Company or a Subsidiary Guarantor after the Original Issue Date) as soon as practicable and in any event within 30 days after such Person becomes a Subsidiary Guarantor or JV Subsidiary Guarantor to secure (subject to Permitted Liens) the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor Pledgor 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 value from the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (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 Guarantor Pledgors' obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), and the Collateral securing the Notes and such Subsidiary Guarantee (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) 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 "—Security—Release of Security" and "Risk Factors— Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral—The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other Permitted 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, the Intercreditor Agreement, and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement). 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 Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes), any Subsidiary Guarantee and any Pari Passu Guarantee with respect to such Indebtedness (such Indebtedness of the Company, any Subsidiary Guarantee and any such Pari Passu Guarantee, "Permitted Pari Passu Secured Indebtedness"); *provided* that (1) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under "—Limitation on Indebtedness and Preferred Stock", (2) the holders (or their representative) of such Indebtedness (other than Additional Notes) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Guarantee substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee 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 or (y) no such action is necessary to make such Lien effective. The Trustee and the Security Agent will be permitted and authorized, without the consent of, or notice to, any Holder, to enter into any Security Document or any amendment thereto or to 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 Indenture (including, without limitation, the appointment of any security agent under the Intercreditor Agreement referred to below to hold the Collateral on

behalf of, among others, (i) the Holders, (ii) the holders of Existing Pari Passu Secured Indebtedness and (iii) any holders of Permitted Pari Passu Secured Indebtedness).

Except for Indebtedness secured by certain Permitted Liens including 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 initial Subsidiary Guarantor Pledgor, Citicorp International Limited, as security agent (the "Security Agent"), Citicorp International Limited, as trustee with respect to the 2016 Notes, among others, have entered into an intercreditor agreement (as may be amended, supplemented or modified from time to time, the "Intercreditor Agreement") dated June 15, 2017, to which the trustee with respect to the 2018 Notes on behalf of the holders of the 2018 Notes acceded on February 1, 2018, the trustee with respect to the February 2019 Notes on behalf of the holders of the February 2019 Notes acceded on February 22, 2019, the trustee with respect to the March 2019 Notes on behalf of the holders of the March 2019 Notes acceded on March 1, 2019, the trustee with respect to the April 2019 Notes on behalf of the April 2019 Notes acceded on April 25, 2019, the trustee with respect to the July 2019 Notes on behalf of the holders of the July 2019 Notes acceded on July 22, 2019, the facility agent with respect to the Facilities Agreement on behalf of the secured parties as defined in the Facilities Agreement acceded on September 26, 2019, the trustee with respect to the December 2019 Notes on behalf of the holders of the December 2019 Notes acceded on December 9, 2019, the trustee with respect to the June 2020 Notes on behalf of the holders of the June 2020 Notes acceded on June 15, 2020 and the facility lender with respect to the Facility Letter acceded on July 13, 2020. On the Original Issue Date, the Trustee on behalf of the holders of the Notes will accede to the Intercreditor Agreement, pursuant to which the Trustee will agree to (1) share 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 they will enforce their respective rights with respect to such Collateral and the Indebtedness secured thereby.

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 representatives 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 the Intercreditor Agreement, any supplements, amendments or modifications thereto, and any future intercreditor agreement that may be required under the Indenture.

Enforcement of Security

The first priority Liens (subject to Permitted Liens and the Intercreditor Agreement) securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, have been granted to the Security Agent. The Security 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 written instruction of the Trustee and any other Creditor Representative to exercise remedies under the Security Documents (subject to the terms of the Intercreditor Agreement). The Security Agent has agreed to act as secured party on behalf of the creditors under the Debt Documents under the applicable Security Documents, to follow the instructions provided to it under the Indenture, the Security Documents and/or the Intercreditor Agreement and to carry out certain other duties.

The Indenture and/or the Security Documents principally provide that, at any time while the Notes are outstanding and the Liens on the Collateral are not released pursuant to the terms of the

Indenture, the Security Agent shall have the 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.

All payments received and all amounts held by the Security Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, applied as follows:

first, to the Security Agent to the extent necessary to reimburse the Security Agent, for itself and in its capacity as security agent, for any fees and expenses incurred in connection with the collection or distribution of such amounts held or realized or in connection with the Intercreditor Agreement and the Security Documents and in connection with expenses incurred in enforcing remedies under the Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the Security Agent is entitled to indemnification under the Intercreditor Agreement or the Security Documents;

second, ratably to the trustee of the 2018 Notes, the trustee of the February 2019 Notes, the trustee of the March 2019 Notes, the trustee of the April 2019 Notes, the trustee of the July 2019 Notes, the trustee of the December 2019 Notes, the trustee of the June 2020 Notes, the trustee of the Notes, and other Creditor Representatives, to the extent necessary to reimburse the foregoing persons ratably for any fees and expenses (including properly incurred fees and expenses of counsel) incurred in connection with the Indentures, the Security Documents and the Intercreditor Agreement and in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing remedies under the Debt Documents, the Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the foregoing persons are entitled to indemnification under the Debt Documents, the Intercreditor Agreement and the Security Documents;

third, ratably to each of the trustee of the 2018 Notes for the benefit of the holders of the 2018 Notes to satisfy outstanding obligations under the 2018 Notes, the trustee of the February 2019 Notes for the benefit of the holders of the February 2019 Notes to satisfy outstanding obligations under the February 2019 Notes, the trustee of the March 2019 Notes for the benefit of the holders of the March 2019 Notes to satisfy outstanding obligations under the March 2019 Notes, the trustee of the April 2019 Notes for the benefit of the holders of the April 2019 Notes to satisfy outstanding obligations under the April 2019 Notes, the trustee of the July 2019 Notes for the benefit of the holders of the July 2019 Notes to satisfy outstanding obligations under the July 2019 Notes, the trustee of the December 2019 Notes for the benefit of the holders of the December 2019 Notes to satisfy outstanding obligations under the December 2019 Notes, the trustee of the June 2020 Notes for the benefit of the holders of the June 2020 Notes to satisfy outstanding obligations under the June 2020 Notes, the trustee of the Notes for the benefit of the holders of the Notes to satisfy outstanding obligations under the Notes and, to the extent applicable, to other Creditor Representatives for the benefit of the holders of any Permitted Pari Passu Secured Indebtedness to satisfy outstanding obligations thereunder (in each case, to the extent not paid pursuant to the paragraphs above), in accordance with the terms of the relevant Debt Documents; and

fourth, any surplus remaining after such payments will be paid to the Company, the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Security Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive written instructions of the Trustee or other Creditor Representative and/or indemnification and/or security to its satisfaction. In addition, the Security 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 Security Agent's Liens on the Collateral. None of the Trustee, the Security Agent or any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the title, ownership, existence, genuineness, value, adequacy or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, registration, continuation, priority, sufficiency, insurance or protection of any of the Liens, 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 provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Security Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Security 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 gross negligence or willful misconduct of the Security 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 a defeasance and discharge of the Notes as provided below under "—Defeasance—Defeasance and Discharge";
- upon certain dispositions of the Collateral in compliance with the covenants described under "—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "—Certain Covenants—Limitation on Asset Sales," or in accordance with the provision described under "—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 (or its Subsidiaries) in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to a Subsidiary Guarantor that becomes an Offshore 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 Offshore Non-Guarantor Subsidiary; and
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor or JV Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture;

Further Issues

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees (if any)) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes.

Optional Redemption

At any time from time to time on or after August 5, 2022, the Company may on any one or more occasions redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on August 5 of the years indicated below:

Period	Redemption Price
2022	103.375%
2023 and thereafter	101.6875%

At any time prior to August 5, 2022, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

At any time and from time to time prior to August 5, 2024, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 106.75% 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.

Selection and Notice

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. 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, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed or if the Notes are being held through the clearing systems, in compliance with the applicable requirements of such clearing systems; or

(2) if the Notes are not listed on any recognized securities exchange, on a pro rata basis or by lot, unless otherwise required by law or applicable depositary or clearing system requirements.

A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancelation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price

equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that upon a Change of Control Triggering Event it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes 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, the Subsidiary Guarantors' and the JV Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors—Risks Relating to the Notes—We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event has occurred or may occur, and shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Company. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and 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 or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under "—Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, the PRC (each, as applicable, a "Relevant Taxing Jurisdiction"), or any jurisdiction through which payments are made (or any political subdivision or taxing authority thereof or therein) by or on behalf of the Company, a Surviving Person, or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor (together with each Relevant Taxing Jurisdiction, 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:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note, Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, and the Relevant Jurisdiction (other than merely acquiring or holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee), including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, or interest on such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder 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

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the Notes or from payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any);

(d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the 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; or

(e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c), and (d); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder thereof.

As a result of these provisions, there are circumstances in which taxes could be withheld or deducted but Additional Amounts would not be payable to some or all Holders.

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, upon giving not less than 30 days' nor more than 60 days' notice to the Holders, the Trustee and the Paying Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective or, in the case of an official position, is announced (i) with respect to the Company or any initial Subsidiary Guarantor or JV Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver or procure to deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, addressed to the Trustee stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall accept and be entitled to rely conclusively on such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders. The Trustee will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion, and is not obligated to verify any information in any certificate or opinion.

Any Notes that are redeemed will be canceled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary other than a Subsidiary Guarantor 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

other than a Subsidiary Guarantor 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).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;

(b) any Pari Passu Guarantees;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) below; *provided* that such Indebtedness of Restricted Subsidiaries other than Subsidiary Guarantors shall be included in the calculation of Permitted Subsidiary Indebtedness;

(d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness, such Indebtedness must be expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Company is not the obligee, such Indebtedness must be expressly be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;

(e) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clause (a), (b), (c), (h), (n), (o), (p), (q), (r), (t), (u), (w), (x) and (y) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a

Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is 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 further* that the repayment, redemption or discharge of any Project Debt outstanding on the Issue Date may be classified as being "refinanced" for the purpose of this clause (e) by a new Project Debt Incurred within 180 days after the repayment, redemption or discharge of such existing Project Debt;

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in interest rates, currencies or the price of commodities;

(g) Pre-Registration Mortgage Guarantees Incurred by the Company or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in a Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such 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 a Permitted Business; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such assets, property or equipment or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (h) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount of all outstanding Indebtedness and Preferred Stock permitted and then outstanding

under clauses (o), (p), (q), (t), (u), (w), (x) and (y) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 30.0% of Total Assets;

(i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the disposition of such business, assets or Restricted Subsidiary;

(l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business *provided*, however, that such Indebtedness is extinguished within five Business Days of Incurrence;

(m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary or the Company that was permitted to be Incurred under another provision of this covenant, to the extent permitted under the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" below;

(n) Indebtedness of the Company or any Restricted Subsidiary maturing within one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US$25.0 million (or the Dollar Equivalent thereof);

(o) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary, *provided* that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (o) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount

of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock issued under clause (h) above and clauses (p), (q), (t), (u), (w), (x) and (y) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

(p) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; *provided* that on the date of Incurrence of all such Indebtedness and after giving effect thereto, the sum of (1) the aggregate amount outstanding of all Indebtedness permitted under this clause (p) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred or Preferred Stock issued pursuant to clauses (h) and (o) above and clauses (q), (t), (u), (w), (x) and (y) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

(q) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties and Guarantees thereof by the Company or any Restricted Subsidiary; *provided* that on the date of the Incurrence of all such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all such Indebtedness Incurred or Preferred Stock issued pursuant to clauses (h), (o) and (p) above and clauses (t), (u), (w), (x) and (y) below (including, in each case, all Permitted 'Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 30.0% of Total Assets;

(r) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$25.0 million (or the Dollar Equivalent thereof);

(s) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary becomes obligated to pay such purchase price under such Staged Acquisition Agreement.

(t) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary, *provided* that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (t) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock issued under clauses (h), (o), (p) and (q) above and clauses (u), (w), (x) and (y) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

(u) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes 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 Incurrence of such Indebtedness and after giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (u) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock issued under clauses (h), (o), (p), (q) and (t) above and clauses (w), (x) and (y) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

(v) Indebtedness constituting a Subordinated Shareholder Loan;

(w) Indebtedness incurred by the Company or any Restricted Subsidiary under Credit Facilities; *provided* that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (w) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock issued under clauses (h), (o), (p), (q), (t) and (u) and clauses (x) and (y) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor

Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

(x) PRC Relevant Indebtedness Incurred by any PRC Restricted Subsidiary; *provided* that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (x) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock issued under clauses (h), (o), (p), (q), (t), (u) and (w) above and clause (y) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets; and

(y) Indebtedness of the Company or any Restricted Subsidiary in respect of Non-recourse Receivable Financing; *provided* that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of, (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (y) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock issued under clauses (h), (o), (p), (q), (t), (u), (w) and (x) above (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness or Preferred Stock meets the criteria of more than one of the types of Indebtedness or Preferred Stock described above, including under the proviso in clause (1) above, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness or Preferred Stock in one or more types of Indebtedness described above.

(4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness or Preferred Stock due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable or paid in shares of the Company's or any Restricted Subsidiary's Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary other than the purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement permitted to be entered into under the Indenture;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US$1.00 of Indebtedness under the proviso in clause (1) of the covenant described under "—Limitation on Indebtedness and Preferred Stock"; or

(c) such Restricted Payment, together with the aggregate amount of (1) all Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date and (2) payments made by the Company and its Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date, shall exceed the sum of (without duplication):

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the Measurement Date and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than

Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person or other transfers of property, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus

(v) US$20.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other

rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;

(6) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;

(7) a Permitted Investment under clause (1) of the definition thereof in the Capital Stock of a Restricted Subsidiary held by a minority shareholder which Investment increases the proportion of Capital Stock of such Restricted Subsidiary held (directly or indirectly) by the Company;

(8) payments made under a Staged Acquisition Agreement to acquire the Capital Stock of a Person, *provided* that such Person becomes a Restricted Subsidiary on or before the last date in the period stipulated in such Staged Acquisition Agreement for which the purchase price can be made (such date not to exceed 12 months from the date the Staged Acquisition Agreement was entered into) (the "Deadline Date"); *provided* further that in the event such Person does not become a Restricted Subsidiary on or before the Deadline Date, all payments previously made under this clause (8) shall be aggregated and constitute Restricted Payments made on the Deadline Date and such Restricted Payments must satisfy the other conditions under this "Limitations on Restricted Payments" covenant;

(9) the declaration and payment of dividends on the Common Stock of the Company by the Company in an aggregate amount not to exceed 20% of the profit for the year of the Company for each of the fiscal year ended December 31, 2018 and the fiscal year ended December 31, 2019; *provided that* the conditions of clauses (4)(a) and (4)(c) of the first paragraph of this "Limitation on Restricted Payments" would not be violated as a consequence of such declaration and payment of dividends;

(10) dividends paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred or issued under paragraph (2)(p) of the "Limitation on Indebtedness and Preferred Stock" covenant;

(11) cash payment in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company, provided, however, that any such cash payment shall not be for the purpose of evading the limitation of this "—Limitation on Restricted Payments" covenant (as determined in good faith by the Board of Directors of the Company);

(12) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, provided that (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock; provided further that the aggregate principal amount paid by the Company or its Restricted Subsidiaries for any purchase made pursuant to this clause (12) does not exceed an amount equal to 10% of Total Assets.

(13) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); provided that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US$10.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);

(14) the payment of any dividend or distribution payable or paid solely in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;

(15) payments, including distributions, made under or in connection with any Perpetual Securities Obligation pursuant to the terms thereof; or

(16) distributions or payments of Securitization Fees in connection with Receivable Financings permitted under the Indenture,

provided that, in the case of clause (2), (3), (4) or (5) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted 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 (other than any Restricted Payment set forth in clauses (5)

through (15) above) must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payment set forth in clauses (5) through (15) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "—Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

   (a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

   (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

   (c) make loans or advances to the Company or any other Restricted Subsidiary; or

   (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

   provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

   (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, the Intercreditor Agreement, or under any Permitted Pari Passu Secured Indebtedness or Pari Passu Guarantee, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

   (b) existing under or by reason of applicable law, rule, regulation or order;

   (c) 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, transfer or other 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" and "—Consolidation, Merger and Sale of Assets" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under clause (2)(h) or permitted under clause (2)(n), (2)(o), (2)(p), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u), (2)(w), (2)(x) or (2)(y) of the "Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its Subsidiaries or the property or assets of such Unrestricted Subsidiary or its Subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators or on a basis more favorable to the Company and its Restricted Subsidiaries;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and provided that the Company complies with the "—Limitation on Asset Sales" covenant, *provided further* that, paragraph (c) of clause (19) of the definition of "Permitted Investment" shall not apply if such Investment would otherwise have been permitted under clause (19) of such definition; 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 (2)(c), (2)(d) or (2)(m) (in the case of clause (2)(m), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of cash deposits, one or more bank accounts or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee) any Bank Deposit Secured Indebtedness) of the covenant described under "—Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee and such JV Subsidiary Guarantor shall become a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable 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 addressed to the Trustee as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and other reasonable and customary compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

(2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described under "—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 employees, officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

(6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any Restricted Subsidiary with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto;

(7) any sale of real property by the Company or a Restricted Subsidiary in the ordinary course of business to employees, officers, directors or their respective family members at a discount from the listed price not greater than that applicable generally to all employees of the Company and its Subsidiaries with respect to such property; *provided* that (x) revenues from all such sales under this clause (7) in any fiscal year shall not exceed 1% of the revenues for that year as shown in the consolidated financial statements of the Company for that period in accordance with GAAP, (y) any such discount shall not be in excess of 10% of the Fair Market Value of the relevant property and (z) any such sale, individually or in the aggregate (if required to be aggregated under the Listing Rules of The Stock Exchange of Hong Kong Limited), would not require the Company to obtain approval from its shareholders (or seek a waiver from complying with such requirement) in order to comply with the listing rules of The Stock Exchange of Hong Kong Limited; and

(8) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (13) of the second paragraph of the covenant entitled "—Limitation on Restricted Payments."

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, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among (A) any of the Company or a 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) the Company or any Restricted Subsidiary on the one hand and any Minority Joint Venture or an Unrestricted Subsidiary on the other hand; and (iv) any transaction

involving Receivable Financing Assets, or participation therein, in connection with any Receivable Financing; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business, and (b) none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be, is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or other partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be).

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably with the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or any Restricted Subsidiary, as the case may be, 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 under "—Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described under "—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 the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration

in excess of US$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

(b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly permanently 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.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness 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 (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis based on the principal amount of Notes and such other *pari passu* Indebtedness tendered (or required to be prepaid or redeemed). Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided*, however, that the Company or any

Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by the covenant described under "—Limitation on Restricted Payments."

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption "Use of Proceeds" in this offering memorandum (and with respect to any Additional Notes, as contemplated in the offering document in connection with the offering of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross- default to the Indebtedness of the Company as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under "—Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under "—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 "—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 "—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 a Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or, if it is permitted to do so under the Indenture, a JV Subsidiary Guarantor; and (6) if such Restricted Subsidiary is not a Non-Guarantor Subsidiary, and is not a Subsidiary of a JV Subsidiary Guarantor, all Capital Stock of such Restricted Subsidiary owned by the Company or any Subsidiary Guarantor shall be pledged as required under "—Security."

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and

licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except 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.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from the Rating Agency and no Default or Event of Default has occurred and is continuing (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 the Rating Agency, the provisions of the Indenture described under the following captions will be suspended:

(1) "—Limitation on Indebtedness and Preferred Stock";

(2) "—Limitation on Restricted Payments";

(3) "—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "—Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "—Limitation on the Company's Business Activities";

(7) "—Limitation on Sale and Leaseback Transactions";

(8) "—Limitation on Asset Sales"; and

(9) clauses (3), (4) and 5(x) of the first and second paragraphs of "—Consolidation, Merger and Sale of Assets."

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described under "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant described under "—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 deliver to the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will deliver to the Trustee and furnish to the Holders:

   (a) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in the 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 90 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in the 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 the English language), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided*, that, the Company shall not be required to provide such auditor certificate if its external auditors refuse to provide such certificate as a result of a policy of such external auditors; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenants described under "—Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under "—Repurchase of Notes upon a Change of Control Triggering Event" or "—Certain Covenants—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 provisions described under "—Security";

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Holders of 25% or more in aggregate principal amount of the Notes then outstanding or by the Trustee at the direction of such Holders;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$15.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$15.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant 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;

(8) the Company or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator,

assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a *pro rata* basis or on a basis more favorable to the Company);

(9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document 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 Security Agent ceases to have a first priority Lien in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement, if any).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company and to the Trustee, may, and the Trustee at the written request of such Holders shall (subject to the Trustee being indemnified and/or secured to its satisfaction by the Holders), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant 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 principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, subject to the Indenture and the Intercreditor Agreement, the Trustee shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes (subject to the Trustee being indemnified and/or secured to its satisfaction by the Holders), direct the Security Agent to foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as instructed by such Holders. 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, subject to the Trustee being indemnified and/or secured to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that is unclear, conflicting or equivocal, conflicts with law or the Indenture or the Security Documents, that may involve the Trustee in personal liability, or that may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder 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 provide 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 request and the indemnity and/or security; 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 to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) have each fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See "—Certain Covenants—Provision of Financial Statements and Reports." Unless such written notice is received by the Trustee, the Trustee will not be deemed to have any knowledge of any Default or any Event of Default.

The Trustee and the Agents need not do anything to ascertain whether any Event of Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Company is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Company is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to rely on any Opinion of Counsel or Officers' Certificate regarding whether an Event of Default has occurred.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), 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 Bermuda, the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes, the Intercreditor Agreement 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 or through which payment is made, and the Indenture, the Notes, the Intercreditor Agreement 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 or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the proviso in clause (1) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) 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 covenant and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under "—Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

(1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or 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);

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US$1.00 of Indebtedness under the proviso in clause (1) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the "—Certain Covenants—Limitation on Asset Sales" covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under "—The Subsidiary Guarantees and JV 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 New York law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing requirements shall not apply to a merger or consolidation of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or by a JV Subsidiary Guarantor with or into the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, or a sale, transfer, conveyance or lease of any properties and assets by any Subsidiary Guarantor to the Company or any other Subsidiary Guarantor or by a JV Subsidiary Guarantor to the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or, in the case of a consolidation, merger, sale, transfer, consolidation, conveyance or lease or other disposition of a JV Subsidiary Guarantor into another JV Subsidiary Guarantor, such first mentioned JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or the Subsidiary Guarantees in connection with an exchange or tender offer, the Company and the Subsidiary Guarantors may exclude (i) Holders or beneficial owners of the Notes that are not institutional "accredited investors" as defined in Rule 501 under the U.S. Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company to comply with the registration requirements or other similar requirements under any securities laws of any 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 and to hold monies for payment in trust) if, among other things:

(1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated

Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

(2) the Company has delivered to the Trustee an Opinion of Counsel from a firm of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "—Consolidation, Merger and Sale of Assets" and all the covenants described herein under "—Certain Covenants," other than as described under "—Certain Covenants— Government Approvals and Licenses; Compliance with Law" and "—Certain Covenants—Anti-Layering," clause (3) under "Events of Default" with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (4) under "Events of Default" with respect to such other covenants and clauses (5) and (6) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee 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 Waivers

Amendments Without Consent of Holders

The Indenture, 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) provide for the assumption of the Company's or any Subsidiary Guarantor or JV Subsidiary Guarantor's obligations pursuant to or otherwise 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 Security 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 the corresponding Collateral as provided or permitted by the terms of the Indenture;

(7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

(8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any other applicable clearing system;

(10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Security Agent to enter into the Intercreditor Agreement, or any supplements or amendments to the Intercreditor Agreement, the Security Documents or the Indenture, permitting the holders of Permitted Pari Passu Secured Indebtedness (or their representatives) to accede to the Intercreditor Agreement, as applicable, and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture and otherwise as permitted under "— Permitted Pari Passu Secured Indebtedness");

(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 Intercreditor Agreement or any Security Document may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors with any provision of the Indenture, the Notes, the Intercreditor Agreement or any Security Document; *provided*, however, that no such amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

(8) release any Collateral, except as provided in the Intercreditor Agreement, the Indenture and the Security Documents;

(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;

(11) amend, change or modify any provision of the Intercreditor Agreement, any Security Document or 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 amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under "—Certain Covenants—Limitations on Asset Sales";

(13) change the redemption date or the redemption price of the Notes from that stated under "—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 Subsidiary Guarantor or any JV Subsidiary Guarantor in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Concerning the Trustee and the Agents

Citicorp International Limited is to be appointed as Trustee under the Indenture and Citibank, N.A., London Branch is to be appointed as the Registrar, Citibank, N.A., London Branch has been appointed as the Transfer Agent and the Paying Agent with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture, and no implied covenant or obligation shall be read into the Indenture or the Notes against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes as a prudent person would exercise under the circumstances 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 and the Agents are permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates and shall not be obligated to account for any profits therefrom; *provided*, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

None of the Trustee, the Security Agent nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for any action taken or omitted by it, for the title, ownership, existence, genuineness, value, adequacy or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, registration, priority, sufficiency, insurance or protection of any of the Liens, 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, except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Security Agent, any Agent, the security agent or any of their respective officers, directors, employees, attorneys or agents, as the case may be, was the primary cause of any loss to any Holder. The Trustee and the Agents shall be entitled to request and conclusively rely on any Opinion of Counsel and Officers' Certificates and will not be liable for any loss occasioned by acting in reliance on such Opinion of Counsel or Officers' Certificate.

Subject to the terms of the Security Documents, Citicorp International Limited will initially act as Security Agent under the Security Documents in respect of the Lien over the Collateral. The Security Agent 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 and the Security Documents. Under certain circumstances, the Security Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders and the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any). Neither the Trustee nor the Security Agent will be under any obligation to exercise and have absolute discretion as to exercise or non-exercise of any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the Holders or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness, unless such Holders and/or the holders (or their representatives) of Permitted Pari Passu Secured Indebtedness (if any) have provided to the Trustee and/or the Security Agent (as applicable) written directions to do so and indemnity and/or security satisfactory to it against any loss, liability or expense. Before the Trustee acts or refrains from acting, it may require an Officers Certificate or an Opinion of Counsel prepared and delivered at the cost of the Company and the Trustee and the Agents may conclusively rely on such certificate or opinion and will not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee shall have no obligation or duty to monitor compliance with any of the obligations of the Company under the Indenture and the Notes. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee, the Agents and the Security Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee, the Agents and the Security Agent in respect of such risks.

The Trustee shall not be deemed to have any knowledge of any acts that may be unlawful or in violation of the Security Documents or the Indenture unless and until it obtains written notification describing the circumstances of such, and identifying the circumstances constituting such, unlawful acts or violation.

Book-Entry; Delivery and Form

The Notes will be represented by one or more global notes in registered form without interest coupons attached (each a "Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "—Individual Definitive Notes," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of Global Note 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 Trustee 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 Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law in which it will pay Additional Amounts to the extent described under "—Additional Amounts."

Under the terms of the Indenture, the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors and the Trustee will treat the registered holder of the Global Note (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 Trustee 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
- 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 Note

In the event any Global Note, or any portion thereof, is redeemed, the Paying Agent 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 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. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions." Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book- entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders 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 immediately available funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through

electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of 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.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "—Events of Default" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the Paying Agent for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor) addressed to the Company, such Subsidiary Guarantor or JV Subsidiary Guarantor, (if intended for the Trustee) at the corporate trust office of the Trustee and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Law Debenture Corporate Service Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

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.

"2016 Notes" means the 6.95% Senior Notes due 2019 of the Company, which have been fully repaid upon maturity.

"2018 Notes" means the 8.25% Senior Notes due 2021 of the Company.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after August 5, 2022, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is

a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Premium" means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the redemption price of such Note on August 5, 2022 (such redemption price being described in the first paragraph in the "—Optional Redemption"), plus (y) all required remaining scheduled interest payments due on such Note through August 5, 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"April 2019 Notes" means the 8.75% Senior Notes due 2022 of the Company.

"Asset Acquisition" means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided* that "Asset Sale" shall not include:

(1) sales, transfers or other dispositions of inventory, receivables and other current assets (including, but not limited to, properties under development for sale and completed properties for sale) in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "—Certain Covenants—Limitation on Restricted Payments" covenant;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting of any Lien not prohibited by "—Certain Covenants—Limitation on Liens";

(6) a transaction covered by the covenant described under "—Consolidation, Merger and Sale of Assets";

(7) any sale, transfer or other disposition by the Company or any Restricted Subsidiary, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary; and

(8) any disposition of Receivable Financing Assets in connection with any Receivable Financing (other than Non-recourse Receivable Financing) permitted under the Indenture, and (ii) the sale or discount of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof or in bankruptcy or similar proceeding.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Bank Deposit Secured Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by cash deposits, bank accounts or other assets of the Company or a Restricted Subsidiary and/ or (ii) Guaranteed by a Guarantee, letter of credit or similar instruments from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchange currency or remit money onshore or offshore.

"Board of Directors" means the board of directors of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London, Luxembourg or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Change of Control" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders are the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Company;

(4) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(5) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election to the board of directors was approved by a vote of at least a majority of the directors then still in office who were either directors on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(6) the adoption of a plan relating to the liquidation or dissolution of the Company.

"Change of Control 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 shall initially consist of the Capital Stock of the initial Subsidiary Guarantors owned by the Company or a Subsidiary Guarantor.

"Commodity Agreement" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage the exposure to fluctuations in commodity prices.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of

such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security having a maturity comparable to the remaining term of the Notes to be redeemed 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 August 5, 2022.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Company, Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its other Restricted Subsidiaries' proportionate interest in the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements).

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than the accrual of revenue in the ordinary course of business and other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP), all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) 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 Restricted Subsidiary and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"Consolidated Fixed Charges" means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock

of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

"Consolidated Interest Expense" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), only to the extent such interest is actually paid by the Company or any Restricted Subsidiary, and (7) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period and, for the avoidance of doubt, distributions Incurred or accrued or payments on any Perpetual Securities Obligation shall not be included in the calculation of Consolidated Interest Expense.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

   (a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

   (b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or any Restricted Subsidiary;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains 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); and

(6) any translation gains or losses due solely to fluctuations in currency values and related tax effects;

(7) any net after-tax extraordinary or non-recurring gains;

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

"Contractor Guarantees" means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"Credit Facilities" means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the

foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder, or (4) otherwise altering the terms and conditions thereof.

"Creditor Representatives" means the Trustee, the trustee for each series of the Existing Pari Passu Secured Indebtedness and the holders (or their representatives) of any Permitted Pari Passu Secured Indebtedness, in each case that are parties to the Intercreditor Agreement or other similar agreements pursuant to the terms of the Indenture, if any.

"Currency Agreement" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

"Debt Documents" means, collectively, the indentures governing each series of Existing Pari Passu Secured Indebtedness (to the extent such series of Existing Pari Passu Secured Indebtedness remain outstanding), the Notes, the Indenture, the Security Documents and the documents evidencing or governing any Permitted Pari Passu Secured Indebtedness.

"December 2019 Notes" means 8.10% Senior Notes due 2023 of the Company.

"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 (or options, warrants or other rights exercisable 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 "—Certain Covenants—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 "—Certain Covenants—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 underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price, in each case to a person other than a Restricted Subsidiary or Permitted Holder; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii), results in the aggregate gross cash proceeds received by the Company being no less than US$20.0 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank SA/NV.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Exempted Subsidiary" means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

"Existing Pari Passu Secured Indebtedness'' means the 2018 Notes, the February 2019 Notes, the March 2019 Notes, the April 2019 Notes, the July 2019 Notes, the December 2019 Notes, the June 2020 Notes, the Facilities Agreement and the Facility Letter.

"Facilities Agreement" means the facilities agreement dated as of September 23, 2019 and between, among others, the Company as borrower and Hang Seng Bank Limited as agent and security agent.

"Facility Letter" means the facility letter issued by China CITIC Bank International Limited as the lender on June 24, 2020 to the Company as borrower in respect of a US$10,000,000 revolving loan facility.

"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 the 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 2019 Notes" means the 11.25% Senior Notes due 2021 of the Company.

"Fitch" means Fitch Ratings, Inc. and its affiliates or successors.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness 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 or consolidated 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 quarters 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 the International Financial Reporting Standards as in effect from time to time.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without

limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity

Agreement, Currency Agreement or Interest Rate Agreement.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Incur" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations;

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase or redemption price plus accrued dividends; and

(10) Receivable Financing Assets sold, transferred or discounted (other than pursuant to a Non-recourse Receivables Financing) by such Person to the extent of the consideration or proceeds received or receivable (prior to the payment of any subordinated tranche of interests (if any)) by such Person from another Person other than the Company or a Restricted Subsidiary.

For the avoidance of doubt, a mandatory put option granted to a Person that obligates the Company or any Restricted Subsidiary to repurchase the Capital Stock of any Restricted Subsidiary or any other Person shall be deemed to be "Indebtedness".

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; *provided* that such Indebtedness is not reflected as borrowings on the balance sheet of the Company, (2) Entrusted Loans or (3) any Perpetual Securities Obligation (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the "Limitation on Indebtedness and Preferred Stock" covenant, and (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at that time if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Company.

"Intercreditor Agreement" has the meaning set forth under "—Intercreditor Agreement"

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent Guaranteed by such Person.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company's proportional interest in the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "–" indication, or an equivalent rating representing one of the four highest rating categories, by 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 Fitch.

"Investment Property" means any property that is owned and held by any PRC Restricted Subsidiary for long-term rental yield or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

"July 2019 Notes" means the 8.95% Senior Notes due 2023 of the Company.

"June 2020 Notes" means the 7.35% Senior Notes due 2023 of the Company.

"JV Entitlement Amount" means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor; *provided* that such amount shall not 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.

"JV Subsidiary Guarantee" has the meaning set forth under "—The Subsidiary Guarantees and JV Subsidiary Guarantees."

"JV Subsidiary Guarantor" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee for so long as such JV Subsidiary Guarantee has not been released in accordance with the Indenture.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Listed Subsidiaries" means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; provided that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

"March 2019 Notes" means the 10.5% Senior Notes due 2022 of the Company.

"Measurement Date" means July 1, 2016.

"Minority Joint Venture" means any corporation, association or other business entity which is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses.

"Moody's" means Moody's Investors Service, Inc. and its affiliates or successors. "Net Cash Proceeds" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

    (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

    (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

    (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

    (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post- employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock or securities convertible or exchangeable into Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Non-recourse Receivable Financing" means Receivable Financing (i) under which neither the Company nor any Restricted Subsidiary (other than pursuant to Standard Non-recourse Receivable

Financing Undertakings) provides guarantee or recourse with respect to the Receivable Financing Assets, undertakes to repurchase any Receivable Financing Assets, subjects any of its properties or assets, directly or indirectly, contingently or otherwise, to the satisfaction of any obligation related to the Receivable Financing Assets or undertakes to maintain or preserve the financial condition or operating results of the entity that purchases or otherwise receives the Receivable Financing Assets and (ii) is not reflected as liability on the consolidated balance sheet of the Company.

"Offer to Purchase" means an offer to purchase Notes by the Company from the Holders commenced by sending a notice to the Trustee, the Paying and Transfer Agent and each Holder at its last address appearing in the Note register stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent 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 all applicable securities laws and regulations thereunder, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers; *provided*, however, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

"Opinion of Counsel" means a written opinion addressed to the Trustee from legal counsel who is reasonably acceptable to the Trustee.

"Original Issue Date" means the date on which the Notes are originally issued under the Indenture.

"Pari Passu Guarantee" means a Guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes), any Subsidiary Guarantor or any JV Subsidiary Guarantor; *provided* that (1) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock" and (2) such Guarantee ranks *pari passu* with the Notes, any outstanding Subsidiary Guarantee of such Subsidiary Guarantor or 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 "—Repurchase of Notes upon a Change of Control Triggering Event," or an Offer to Purchase in the manner described under "—Certain Covenants—Limitation on Asset Sales" or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

"Permitted Businesses" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

"Permitted Holders" means any or all of the following:

(1) (a) Ou Zhonghong, his spouse or immediate family members or any trust established by any of them for their own benefit of for the benefit of any of their immediate family members;

(2) any Affiliate (other than an Affiliate as defined in clauses (2) or (3) of the definition of Affiliate) of the Persons 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 the Persons specified in clauses (1) and (2).

"Permitted Investment" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed solely to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments consisting of consideration received in connection with an Asset Sale made in compliance with the covenant described under "—Certain Covenants—Limitation on Asset Sales."

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "—Certain Covenants—Limitation on Liens";

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;

(13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(15) deposits made in order to secure the performance of the Company or any Restricted Subsidiary and prepayments made in connection with the direct or indirect acquisition of real property or land use rights by the Company or any Restricted Subsidiary, in each case in the ordinary course of business;

(16) advances or deposits paid to government authorities or government-affiliated or supervised entities in the PRC in connection with the financing of land acquisition, land development or land re-development activities in the ordinary course of business that are recorded as assets on the Company's balance sheet to the extent each such advance or deposit is on normal commercial terms;

(17) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;

(18) repurchases of Notes;

(19) any Investment (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person; *provided* that:

(a) none of the other holders of Capital Stock of such Person is a Person described in clauses (a) or (b) of the first paragraph of the covenant described under "—Certain Covenants—Limitation on Transactions with Shareholders and Affiliates" covenant (other than by reason of such holder being an officer or director of the Company, a Restricted Subsidiary, Unrestricted Subsidiary or Minority Joint Venture);

(b) such Investment, together with (x) the aggregate of all other Investments made under this clause (19) since the Original Issue Date, less (y) an amount equal to the net reduction in all Investments made under this clause (19) since the Original Issue Date resulting from (A) receipt of payments in cash by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on or repayments of loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of such Person provided under this clause (19) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under this clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (i) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (ii) the initial amount of such Investment, or (D) such Person becoming a Restricted Subsidiary (whereupon all Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of

this "Permitted Investment" definition), not to exceed, in each case, the amount of Investments (other than Permitted investments) made by the Company or any Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (19), will not exceed an aggregate amount equal to 20.0% of Total Assets; *provided, however,* that the aggregate amount of all Investments by the Company and its Restricted Subsidiary in any Person that engage in a business other than a Permitted Business pursuant to this clause (19) shall not at any time exceed 10.0% of Total Assets; and

(c) no Default has occurred and is continuing or would occur as a result of such Investment;

(20) Guarantees permitted under clause (o), (t), (u), (w) or (x) of the second paragraph of the covenant described under the caption entitled "—Certain Covenants—Limitation on Indebtedness and Preferred Stock;"

(21) any obligation, undertaking, agreement or arrangement to repurchase, indemnify or make up difference in payments in connection with any Receivable Financing permitted under the Indenture;

(22) any Investment in a subordinated tranche of interests in a Receivable Financing Incurred pursuant to clause (ii) of the definition thereof with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, are necessary or advisable to effect such Receivable Financing; and

(23) any Standard Non-recourse Receivable Financing Undertakings.

"Permitted Liens" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary;

provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided* further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Company or any Restricted Subsidiary;

(8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (2)(f) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock"; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) Liens under the Security Documents;

(14) Liens on the Collateral securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under "—Security—Permitted Pari Passu Secured Indebtedness";

(15) any interest or title of a lessor in the property subject to any operating lease;

(16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee;

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(18) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock" and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may

cover other property or assets (instead of or in addition to such item of property and 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 comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(21) Liens on deposits made in order to secure the performance of the Company or any Restricted Subsidiary in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(22) Liens incurred to secure Entrusted Loans;

(23) Liens Incurred on cash deposits, bank accounts or other assets to secure Bank Deposit Secured Indebtedness of the type described under clause (2)(o) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(24) Liens securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(25) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of any Trust Company Investor (including the sale or transfer of such Capital Stock to such Trust Company Investor) in respect of, and to secure, the Indebtedness or Preferred Stock permitted to be Incurred or issued under clause (2)(p) of the "—Certain Covenants—Limitation on Indebtedness and Preferred Stock" covenant;

(26) Liens on Investment Properties securing Indebtedness of the Company or any Restricted Subsidiary permitted under clause (2)(q) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(27) Liens securing Indebtedness Incurred pursuant to clause (2)(r) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(28) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness which is permitted to be Incurred under clause (2)(s) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";

(29) Liens securing the Acquired Indebtedness Incurred under clause 2(u) of the "—Certain Covenants—Limitation on Indebtedness and Preferred Stock" covenant;

(30) Liens on assets of a Restricted Subsidiary securing any Permitted Subsidiary Indebtedness of another Restricted Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the "—Certain Covenants—Limitation on Indebtedness and Preferred Stock" covenant;

(31) Liens securing the Credit Facilities permitted to be Incurred under clause 2(w) of the "—Certain Covenants—Limitation on Indebtedness and Preferred Stock" covenant; and

(32) Liens on Receivable Financing Assets in respect of a Non-recourse Receivable Financing permitted under clause (2)(y) of the covenant described under "—Certain Covenants —Limitation on Indebtedness and Preferred Stock;

provided that, with respect to the Collateral, "Permitted Liens" shall only refer to the Liens described in clauses (1), (6), (13) and (14) of this definition.

"Permitted Pari Passu Secured Indebtedness" has the meaning set forth under "—Security—Permitted Pari Passu Secured Indebtedness."

"Permitted Subsidiary Indebtedness" means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Restricted Subsidiaries other than Subsidiary Guarantors; *provided* that, on the date of the Incurrence of such Indebtedness and after giving pro forma effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding the amount of any Public Indebtedness and any Indebtedness of any Restricted Subsidiary other than a Subsidiary Guarantor permitted under clauses 2(a), (2)(b), (2)(d), (2)(f) and (2)(g) of the covenant described under "—Certain Covenants—Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 15% of Total Assets.

"Perpetual Securities Obligation" means perpetual securities that are accounted for as equity in accordance with the relevant generally accepted accounting principles issued by the Company or any Restricted Subsidiary.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China, excluding, solely for purposes of "Description of the Notes", 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 Relevant Indebtedness" means any present or future Indebtedness (whether being principal, premium, interest or other amounts) for or in respect of notes, bonds, debentures, debenture stock, loan stock or other securities (other than the Securities) issued by a Restricted Subsidiary to the public or through a private placement in the PRC within the quota that is approved by applicable governmental authorities of the PRC government or any applicable stock exchange.

"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 terms 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 a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"Project Debt" means Indebtedness Incurred by the Company or a Restricted Subsidiary for the purpose of financing the acquisition, development, constructing, operation or maintenance of a real estate project.

"Public Indebtedness" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

"Qualified Exchange" means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock market, Singapore Exchange Securities Trading Limited, The Shanghai Stock Exchange or The Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the U.S. Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the U.S. Securities Act).

"Rating Agency" means Fitch; *provided* that if Fitch shall not make a rating of the Notes publicly available, one or more nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Fitch.

"Rating Category" means (1) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (2) the equivalent of any such category of Fitch, Moody's or S&P used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "–" for 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 (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under "—Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by the Rating Agency) of the event listed below, or

(2) in connection with actions contemplated under "—Consolidation, Merger and Sale of Assets," the notification by the Rating Agency that such proposed actions will result in the event listed below:

(a) in the event the Notes are rated below Investment Grade by the Rating Agency on the Rating Date, the rating of the Notes by the Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Receivable Financing" means any financing transaction or series of financing transactions that have been or may be entered into by any Restricted Subsidiary pursuant to which such Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any receivables, royalty, other revenue streams or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling securities that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

"Receivable Financing Assets" means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. New York City time on the third Business Day preceding such redemption date.

"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 that is primarily engaged in a Permitted Business and will, upon the acquisition by the Company or any Restricted Subsidiary of such Capital Stock, become a Restricted Subsidiary.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"S&P" means S&P Global Ratings, a division of S&P Global Inc.. and its affiliates or successors.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"Securitization Fees" means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"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 Trustee, the Security Agent and/or any Holders in any or all of the Collateral.

"Senior Indebtedness" of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) Trade Payables or (3) Indebtedness Incurred in violation of the Indenture.

"Significant Restricted Subsidiary" means any Restricted Subsidiary, or any group of Restricted Subsidiaries that, taken together, would be "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 this Indenture, if any of the conditions exceeds 5 percent.

"Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Standard Non-recourse Receivable Financing Undertakings" means representations, warranties, undertakings, covenants and indemnities entered into by the Company or any Restricted Subsidiary which the Company has determined in good faith to be customary for a seller or servicer of assets in any Non-recourse Receivable Financing.

"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 that is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subordinated Shareholder Loan" means any loan to the Company or any Restricted Subsidiary from Permitted Holders which (i) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, pursuant to a sinking fund obligation event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) does not provide any cash payment of interest.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which (i) more than 50% of the voting power of the outstanding Voting Stock is owned,

directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is "controlled" and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment made by such Person equal to the Fair Market Value of the Capital Stock of such corporation, association or other business entity held by such person immediately after the occurrence of such event.

"Subsidiary Guarantee" means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"Subsidiary Guarantor" means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that "Subsidiary Guarantor" does not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

"Subsidiary Guarantor Pledgor" means the 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 "Subsidiary Guarantor Pledgor" does not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America, the United Kingdom, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, the United Kingdom, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the U.S. Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in

existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P or Fitch;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P, Moody's or Fitch;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts its business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months' notice; and

(8) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank, trust company or other financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts its business operations.

"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 in a timely manner) are available (which may be internal consolidated financial statements); *provided* that only with respect to clause (2)(h) of "—Certain Covenants—Limitation on Indebtedness and Preferred Stock" covenant and the definition of "Permitted Subsidiary Indebtedness," Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness; and *provided* further that with respect to the calculation of the percentage of Total Assets represented by the Consolidated Assets of the Offshore Non-Guarantor Subsidiaries, the amount of Total Assets shall be calculated after giving pro forma effect to any sale or issuance of Capital Stock to relevant Independent Third Parties.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Trust Company Investor" means an Independent Third Party that is a financial institution, including but not limited to a bank, a trust company, a securities management company, an asset management company or an insurance company organized, or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person are entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of the 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 or premium 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. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but is otherwise not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (2011 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (2011 Revision), the Governor in Cabinet undertakes with the Company:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of the Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

These concessions shall be for a period of 20 years from September 30, 2014.

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 in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Hong Kong) of a Note.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of the 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 the Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of the Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains. PRC income tax at the rate of 10% (or lower treaty rate, if any) is 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, to the extent such interest is derived from sources within the PRC. Any gain realized on the transfer of the Notes by such investors is subject to a 10% (or lower treaty rate, if any) PRC income tax if such gain is regarded as income of a "non-resident enterprise" derived from sources within the PRC. As advised by FenXun Partners, our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. If we are considered a PRC resident enterprise, interest and capital gains realized by non-resident holders of the Notes may be treated as income derived from sources within the PRC and may be subject to PRC withholding tax at the rate of 10% in the case of payments of interest and PRC tax the rate of

10% in the case of capital gains where the holder is an enterprise pursuant to the EIT Law, or subject to PRC individual income tax at the rate of 20% (which in the case of interest may be withheld at source) where the holder is an individual pursuant to PRC individual income tax laws. It is unclear whether if we are considered a PRC "resident enterprise," holders of the Notes might be able to obtain the benefit of income tax treaties or agreements entered into between China and other countries or areas. See "Risk Factors—Risks Relating to Our Business—We may be deemed a PRC resident under the EIT Law and be subject to PRC taxation on our worldwide income" and "Interest payable by us to our foreign investors and gain on sale of our Notes may be subject to withholding taxes under PRC tax laws."

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

Subject to the terms and conditions in the purchase agreement to be dated the date of this offering memorandum (the "Purchase Agreement"), the Initial Purchasers have severally agreed to purchase from us, and we agree to sell to the Initial Purchasers, US$200,000,000 aggregate principal amount of the Notes.

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the Notes is several and not joint and subject to the approval of certain legal matters by their counsel and certain other conditions. The Initial Purchasers are committed to take and pay for all of the Notes if any are taken. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates and may provide such affiliates an opportunity to purchase some of the Notes in the initial offering.

We and the Subsidiary Guarantors have agreed to jointly and severally indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof. In addition, we and the Subsidiary Guarantors have agreed to jointly and severally reimburse the Initial Purchasers for certain expenses incurred in connection with the offering of the Notes.

The Notes are a new issue of securities with no established trading market. Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. In connection with the offering of the Notes, any Initial Purchaser appointed and acting in its capacity as a stabilization manager may, on behalf of the Initial Purchasers, to the extent permitted by applicable laws and regulations, engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchasers may over allot the offering, creating a syndicate short position. In addition, the Initial Purchasers may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities, which may be effected in the over-the-counter market or otherwise, may stabilize or maintain the market price of the Notes above independent market levels. However, the Initial Purchasers are not obligated or required to engage in these activities, and may end any of these activities at any time at their sold discretion without prior notice. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

We expect that delivery of the Notes will be made on or about August 5, 2020 which we expect will be the fifth business day following the pricing date of the Notes (this settlement cycle being referred to as "T+5"). Purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or succeeding business days should consult their own legal advisor.

We have been advised that the Initial Purchasers presently intend to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes.

We and the Subsidiary Guarantors will pay the Initial Purchasers customary fees and commissions in connection with the offering and will reimburse the Initial Purchasers for certain expenses incurred in connection with the offering. [In addition, we and the Subsidiary Guarantors have agreed with the Initial Purchasers that private banks be paid a commission in connection with the purchase of the Notes by their private bank clients, which commission may be deducted from the purchase price for the Notes payable by such private banks upon settlement.]

The Initial Purchasers and their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory brokerage, wealth management, private equity and investment banking services, for us and our affiliates in the ordinary course of business, for which they received or will receive customary fees and expenses. Furthermore, we may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

In connection with the offering of the Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up any Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with the 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 affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

SELLING RESTRICTIONS

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered, sold or delivered within the United States except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes and the Subsidiary Guarantees are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the Notes may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Subsidiary Guarantors.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, each Initial Purchaser has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase, and will not offer or sell any Notes or cause any Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, and will not circulate or distribute, this offering memorandum or any other document or material in

connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Hong Kong

Each Initial Purchaser (a) has not offered or sold or will not offer or sell in Hong Kong, by means of any document, any Notes other than (1) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong and any rules made under that Ordinance; or (2) 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 the Laws of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; or (b) has not issued or had in its possession for the purposes of issue or will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Notes and the Subsidiary Guarantees, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the 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 Securities and Futures Ordinance (Cap. 571) and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "Financial Instruments and Exchange Law") and, accordingly, will not

be offered or sold, directly or indirectly, 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), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other applicable laws and regulations of Japan.

Cayman Islands

No Notes will be offered or sold in the Cayman Islands.

PRC

Each Initial Purchasers have represented and agreed that they have not circulated and will not circulate this offering memorandum and they have not offered or sold and will not offer or sell the Notes, directly or indirectly, in the PRC (for such purpose, not including the Hong Kong and Macau Special Administrative Regions or Taiwan).

European Economic Area and the United Kingdom

Prohibition of Sales to EEA and UK Retail Investors

The Notes may not be offered, sold or otherwise made available to any retail investor in the European Economic Area or in the United Kingdom.

For the purposes of this provision: the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended or superseded, "MiFID II"); or

(ii) a customer within the meaning of Directive 2016/97/EU (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.

For the purpose of this paragraph, the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

GENERAL

No action is being taken or is contemplated by us that would permit a public offering of the Notes or possession or distribution of any preliminary offering memorandum or offering memorandum or any amendment thereof, any supplement thereto or any other offering material relating to the Notes in any jurisdiction where, or in any other circumstance in which, action for those purposes is required.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of, the U.S. Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

By its purchase of the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees, each purchaser of the Notes will be deemed to:

1. represent that it is purchasing the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees, in an offshore transaction in accordance with Regulation S;

2. represent that it is purchasing the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees, for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a purchaser that is outside the United States, not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act;

3. acknowledge that the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to registration under the U.S. Securities Act;

4. agree that it will inform each person to whom it transfers the Notes of any restrictions on transfer of such Notes;

5. understand that the Notes will be represented by the Global Certificate and that transfers thereto are restricted as described under "Description of the Notes—Book-Entry; Delivery and Form";

6. acknowledge that the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Registrar, the Paying Agent, the Initial Purchasers and others will rely upon the truth and accuracy of the acknowledgements, representations and agreements contained herein, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Company, the Subsidiary Guarantors, the Trustee, the Paying Agent and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;

7. acknowledge that neither the Company nor the Subsidiary Guarantors nor the Initial Purchasers nor any person representing the Company nor the Subsidiary Guarantors or the Initial Purchasers has made any representation with respect to the Company or the offering of the Notes, other than the information contained in this offering memorandum, and agree that it has had access to such financial and other information concerning us and

the Notes as it has deemed necessary in connection with its decision to purchase the Notes including an opportunity to ask questions of and request information from us;

8. represent that it is relying only on this offering memorandum in making its investment decision with respect to the Notes;

9. acknowledge that each Note will contain a legend substantially to the following effect.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE U.S. SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

RATINGS

The Notes are expected to be rated "BB-" by Fitch and "BB+" by China Chengxin. The rating reflects the rating agency's assessment of the likelihood of timely payment of the principal of and interest on the Notes. The rating does not constitute recommendations to purchase, hold or sell the Notes inasmuch as such rating does not comment as to market price or suitability for a particular investor. Such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. Additionally, we have been assigned a rating of "BB-" with a stable outlook by Fitch, "BB+" with a stable outlook by China Chengxin, "B+" with a stable outlook by S&P and "B1" with a stable outlook by Moody's. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by King & Wood Mallesons as to matters of United States federal and New York law and Hong Kong law, FenXun Partners as to matters of PRC law, Conyers Dill & Pearman as to matters of Cayman Islands law and British Virgin Islands law.

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

INDEPENDENT AUDITOR

The consolidated financial statements as of and for the years ended December 31, 2018 and 2019 included in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants and Registered Public Interest Entity Auditor, Hong Kong, as stated in their reports appearing herein.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The issue of the Notes have been authorized by a resolution of our board of directors dated July 26, 2020 and the giving of the Subsidiary Guarantees have been authorized by resolutions of the board of directors of each Subsidiary Guarantor dated July 26, 2020. The entering into of the Indenture had been authorized by a resolution of our board of directors and resolutions of the board of directors of each Subsidiary Guarantor, all dated July 26, 2020.

Litigation

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of the issue of the Notes.

No Material Adverse Change

Save for the potential impact of COVID-19 as disclosed in "Risk Factors — The national and regional economies in China may be adversely affected by an outbreak of epidemics, natural disasters or severe weather conditions, thereby affecting out business prospects", there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2019 that is material in the context of the issue of the Notes.

Documents Available

For so long as any of the Notes is outstanding, upon prior written request and satisfactory proof of holding, copies of the Indenture may be inspected during normal business hours on any weekday (except public holidays) at the specified offices of the Trustee.

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

Clearing Systems and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
Notes	XS2211514885	221151488

Listing of the Notes

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle from, admission to the Official List of, and the listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for definitive Notes, we will appoint and maintain a paying agent in Singapore where the definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

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Notes:

(1) The attached independent auditor's report on our consolidated financial statements as of and for the year ended December 31, 2019 is a reproduction of the Company's annual report for the year ended December 31, 2019, and page references are references to pages set forth in such annual report.

(2) The attached independent auditor's report on our consolidated financial statements as of and for the year ended December 31, 2018 is a reproduction of the Company's annual report for the year ended December 31, 2018 and, page references are references to pages set forth in such annual report.

(3) The audited consolidated financial statements as of and for the year ended December 31, 2019 and audited consolidated financial statements as of and for the year ended December 31, 2018 in this appendix have been reproduced from the annual reports of the Company for the financial year ended December 31, 2019 and December 31, 2018, respectively, and have not specifically been prepared for inclusion in this offering memorandum.

Independent Auditor's Report

pwc

羅兵咸永道

To the Shareholders of Ronshine China Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Ronshine China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 113 to 205, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Provisions for properties under development ("PUD") and completed properties held for sale ("PHS")
- Classification of investment in subsidiaries, joint ventures and associates

Key Audit Matters (continued)

Provisions for properties under development ("PUD") and completed properties held for sale ("PHS")	How our audit addressed the Key Audit Matter
Refer to Note 4(a) and Note 20 to the consolidated financial statements. The total of PUD and PHS of the Group amounted to approximately RMB122,973 million as at 31 December 2019, accounting for approximately 57% of the total assets of the Group. The carrying amounts of PUD and PHS are stated at the lower of cost or net realisable value ("NRV"). The Group assessed the NRV of PUD and PHS based on the realisable value of these properties. As a result, provisions for PUD and PHS involve critical accounting estimates on the future selling prices and direct related selling expenses for the properties, as well as the costs to completion for PUD.	Our key procedures in relation to management's assessment on the provision for PUD and PHS included: 1. We understood, evaluated and validated management's key internal controls over the Group's process in determining the costs to completion of PUD and the net realisable values of PUD and PHS based on prevailing market conditions. 2. We assessed management's key estimates for: • Selling prices which were estimated based on the prevailing market conditions. We selected PUD and PHS on a sample basis to compare their estimated selling prices to the recent market transactions, making reference to the Group's selling prices of the sold units in the same project or the prevailing market prices of comparable properties with similar sizes, usages and locations, after considering future market development; • Direct related selling expenses were estimated based on certain percentages of selling prices. We compared the above estimated percentages with the actual average selling expenses to revenue ratio of the Group in recent years; and • For the estimated costs to completion for PUD, we reconciled them to the budgets approved by management, examined the signed construction contacts on a sample basis, and compared the anticipated completion costs to the actual costs of comparable properties with similar sizes, usages and locations of the Group in recent years. We found that the key estimates used in management's assessment on the provision for PUD and PHS were properly supported by the available evidence.

Key Audit Matters (continued)

Classification of investments in subsidiaries, joint ventures and associates	How our audit addressed the Key Audit Matter
Refer to Note 4(b), Note 11 and Note 12 to the consolidated financial statements. The Group co-operated with other parties to invest in a large number of property development projects, which were classified as subsidiaries, joint ventures or associates. We focused on the classification of investments as subsidiaries, joint ventures or associates as it is determined based on whether the Group has control, joint control or significant influence over the investee. The assessment involves significant judgements through the analysis of various factors, including constitution of decision making authorities of an investee, such as shareholders' meetings and board of directors' meetings, decision making process, the Group's representation on the decision making authorities of an investee, as well as other facts and circumstances.	In assessing the classification of new investments or changes to existing investments during the year, we have performed the following key procedures: 1. We obtained and examined the legal documents in relation to the investments ("Investment Documents"), including the cooperation agreements amongst co-developers and articles of associations of the investees, with particular focuses on, including but not limited to the terms and conditions in relation to the rights of investors, cooperation arrangements, termination provisions, management structures and profit-sharing arrangements, and assessed management's judgement by analysing these key terms against accounting standards. Where there have been subsequent changes to the co-developers' agreements, articles of association, and/or management structures, we critically assessed management's re-assessment on whether those changes would affect the initial classification. 2. We examined the documents related to decision making of property development, including minutes of shareholders' meetings and board of directors' meetings of the investees, and evaluated the detailed project management and approval processes on a sample basis, including but not limited to the authorities in determination and approval of project budgets, selection of main constructors and vendors of the projects and the determination of sales and marketing plan. Based on the procedures performed, we found that management's judgements applied in determining the classification of the Group's investments in subsidiaries, joint ventures and associates were supported by available evidences.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 directors 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 directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Kam Chin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2020

Consolidated Income Statement

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	6	**51,462,502**	34,366,500
Cost of sales	7	**(38,987,328)**	(26,301,557)
Gross profit		**12,475,174**	8,064,943
Selling and marketing costs	7	**(1,199,042)**	(1,137,009)
Administrative expenses	7	**(1,479,244)**	(1,341,193)
Fair value gains on investment properties	17	**49,682**	336,643
Other income	9	**248,785**	58,524
Other gains — net	9	**49,367**	64,939
Operating profit		**10,144,722**	6,046,847
Finance income	10	**249,911**	243,063
Finance costs	10	**(629,483)**	(534,943)
Finance costs — net	10	**(379,572)**	(291,880)
Share of net profit of associates and joint ventures accounted for using the equity method		**895,660**	902,681
Profit before income tax		**10,660,810**	6,657,648
Income tax expenses	13	**(4,767,017)**	(3,186,122)
Profit for the year		**5,893,793**	3,471,526
Profit for the year is attributable to:			
— Owners of the Company		**3,154,064**	2,149,660
— Non-controlling interests		**2,729,121**	1,157,671
— Holders of Perpetual Capital Instruments	26	**10,608**	164,195
		5,893,793	3,471,526
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
— Basic earnings per share	14	**1.87**	1.38
— Diluted earnings per share	14	**1.85**	1.37

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**5,893,793**	3,471,526
Other comprehensive income	**—**	—
Total comprehensive income for the year	**5,893,793**	3,471,526
Total comprehensive income for the year is attributable to:		
— Owners of the Company	**3,154,064**	2,149,660
— Non-controlling interests	**2,729,121**	1,157,671
— Holders of Perpetual Capital Instruments	**10,608**	164,195
	5,893,793	3,471,526

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**1,567,616**	1,447,648
Investment properties	17	**13,224,100**	12,031,700
Right-of-use assets	16	**463,555**	—
Land use rights	2.2	—	449,296
Intangible assets		**5,580**	7,516
Investments accounted for using the equity method	12	**6,256,491**	7,697,952
Financial assets at fair value through profit or loss	18	**755,773**	802,087
Deferred tax assets	28	**444,954**	539,127
Total non-current assets		**22,718,069**	22,975,326
Current assets			
Properties under development	20	**115,299,354**	116,692,069
Completed properties held for sale	20	**7,673,170**	8,806,284
Contract assets	22	**999,576**	530,514
Trade and other receivables and prepayments	23	**25,015,169**	18,482,121
Amounts due from related parties	35	**5,654,598**	8,359,546
Prepaid taxation		**2,539,535**	2,602,357
Cash and bank balances	21	**34,308,567**	24,995,661
Total current assets		**191,489,969**	180,468,552
Total assets		**214,208,038**	203,443,878
EQUITY			
Share capital	24	**15**	14
Share premium	24	**4,902,013**	4,423,556
Other reserves	25	**11,503,837**	8,331,258
Capital and reserves attributable to owners of the Company		**16,405,865**	12,754,828
Non-controlling interests		**24,882,365**	21,915,398
Perpetual Capital Instruments	26	—	948,132
Total equity		**41,288,230**	35,618,358

Consolidated Balance Sheet

		As at 31 December	
	Note	**2019 RMB'000**	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	27	**44,471,364**	37,709,817
Lease liabilities	16	**13,814**	—
Deferred tax liabilities	28	**2,027,669**	2,445,271
Total non-current liabilities		**46,512,847**	40,155,088
Current liabilities			
Borrowings	27	**18,706,447**	24,823,017
Lease liabilities	16	**16,982**	—
Contract liabilities	22	**60,265,275**	63,962,973
Trade and other payables	30	**33,070,355**	28,338,602
Amounts due to related parties	35	**7,293,888**	5,478,112
Derivative financial instruments		**85,250**	—
Current tax liabilities		**6,968,764**	5,067,728
Total current liabilities		**126,406,961**	127,670,432
Total liabilities		**172,919,808**	167,825,520
Total equity and liabilities		**214,208,038**	203,443,878

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 113 to 205 were approved by the Board of Directors of the Company (the "Board") on 24 March 2020 and were signed on its behalf.

Ou Zonghong **Zhang Lixin**

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Share capital RMB'000 (Note 24)	Share premium RMB'000 (Note 24)	Capital reserves RMB'000 (Note 25(a))	Statutory reserves RMB'000 (Note 25(b))	Share-based compensation reserves RMB'000 (Note 25(c))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Perpetual Capital Instruments RMB'000 (Note 26)	Total equity RMB'000
Balance at 1 January 2019	14	4,423,556	851,583	1,261,235	68,668	6,149,772	12,754,828	21,915,398	948,132	35,618,358
Comprehensive income										
— Profit for the year	—	—	—	—	—	3,154,064	3,154,064	2,729,121	10,608	5,893,793
— Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	3,154,064	3,154,064	2,729,121	10,608	5,893,793
Issuance of ordinary shares in connection with private placement (Note 24)	1	1,002,617	—	—	—	—	1,002,618	—	—	1,002,618
Buy-back and cancellation of shares (Note 24)	—	(87,905)	—	—	—	—	(87,905)	—	—	(87,905)
Redemption of Perpetual Capital Instruments (Note 26)	—	—	—	—	—	—	—	—	(900,000)	(900,000)
Distributions made to holders of Perpetual Capital Instruments (Note 26)	—	—	—	—	—	—	—	—	(58,740)	(58,740)
Capital injections from non-controlling interests	—	—	—	—	—	—	—	894,894	—	894,894
Dividends distribution to non-controlling interests	—	—	—	—	—	—	—	(657,048)	—	(657,048)
Final dividend of 2018 (Note 29)	—	(552,645)	—	—	—	—	(552,645)	—	—	(552,645)
Share option scheme										
— Exercise of share options	—	116,390	—	—	(29,424)	—	86,966	—	—	86,966
— Value of employee services	—	—	—	—	47,939	—	47,939	—	—	47,939
Transfer to statutory reserves	—	—	—	400,069	—	(400,069)	—	—	—	—
Balance at 31 December 2019	15	4,902,013	851,583	1,661,304	87,183	8,903,767	16,405,865	24,882,365	—	41,288,230

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Share capital RMB'000 (Note 24)	Share premium RMB'000 (Note 24)	Capital reserves RMB'000 (Note 25(a))	Statutory reserves RMB'000 (Note 25(b))	Share-based compensation reserves RMB'000 (Note 25(c))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Perpetual Capital Instruments RMB'000 (Note 26)	Total equity RMB'000
Balance at 1 January 2018	13	3,506,038	1,403,011	826,193	53,868	4,435,154	10,224,277	17,794,795	2,741,981	30,761,053
Comprehensive income										
— Profit for the year	—	—	—	—	—	2,149,660	2,149,660	1,157,671	164,195	3,471,526
— Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	2,149,660	2,149,660	1,157,671	164,195	3,471,526
Issuance of ordinary shares in connection with private placement	1	893,180	—	—	—	—	893,181	—	—	893,181
Issuance of ordinary shares in connection with exercise of share options	—	24,338	—	—	(8,783)	—	15,555	—	—	15,555
Change from a joint venture to a subsidiary	—	—	—	—	—	—	—	10,162	—	10,162
Acquisition of additional equity interest in a subsidiary	—	—	(551,428)	—	—	—	(551,428)	116	—	(551,312)
Capital injections from non-controlling interests	—	—	—	—	—	—	—	2,952,654	—	2,952,654
Redemption of Perpetual Capital Instruments	—	—	—	—	—	—	—	—	(1,800,000)	(1,800,000)
Distributions made to holders of Perpetual Capital Instruments	—	—	—	—	—	—	—	—	(158,044)	(158,044)
Share option scheme — value of employee services	—	—	—	—	23,583	—	23,583	—	—	23,583
Transfer to statutory reserves	—	—	—	435,042	—	(435,042)	—	—	—	—
Balance at 31 December 2018	14	4,423,556	851,583	1,261,235	68,668	6,149,772	12,754,828	21,915,398	948,132	35,618,358

The above consolidated statement of changes of equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	31(a)	**9,096,467**	20,200,334
PRC corporate income tax paid		**(1,544,752)**	(1,152,815)
PRC land appreciation tax paid		**(1,581,836)**	(1,232,096)
Net cash generated from operating activities		**5,969,879**	17,815,423
Cash flows from investing activities			
Payments for purchase of property, plant and equipment and investment properties		**(1,116,072)**	(1,186,947)
Payments for purchase of intangible assets		**(451)**	(1,711)
Proceeds from disposal of equipment		**2,555**	4,393
Capital injections to joint ventures and associates		**(662,678)**	(56,458)
Dividends from a joint venture	12	**1,994,799**	—
Disposal of a joint venture	12	**1,005,000**	—
Payments for acquisition of financial assets at fair value through profit and loss		**(4,000)**	(713,591)
Proceeds from disposal of financial assets at fair value through profit and loss		**156,684**	29,924
Interest received		**386,426**	243,063
Cash advances to related parties		**(2,922,792)**	(6,736,972)
Repayments from related parties		**5,627,740**	2,349,216
Increase in term deposits		**(14,782,866)**	(777,905)
Net cash used in investing activities		**(10,315,655)**	(6,846,988)

Consolidated Statement of Cash Flows

		Year ended 31 December	
	Note	**2019**	2018
		RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from borrowings	31(b)	**54,273,850**	35,058,473
Repayments of borrowings	31(b)	**(53,960,344)**	(42,407,739)
Redemption of Perpetual Capital Instruments	26	**(900,000)**	(1,800,000)
Distribution to holders of Perpetual Capital Instruments	26	**(58,740)**	(158,044)
Cash advances from related parties	31(b)	**3,816,467**	4,325,477
Repayments to related parties	31(b)	**(2,098,847)**	(287,726)
Payments for buy-back and cancellation of shares	24	**(87,905)**	—
Issuance of ordinary shares in connection with private placement	24	**1,002,618**	893,181
Issuance of ordinary shares in connection with exercise of share options		**86,966**	15,555
Capital injection from non-controlling interests		**894,894**	2,952,654
Payment for acquisition of additional equity interest in a subsidiary		**—**	(551,312)
Interest paid		**(5,091,594)**	(5,085,334)
Dividends paid to the Company's shareholders		**(381,221)**	—
Dividends paid to non-controlling interests in subsidiaries		**(657,048)**	—
Principal elements of lease payments		**(20,075)**	—
Restricted cash pledged for borrowings		**1,024,180**	(547,732)
Net cash used in financing activities		**(2,156,799)**	(7,592,547)
Net (decrease)/increase in cash and cash equivalents		**(6,502,575)**	3,375,888
Cash and cash equivalents at beginning of the year		**21,848,572**	18,472,631
Exchange (losses)/gains on cash and cash equivalents		**(1,192)**	53
Cash and cash equivalents at end of the year		**15,344,805**	21,848,572

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 General information

Ronshine China Holdings Limited (the "Company") was incorporated in the Cayman Islands on 11 September 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal activity is investment holding. The Company and its subsidiaries (together the "Group") are principally engaged in property development business in the People's Republic of China (the "PRC").

The Company's shares were listed on the The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 January 2016.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 24 March 2020.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, derivative financial instruments and investment properties, which are measured at fair value.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) New and amended standards and interpretations adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2019.

HKFRS 16	Lease
HK(IFRIC) 23	Uncertainty over Income Tax Treatments
HKAS 28 (Amendment)	Long-term investment in an Associate or Joint Venture
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
Annual Improvements to HKFRSs 2015-2017 cycle	

Except for the impact of adoption of HKFRS 16 set out in Note 2.2 below, the adoption of other applicable new and amended standards and interpretations did not have any material impact on the consolidated financial statements of the Group.

(d) New standards, amendments and interpretations not yet adopted

The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendment)	Definition of material	1 January 2020
HKFRS 3 (Amendment)	Definition of a business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	To be determined

The above standards are not expected to have a material impact on the consolidated financial statements of the Group.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1 above, the Group has adopted HKFRS 16 Leases from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.14.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 *Determining whether an Arrangement contains a Lease*.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies(continued)

(b) Measurement of lease liabilities

	RMB'000
Operating lease commitments as at 31 December 2018	57,977
Discounted using the lessee's incremental borrowing rate of the date of initial application	53,472
Less: short-term leases and low-value leases recognised on a straight-line basis as expense	(15,696)
Lease liability recognised as at 1 January 2019	37,776
Of which are:	
Current lease liabilities	16,554
Non-current lease liabilities	21,222

(c) Measurement of right-of-use assets

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The land use rights are reclassified to right-of-use assets as of 31 December 2019 and 1 January 2019, respectively.

The recognised right-of-use assets mainly relate to properties and land use rights.

(d) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increase by RMB487,072,000
- lease liabilities — increase by RMB37,776,000
- land use right — decrease by RMB449,296,000

No significant impact on the Group's net profit after tax for the periods ended 31 December 2019 as a result of adoption of HKFRS 16.

(e) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries

2.3.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(a) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.2 Separate financial statement

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Equity method, associates and joint arrangements

(a) Equity method

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the investee after the date of acquisition. The Group's investments in an associate or joint ventures include goodwill identified on acquisitions. Upon the acquisitions of the ownership interests in an associate or joint ventures, any differences between the costs of the associate or joint ventures and the Group's share of the net fair value of the associate's or joint ventures' identifiable assets and liabilities are accounted for as goodwill.

If the ownership interests in the associate or joint ventures are reduced but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investments. When the Group's share of losses in the associate or joint ventures equals or exceeds its interests in the associate or joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint ventures.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amounts of the associate or joint ventures and their carrying values and recognises the amounts adjacent to "share of net profit of associates and joint ventures accounted for using the equity method" in the consolidated income statement.

2 Summary of significant accounting policies (continued)

2.4 Equity method, associates and joint arrangements (continued)

(a) Equity method (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint ventures are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associate or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate or joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution of equity interests in the associate or joint ventures are recognised in the consolidated income statement.

(b) Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

(c) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint venture is accounted for using the equity method.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). These consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuations when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and bank balances and borrowings are presented in the consolidated income statement, within "finance costs — net". All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "other gains — net".

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings	20 years
Office equipment	3-5 years
Motor vehicles	4 years
Leasehold improvements and furniture, fitting and equipment	Shorter of lease term and useful life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in consolidated income statement.

2 Summary of significant accounting policies (continued)

2.8 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 to 10 years.

2.9 Investment property

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

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("Cash-generating Units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in consolidated income statement.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gain-net together with foreign exchange gains and losses. Impairment losses are presented as separated line item in the statement of profit or loss.

- Financial assets at fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains — net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains — net. Impairment losses are presented as separated line item in the statement of profit or loss.

- Financial assets at fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains — net in the period in which it arises.

Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated income statement when the Group's right to receive payments is established.

Changes in the fair value of FVPL are recognised in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVPL are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Impairment of financial assets

The Group assesses on a forward looking basis the ECL associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

The Group applies the simplified approach permitted by HKFRS 9, which uses expected lifetime losses to be recognised from initial recognition of the assets for trade receivables and contract assets.

Impairment on other receivables and amounts due from related parties is measured as either 12-month ECL or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as either:

- hedges of the fair value of recognised assets or liabilities (fair value hedges).
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).
- hedges of a net investment in a foreign operation (net investment hedges).

2 Summary of significant accounting policies (continued)

2.13 Derivatives and hedging activities (continued)

At the inception of the hedging, The Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Derivatives held by the Group are only used for economic hedging purposes and not as speculative investments. If the derivative instruments do not qualify for hedge accounting, Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 3.3(a). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2.14 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

The Group leases only offices for long-term contracts. Rental contracts are typically made for fixed periods of 2 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of properties in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 33). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group.

2 Summary of significant accounting policies (continued)

2.14 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets consist of properties and land use rights.

2 Summary of significant accounting policies (continued)

2.14 Leases (continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.15 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by the Group for development of properties. Land use rights held for development for sale are inventories and included in properties under development or completed properties held for sale and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets, while those out of the normal operating cycle are classified as non-current assets. Land use rights to be developed for hotel properties and self-use buildings, are non-current assets, which are stated at cost and subsequently amortised in the consolidated income statement on a straight-line basis over the operating lease periods. Land use rights to be developed for investment properties are accounted for as part of investment properties.

The land use rights are reclassified to right-of-use assets since 1 January 2019.

2.16 Properties under development and completed properties held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2 Summary of significant accounting policies (continued)

2.17 Trade and other receivables and amounts due from related parties

Trade receivables are amounts due from customers for properties sold and services provided in the ordinary course of business. If collection of trade and other receivables and amounts due from related parties is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and amounts due from related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.18 Cash and bank balances

In the consolidated statement of cash flow, cash and bank balances includes cash and cash equivalents, term deposits and restricted cash. Cash and cash equivalents includes cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Term deposits mainly refers to the bank deposits with initial term of over three months but within one year. Restrict cash is the bank deposits which are restricted to use.

2.19 Perpetual Capital Instruments

Perpetual Capital Instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

2.20 Trade and other payables and amounts due to related parties

Trade payables are obligations to pay for construction costs or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables and amounts due to related parties are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables and amounts due to related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.21 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

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

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

Other borrowing costs are expensed in the period in which they are incurred.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (continued)

2.22 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associate and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for its associate, only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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

2 Summary of significant accounting policies (continued)

2.23 Employee benefits

(a) Pension obligations

The Group companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

Contributions to these defined contribution plans are expensed as incurred.

(b) Housing benefits

PRC employees of the Group are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds are expensed as incurred.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.24 Share-based payments

Share-based compensation benefits are provided to directors and employees via the Group. Information relating to these schemes is set out in Note 25(c).

Share options

The fair value of options granted by the Group is recognised as a director and employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions;

— excluding the impact of any service and non-market performance vesting conditions; and

— including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2 Summary of significant accounting policies (continued)

2.25 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

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

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

2 Summary of significant accounting policies (continued)

2.26 Revenue recognition (continued)

(b) Construction services

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time based on the progress towards complete satisfaction of construction services, by reference to the Group's efforts or inputs to the satisfaction of construction services relative to the total expected efforts or input.

(c) Rental income

Rental income from investment property is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(d) Service income

Service income is recognised when the related services are rendered.

(e) Financing component

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(f) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.27 Interest income

Interest income is presented as finance income where it is earned from bank deposits and is recognised using the effective interest method.

2.28 Dividend income

Dividends are received from FVPL and FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. However, the investment may need to be tested for impairment as a consequence.

2 Summary of significant accounting policies (continued)

2.29 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.30 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.31 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (include foreign exchange risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with most transactions being settled in RMB, which is the functional currency of the Group companies, except for certain transactions which are settled in foreign currencies. As at 31 December 2019, major non-RMB assets and liabilities are cash and bank balances, senior notes and bank borrowings denominated in United State Dollars. Fluctuation of the exchange rates of RMB against foreign currency could affect the Group's results of operations. The Group has entered into certain forward foreign exchange contracts with reputable banks to mitigate the foreign exchange risk during the year ended 31 December 2019.

The Group's foreign currency denominated monetary assets and liabilities as at 31 December 2019 amounted to approximately RMB12,426,790,000 and RMB22,548,709,000, respectively (31 December 2018: RMB699,798,000 and RMB7,680,765,000).

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis in RMB against relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% appreciation/depreciation in RMB against the relevant currencies, respectively, the effect of increase/(decrease) on the profit for the year is:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
5% appreciation in RMB against:		
— US$	**453,561**	327,751
— HK$	**52,535**	21,297
5% depreciation in RMB against:		
— US$	**(453,561)**	(327,751)
— HK$	**(52,535)**	(21,297)

(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors the trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2019, if interest rates on borrowings at floating rates had been 100 basis points higher or lower with all other variables held constant, interest charges for the year ended 31 December 2019 would increase/decrease RMB142,894,000 (2018: RMB140,995,000), which would have been capitalised in qualified assets.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high credit quality institutions. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and bank balances, trade and other receivable, amounts due from related parties and contract assets shown in the consolidated balance sheet.

As at 31 December 2019, substantially all the Group's bank deposits included in cash and bank balances were deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk. The Group's bank deposits as at 31 December 2019 were as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Big four commercial banks of the PRC (Note (i))	**7,390,602**	5,087,733
Other listed banks in the PRC	**19,467,348**	11,034,119
Other non-listed banks in the PRC	**7,450,521**	8,873,217
	34,308,471	24,995,069

Note (i): big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of such guarantees is made in Note 32. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables and amounts due from related parties, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. The other receivables are mainly due from minority interests, deposits for acquisition of the land use rights and property development projects and others. Management considered these receivables to be low credit risk as they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Besides, management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.Therefore, the Group considered them to have low credit risk, and thus the loss allowance is immaterial.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and bank balances or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and bank balances and through having available sources of financing.

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2019					
Non–derivatives					
Borrowings	23,015,879	20,700,547	27,827,998	685,834	72,230,258
Trade and other payables, excluding accrual for staff costs and other taxes payable	29,272,335	—	—	—	29,272,335
Lease liabilities	18,527	6,855	4,486	5,553	35,421
Amounts due to related parties	7,293,888	—	—	—	7,293,888
	59,600,629	20,707,402	27,832,484	691,387	108,831,902
Derivatives					
Forward foreign exchange contracts	85,250	—	—	—	85,250
As at 31 December 2018					
Non–derivatives					
Borrowings	28,640,031	28,835,664	9,989,755	1,387,133	68,852,583
Trade and other payables, excluding accrual for staff costs and other taxes payable	24,599,291	—	—	—	24,599,291
Amounts due to related parties	5,478,112	—	—	—	5,478,112
	58,717,434	28,835,664	9,989,755	1,387,133	98,929,986

Note: Interests on borrowings were calculated on borrowings held as at 31 December 2019 (2018: same). Floating-rate interests were estimated using the current interest rate as at 31 December 2019 (2018: same).

The Group also provides guarantees to secure repayment obligations of certain purchasers of the Group's property units and the principal of borrowings of the joint ventures and associates, which will have contractual cash flows only if the guaranteed purchasers, joint ventures or associates default the repayment (Note 32).

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owners, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. The increase of gearing ratio was primarily attributable to the enhancing performance of the Group. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and bank balances.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Total borrowings (Note 27)	**63,177,811**	62,532,834
Less: Cash and bank balances (Note 21)	**(34,308,567)**	(24,995,661)
Net borrowings	**28,869,244**	37,537,173
Total equity	**41,288,230**	35,618,358
Gearing ratio	**0.70**	1.05

3 Financial risk management (continued)

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

The Group's financial assets include cash and bank balances, trade and other receivables, amounts due from related parties, FVPL. The Group's financial liabilities include trade and other payables, amounts due to related parties, derivative financial instruments and borrowings. The fair value for financial assets and liabilities with maturities of less than one year are assumed to approximate their carrying amounts due to their short term maturities.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determined fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of foreign currency forwards is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial assets and liabilities (continued)

(ii) Valuation techniques used to determined fair values (continued)

The following table presents the Group's FVPL were measured at fair value at 31 December 2019.

Recurring fair value measurements	Notes	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
FVPL — Unlisted equity securities	18	**581,828**	**173,945**	**755,773**
Financial liabilities				
Derivative financial instruments				
— Forward foreign exchange contracts		**85,250**	—	**85,250**

The following table presents the Group's FVPL were measured at fair value at 31 December 2018.

Recurring fair value measurements	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets			
FVPL — Unlisted equity securities	697,977	104,110	802,087

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2019.

	Year end 31 December,	
	2019	2018
Unlisted equity securities		
Opening balance	**104,110**	42,000
Additions	—	57,731
Disposals	—	(12,965)
Gains recognised in profit or loss	**69,835**	17,344
Closing balance	**173,945**	104,110
Unrealized gain recognised for the year	**69,835**	17,344

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial assets and liabilities (continued)

(iii) Fair value measurements using significant unobservable inputs (level 3) (continued)

The FVPL were measured at fair value, which was grouped into level 3 fair value measurements, subsequent to initial recognition. Techniques, such as discounted cash flow analysis, were used to determine fair value for the financial assets.

The Group's policy was to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers among levels 1, 2 and 3 for recurring fair value measurements.

(b) Non-financial assets

The non-financial assets of the Group are mainly investment properties measured at fair value.

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards. An explanation of each level is provided in Note 3.3(a).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the year.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Non-financial assets (continued)

(ii) Valuation techniques used to determine level 3 fair values

The directors determine a property's value within a range of reasonable fair value estimates. Fair values of the Group's completed investment properties are derived using the income capitalisation approach. This valuation method takes into account the net rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate.

Fair values of the Group's investment properties under development are derived using the direct comparison approach and residual approach. The direct comparison approach involves the analysis of recent market sales evidence of similar properties to compare with the premises under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparable is then compared with the subject and where there is a difference, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. The residual approach takes into account the residual value on the completed gross development value ("GDV") after deduction of the outstanding construction costs and expenses as well as profit element. It first assesses the GDV or estimated value of the proposed developments as if completed at the date of valuation. Estimated cost of the development includes construction costs, marketing, professional fees, finance charges, and associated costs, plus an allowance for the developer's risk and profit. The development costs are deducted from the GDV. The resultant figure is the residual value of the subject property.

All resulting fair value estimates for investment properties are included in level 3.

(iii) Fair value measurements using significant unobservable inputs (level 3)

Detailed disclosures of the changes in level 3 items for the years ended 31 December 2019 and 31 December 2018 for recurring fair value measurements are disclosed in Note 17.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Non-financial assets (continued)

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

	Fair value at 31 December			Range of inputs in	
Properties status	**2019 RMB'000**	2018 RMB'000	**Unobservable inputs**	**2019**	2018
Completed	**6,073,800**	5,735,900	Capitalisation rate[1]	**2.5%~5.25%**	2.5%~5.0%
			Market rents[2] (RMB/square meter/month)	**18-1,000**	14-213
Under development	**7,150,300**	6,295,800	Market prices[2] (RMB/square meter)	**7,715-67,380**	4,792-60,726
			Anticipated developer's profit margins[3]	**25%**	25%
Total	**13,224,100**	12,031,700			

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Non-financial assets (continued)

(iv) Valuation inputs and relationships to fair value (continued)

Relationship of unobservable inputs to fair value:

— 1 The higher the capitalisation rate, the lower the fair value;

— 2 The higher the market rents and market prices, the higher the fair value;

— 3 The higher the anticipated developer's profit margins, the higher the fair value.

(v) Valuation processes

The Group's investment properties were valued at 31 December 2019 by independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and valuer at least once every six months, in line with the Group's interim and annual reporting process.

At each reporting period end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior period valuation report; and
- Holds discussions with the independent valuer.

As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

4 Critical estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Provisions for properties under development, completed properties held for sale and prepayment for acquisition of land use rights

The Group assesses the carrying amounts of properties under development, completed properties held for sale and prepayments for acquisition of land use rights according to their net realisable values based on the reliability of these properties and prepayments. As a result, provisions for properties under development, completed properties held for sale and prepayment for acquisition of land use rights involve critical accounting estimates on the future selling prices and variable selling expenses for the properties, as well as the costs to completion for properties under development and prepayments for acquisition of land use rights.

(b) Classification of subsidiaries, joint ventures and associates

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

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

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

4 Critical estimates and judgments (continued)

(c) Valuation of investment properties

The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions have been disclosed in Note 3.3(b).

(d) Corporate income tax, land appreciation tax and deferred taxation

The Group is subject to corporate income tax and land appreciation tax ("LAT") in the PRC. Judgment is required in determining the provision for corporate income tax and LAT. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. The Group has not finalised its corporate income tax and LAT calculations and payments with certain local tax authorities in charge of certain of the Group's projects in the PRC. The Group recognised the corporate income tax and LAT based on management's best estimates according to the interpretation of the applicable tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the corporate income tax and LAT provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

Deferred income tax liabilities are provided to the taxable temporary differences arising from the Group's investments in subsidiaries, joint ventures and an associate unless the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Provisions for deferred land appreciation tax liabilities relating to the taxable temporary difference of investment properties are provided unless management determines that the expected manner of recovery of the properties is through rental income from the lease of the properties only. All these involve management's judgments and estimations and the actual outcome may be different.

5 Segment information

The executive directors have been identified as the CODM. Management has determined the operating segments based on the reports reviewed by the executive directors, which are used to allocate resources and assess performance.

The Group is principally engaged in the property development in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors regard that there is only one segment which is used to make strategic decisions. Revenue and profit after income tax are the measures reported to the executive directors for the purpose of resources allocation and performance assessment.

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenue are derived in the PRC for the year ended 31 December 2019 (2018: same).

(a) As at 31 December 2019, except for parts of term deposits and financial assets at fair value through profit or loss, other assets of the Group were located in the PRC (2018: same).

(b) There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenue for the year ended 31 December 2019 (2018: same).

6 Revenue

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers:		
Revenue from sales of properties		
— Recognised at point in time	**50,253,131**	33,406,515
Revenue from construction services, hotel operations and others:		
— Recognised at a point in time	**326,050**	173,304
— Recognised over time	**725,974**	650,637
Revenue from other sources-rental income	**157,347**	136,044
	51,462,502	34,366,500

7 Expenses by nature

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of properties sold (excluding staff costs)	**38,600,677**	25,644,539
Staff costs (including directors' emoluments) (Note 8)	**1,346,966**	1,299,999
Advertising costs	**464,377**	464,037
Business taxes and other taxes	**294,469**	407,253
Consulting fees	**214,342**	118,458
Property management fees	**195,937**	185,582
Depreciation (Note 15)	**131,249**	113,397
Office and travelling expenses	**111,661**	105,001
Office lease payments	**68,600**	95,518
Entertainment expenses	**62,393**	73,413
Amortisation of intangible assets and right-of-use assets	**38,613**	17,792
Auditors' remuneration	**10,433**	15,000
Others	**125,897**	239,770
Total	**41,665,614**	28,779,759

8 Staff costs — including directors' emoluments

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fees, salaries and other benefits	**1,222,038**	1,201,193
Pension costs	**76,989**	75,223
Value of employee services under share option scheme	**47,939**	23,583
	1,346,966	1,299,999

8 Staff costs — including directors' emoluments (continued)

(a) Directors' emoluments

The directors' emoluments paid/payable by the Group are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fees, salaries and other benefits	**13,006**	12,452
Pension costs	**245**	306
Value of employee services under share option scheme	**13,892**	7,919
	27,143	20,677

(i) For the year ended 31 December 2019

Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Pension costs RMB'000	Value of employee services under share option scheme RMB'000	Total RMB'000
Executive directors:					
— Mr. Ou Zonghong ("Mr. Ou")	—	3,134	49	—	3,183
— Mr. Yu Lijuan	—	2,512	49	3,669	6,230
— Ms. Zeng Feiyan	—	2,272	49	3,333	5,654
— Mr. Ruan Youzhi (note (iv))	—	2,272	49	3,221	5,542
— Mr. Zhang Lixin (note (iv))	—	1,852	49	3,669	5,570
Non-executive directors:					
— Ms. Chen Shucui (note (v))	—	—	—	—	—
Independent non-executive directors:					
— Mr. Lo, Wing Yan William	211	—	—	—	211
— Mr. Ren Yunan	251	—	—	—	251
— Mr. Qu Wenzhou	251	—	—	—	251
— Mr. Ruan Weifeng	251	—	—	—	251
	964	12,042	245	13,892	27,143

8 Staff costs — including directors' emoluments (continued)

(a) Directors' emoluments (continued)

(ii) For the year ended 31 December 2018

Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Pension costs RMB'000	Value of employee services under share option scheme RMB'000	Total RMB'000
Executive directors:					
— Mr. Ou Zonghong ("Mr. Ou")	—	2,239	51	—	2,290
— Mr. Wu Jian (note (iii))	—	1,690	51	1,250	2,991
— Mr. Lin Junling (note (iii))	—	2,279	51	1,250	3,580
— Ms. Zeng Feiyan	—	2,039	51	2,361	4,451
— Mr. Ruan Youzhi (note (iv))	—	2,039	51	2,361	4,451
— Mr. Zhang Lixin (note (iv))	—	1,439	51	697	2,187
Non-executive directors:					
— Ms. Chen Shucui (note (v))	—	—	—	—	—
Independent non-executive directors:					
— Mr. Lo, Wing Yan William (note (vi))	203	—	—	—	203
— Mr. Ren Yunan	203	—	—	—	203
— Mr. Qu Wenzhou	203	—	—	—	203
	609	11,725	306	7,919	20,559

During the year ended 31 December 2018 and 2019, one of the directors of the Company, Ms. Chen Shucui has waived her emoluments. Other directors of the Company did not waive their emolument nor agreed to waive their emoluments.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor are any payable (2018: same). No consideration was provided to or receivable by third parties for making available directors' services (2018: same).

8 Staff costs — including directors' emoluments (continued)

(a) Directors' emoluments (continued)

(ii) For the year ended 31 December 2018 (continued)

There were no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities as at 31 December 2019 (2018: same).

Other than those disclosed in Note 35(e), there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: same).

(iii) Mr. Wu Jian and Mr. Lin Junling have resigned the director position in November 2018.

(iv) Mr. Ruan Youzhi and Mr. Zhang Lixin were appointed as a director in November 2018.

(v) Ms. Chen Shucui was appointed as a director in June 2018.

(vi) Mr. Lo, Wing Yan William has resigned the independent non-executive directors position in June 2019.

(b) Five highest paid individuals

For the year ended 31 December 2019, the five individuals whose emoluments were the highest in the Group included four (2018: four) directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2018: one) individual during the year are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fees, salaries and other benefits	**1,852**	2,039
Pension costs	**49**	51
Value of employee services under share option scheme	**3,820**	2,361
	5,721	4,451

8 Staff costs — including directors' emoluments (continued)

(b) Five highest paid individuals (continued)

The emoluments payable to the remaining one (2018: one) individual falls within the following band:

	Year ended 31 December	
	2019	2018
Annual emolument band:		
— HK$5,000,000 — HK$5,500,000	**1**	1

During the year ended 31 December 2019, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: none).

9 Other income and other gains — net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Other income:		
Interest income	**184,119**	—
Forfeited deposits from customer	**44,771**	44,719
Government grants	**13,210**	3,095
Miscellaneous	**6,685**	10,710
	248,785	58,524
Other gains — net		
Fair value loss on derivative financial instruments (Note (i))	**(85,250)**	—
Fair value gains on financial assets at FVPL	**134,617**	59,461
Fair value gains on the remeasurement of a joint venture	—	5,478
	49,367	64,939

(i) The fair value loss on derivative financial instruments was primary attributable to the fair value change of the forward exchange contracts. The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2019 were US$1,200,000,000, approximating to RMB8,371,440,000 in total.

10 Finance costs — net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Finance income		
— Interest income from bank deposits	**249,911**	243,063
	249,911	243,063
Finance costs		
— Net foreign exchange losses	**(76,869)**	(457,868)
— Interest expenses of borrowings	**(5,302,069)**	(5,226,070)
— Less: capitalised interest (Note (i))	**4,749,455**	5,148,995
	(629,483)	(534,943)
Finance costs — net	**(379,572)**	(291,880)

(i) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's borrowings during the year ended 31 December 2019 was 7.60% (2018: 7.06%).

11 Subsidiaries

(a) The Group's principal subsidiaries

The Group's principal subsidiaries at 31 December 2019 are set out below. The proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of companies		Type of legal status	Place of operation/ establish-ment	Principal activities	Authorised/ registered/paid up capital and debt securities	Ownership interest held by the Group %	Ownership interest held by non-controlling interests %
Indirectly held by the Company:							
融信(福建)投資集團有限公司	Rongxin (Fujian) Investment Group Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB4,025,000,000	100	–
融信(平潭)投資發展有限公司	Rongxin (Pingtan) Investment Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB196,078,400	51	49
福建泰坤貿易有限公司	Fujian Taikun Trading Co., Ltd.	Limited liability company	PRC	Investment holdings	Registered and paid up capital of RMB5,000,000	100	–
福州市長樂區融信投資有限公司	Fuzhou Changle District Rongxin Investment Co., Ltd.	Limited liability company	PRC	Property development	Registered capital of RMB500,000,000 and paid up capital of RMB100,000,000	100	–
杭州融悅房地產開發有限公司	Hangzhou Rongyue Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB900,000,000	51	49
杭州融欣房地產開發有限公司	Hangzhou Rongxin Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB900,000,000	26 (i)	74
杭州融譽房地產開發有限公司	Hangzhou Rongyu Property Development Co., Ltd	Limited liability company	PRC	Property development	Registered and paid up capital of RMB1,200,000,000	51	49
上海愷冠臻房地產開發有限公司	Shanghai Kaiguanzhen Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB5,500,000,000	50	50
杭州信鴻置業有限公司	Hangzhou Xinhong Property Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB1,700,000,000	70	30
上海南尚置業有限公司	Shanghai Nanshang Property Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB800,000,000	31 (i)	69
龍岩市融信科盛房地產開發有限公司	Longyan RongxinKesh-eng Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB210,000,000	44 (i)	56
衢州融晟置業有限公司	Quzhou Rongsheng Property Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB847,500,000	39 (i)	61
杭州旭能投資管理有限公司	Hangzhou Xuneng Investment Co., Ltd.	Limited liability company	PRC	Investment holdings	Registered and paid up capital of RMB100,000	100	–
寧波海亮房地產投資有限公司	Ningbo Hailiang Property Investment Co.,Ltd. ("Ningbo Hailiang")	Limited liability company	PRC	Property development	Registered and paid up capital of RMB300,000,000	55	45
安徽海亮房地產有限公司	Anhui Hailiang Property Co.,Ltd. ("Anhui Hailiang")	Limited liability company	PRC	Property development	Registered capital of RMB3,150,000,000 and paid up capital of RMB2,162,500,000	55	45

* The English names of PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

11 Subsidiaries (continued)

(a) The Group's principal subsidiaries (continued)

(i) In accordance with the cooperation agreements with co-developers and articles of associations of these companies, the Group has controlling power in the shareholders' meetings and board of directors' meetings in decision on the relevant operational activities. Accordingly, the Group has exposure or rights to variable returns from its involvement with these companies, and has the ability to affect those returns through its majority voting position and the existing rights to direct the relevant activities. Thus these companies are accounted for as subsidiaries of the Group.

(ii) Significant restriction

The conversion of RMB denominated balances of cash and bank balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government. These regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends. As at 31 December 2019, the carrying amount of the cash and bank balances included within the consolidated financial statements to which these restrictions applied was denominated in RMB (2018: same).

Certain equity interests in the subsidiaries of the Company were pledged for financing arrangements of the Group as at 31 December 2019 and 2018 (Note 34).

(b) Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the combined summarised financial information for Hailiang Group that has non-controlling interests that are material to the Group. Hailiang Group was acquired from a third party on 31 July 2017 (the "Acquisition Date"). The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheets as at 31 December

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Non-current assets	**698,886**	1,013,228
Non-current liabilities	**(481,681)**	(924,680)
Non-current net assets	**217,205**	88,548
Current assets	**23,275,012**	30,480,710
Current liabilities	**(13,988,207)**	(22,699,663)
Current net assets	**9,286,805**	7,781,047
Net assets	**9,504,010**	7,869,595
Proportionate share of the net assets attributable to non-controlling interests	**4,497,967**	3,847,428

11 Subsidiaries (continued)

(b) Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised income statement and statement of comprehensive income for the year ended 31 December 2019 and 2018

	Year ended 31 December 2019	Year ended 31 December 2018
	RMB'000	RMB'000
Profit before income tax	**2,561,931**	574,259
Income tax expense	**(837,175)**	(189,918)
Profit for the year	**1,724,756**	384,341
Total comprehensive income for the year	**1,724,756**	384,341
Total profit and comprehensive income for the year allocated to non-controlling interests	**839,499**	160,318

Summarised statement of cash flows for the year ended 31 December 2019 and 2018

	Year ended 31 December 2019	Year ended 31 December 2018
	RMB'000	RMB'000
Net cash generated from operating activities	**1,509,914**	3,277,463
Net cash generated from investing activities	**381,536**	159,900
Net cash used in financing activities	**(182,202)**	(1,893,147)
Net increase in cash and cash equivalents	**1,709,248**	1,544,216
Cash and cash equivalents at beginning of the year	**4,209,325**	2,665,109
Cash and cash equivalents at end of the year	**5,918,573**	4,209,325

12 Investments accounted for using the equity method

(a) Investments accounted for using the equity method

The Group consider that none of the joint ventures or associates as at 31 December 2019 was significant to the Group and thus the individual financial information of the joint ventures or associates was not disclosed. The summarised financial information of individually immaterial joint ventures and associates on an aggregate basis is as follows:

(i) Amounts recognised in the consolidated balance sheet are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Investments accounted for using the equity method:		
— Joint ventures	**4,812,537**	6,454,808
— Associates	**1,443,954**	1,243,144
	6,256,491	7,697,952

(ii) The amounts recognised in the consolidated income statement are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method:		
— Joint ventures	**920,662**	788,372
— Associates	**(25,002)**	114,309
	895,660	902,681

(iii) The Group received dividend from Shanghai Kaitai Property Development Co., Ltd. ("Shanghai Kaitai") amounting to approximately RMB1,995 million, and thereafter the Group has disposed of its investment in Shanghai Kaitai at an aggregate consideration of approximately RMB1,005 million in 2019.

The Group made equity investments in certain real estate project companies where the Group has significant influence or jointly controls, with total consideration of RMB662,678,000 in 2019 (2018: RMB56,458,000). The Group accounted for these equity investments using equity method.

12 Investments accounted for using the equity method (continued)

(b) Set out below are major joint ventures and associates of the Group as at 31 December 2019. The place of incorporation or registration is also their principal place of business.

Name of entity		Place of business/ place of incorporation and business	% of ownership interest	Measurement method	Principal activities
Joint ventures					
福州利博順泰房地產開發有限公司	Fuzhou Liboshuntai Property Development Co., Ltd. ("Fuzhou Liboshuntai")	PRC	50%	Equity	Property development
海融(漳州)房地產有限公司	Hairong (Zhangzhou) Property Co., Ltd.	PRC	50%	Equity	Property development
杭州信辰置業有限公司	Hangzhou Xinchen Property Co., Ltd.	PRC	34%	Equity	Property development
上海愷岱房地產開發有限公司	Shanghai Kaidai Property Development Co., Ltd.	PRC	50%	Equity	Property development
福州裕百川房地產開發有限公司	Fuzhou Yubaichuan Real Estate Development Co., Ltd.	PRC	34%	Equity	Property development
杭州眾旭置業有限公司	Hangzhou Zhongxu Property Co., Ltd.	PRC	30%	Equity	Property development
Associates					
銀川海茂房地產有限公司	Yinchuan Hai Mao Real Estate Co., Ltd.	PRC	27%	Equity	Property development
漳州市萬科濱江置業有限公司	Zhangzhou City Wankebinjiang Property Co., Ltd.	PRC	20%	Equity	Property development
銀川世海房地產有限公司	Yinchuan Shihai Real Estate Co., Ltd.	PRC	27%	Equity	Property development

13 Income tax expense

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Current income tax:		
PRC corporate income tax	**2,808,172**	1,877,753
PRC LAT	**2,282,274**	1,930,210
	5,090,446	3,807,963
Deferred income tax:		
PRC corporate income tax	**(323,429)**	(621,841)
Income tax expense	**4,767,017**	3,186,122

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profit/loss of the consolidated entities as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before income tax	**10,660,810**	6,657,648
Less: share of net profits of associates and joint ventures	**(895,660)**	(902,681)
	9,765,150	5,754,967
Tax calculated at applicable corporate income tax rates	**2,584,154**	1,524,492
Effect of expenses not deductible for income tax	**471,158**	213,973
PRC LAT deductible for income tax purpose	**(570,569)**	(482,553)
PRC corporate income tax	**2,484,743**	1,255,912
PRC LAT	**2,282,274**	1,930,210
	4,767,017	3,186,122

Deferred tax liabilities of RMB1,537,807,000 (2018: RMB964,352,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries amounting to RMB15,378,070,000 as at 31 December 2019 (31 December 2018: RMB9,643,520,000). The Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

13 Income tax expense (continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2018 and 2019, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the PRC (the "CIT Law") effective on 1 January 2008.

PRC LAT

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rates.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the CIT Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for these undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings from its PRC subsidiaries.

Hong Kong profits tax

The applicable Hong Kong profits tax rate was 16.5% for the year ended 31 December 2019 (2018: 16.5%). Hong Kong profits tax was not been provided as the Group did not have any assessable profit subject to Hong Kong profits tax for the year ended 31 December 2019 (2018: Nil).

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands (the "BVI") was incorporated under the Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax.

14 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	**3,154,064**	2,149,660
Weighted average number of ordinary shares in issue	**1,689,067,000**	1,552,963,000
Basic earnings per share (RMB per share)	**1.87**	1.38

(b) Diluted earnings per share

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	**3,154,064**	2,149,660
Weighted average number of ordinary shares in issue	**1,689,067,000**	1,552,963,000
Adjustments — share options and awarded shares	**12,823,000**	18,454,000
Weighted average number of ordinary shares for diluted earnings per share	**1,701,890,000**	1,571,417,000
Diluted earnings per share (RMB per share)	**1.85**	1.37

15 Property, plant and equipment

	Buildings RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements and furniture, fitting and equipment RMB'000	Total RMB'000
As at 1 January 2018					
Cost	1,463,840	35,571	51,344	78,411	1,629,166
Accumulated depreciation	(50,652)	(19,515)	(23,892)	(16,969)	(111,028)
Net book amount	1,413,188	16,056	27,452	61,442	1,518,138
Year ended 31 December 2018					
Opening net book amount	1,413,188	16,056	27,452	61,442	1,518,138
Additions	346	15,838	7,122	23,713	47,019
Disposals	—	(1,329)	(1,058)	(1,725)	(4,112)
Depreciation charges	(62,304)	(7,108)	(9,170)	(34,815)	(113,397)
Closing net book amount	1,351,230	23,457	24,346	48,615	1,447,648
At 31 December 2018					
Cost	1,464,186	46,478	55,668	100,224	1,666,556
Accumulated depreciation	(112,956)	(23,021)	(31,322)	(51,609)	(218,908)
Net book amount	1,351,230	23,457	24,346	48,615	1,447,648
Year ended 31 December 2019					
Opening net book amount	**1,351,230**	**23,457**	**24,346**	**48,615**	**1,447,648**
Additions	**227,984**	**5,533**	**4,879**	**15,159**	**253,555**
Disposals	**—**	**(1,141)**	**(1,158)**	**(39)**	**(2,338)**
Depreciation charges	**(82,556)**	**(10,998)**	**(7,664)**	**(30,031)**	**(131,249)**
Closing net book amount	**1,496,658**	**16,851**	**20,403**	**33,704**	**1,567,616**
At 31 December 2019					
Cost	**1,692,170**	**50,870**	**59,389**	**115,344**	**1,917,773**
Accumulated depreciation	**(195,512)**	**(34,019)**	**(38,986)**	**(81,640)**	**(350,157)**
Net book amount	**1,496,658**	**16,851**	**20,403**	**33,704**	**1,567,616**

As at 31 December 2019, certain properties, plant and equipment of the Group are pledged as security for the borrowings of the Group (Note 34).

16 Leases

(i) Amounts recognised in the balance sheet:

	31 December 2019	1 January 2019
	RMB'000	RMB'000
Right-of-use assets		
Land-use rights (i)	**434,185**	449,296
Properties	**29,370**	37,776
	463,555	487,072
Lease liabilities		
Current	**16,982**	16,554
Non-current	**13,814**	21,222
	30,796	37,776

The Group has land lease arrangement with mainland China government.

Additions to the right-of-use assets during the 2019 financial year were RMB12,709,000.

As at 31 December 2019, certain land use rights of the Group are pledged as security for the borrowings of the Group (Note 34).

16 Leases (continued)

(ii) Amounts recognised in the statement of profit or loss:

	Year ended 31 December 2019
	RMB'000
Depreciation charge of right-of-use assets:	
Land-use rights	15,111
Properties	21,115
Others	—
	36,226
Interest expense (included in finance cost)	2,554
Expense relating to short-term leases (included in administrative expenses)	68,600
	71,154

The total cash outflow for leases in 2019 was RMB90,842,000.

(iii) The Group's leasing activities and how these are accounted for

The Group mainly leases various offices. Rental contracts are typically made for fixed periods of 2 to 4 years, but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

17 Investment properties

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Non-current assets — at fair value:		
Opening balance at 1 January	**12,031,700**	10,465,400
Addition	**1,142,718**	1,229,657
Fair value gains	**49,682**	336,643
Closing balance at 31 December	**13,224,100**	12,031,700
Total gains for the year recognised in profit or loss and included in "*fair value gains on investment properties*" of the consolidated income statement — unrealised	**49,682**	336,643
Rental income (Note 6)	**157,347**	136,044

(a) As at 31 December 2019, the Group had no contractual obligations for repairs, maintenance or enhancements (2018: same).

(b) As at 31 December 2019, certain investment properties of the Group are pledged as security for the borrowings of the Group (Note 34).

(c) The capitalisation rate of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's borrowings during the year ended 31 December 2019, 7.60% (2018: 7.06%).

(d) The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include no variable lease payments that depend on a rate. Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

(e) The future aggregate minimum rental receivables under non-cancellable operating lease are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
— Not later than one year	**173,292**	155,994
— Later than one year and not later than five years	**500,972**	413,641
— Later than five years	**558,574**	496,537
	1,232,838	1,066,172

18 Financial assets at fair value through profit or loss

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
— Unlisted equity securities	**755,773**	802,087

The investments mainly represented unlisted equity investments in various real estate entities which the Group holds less than 20% equity interest and various fund products. These investments were not traded in active markets. The fair value of investment fund companies were determined in accordance with observable market data, which were categorised within level 2 of the fair value hierarchy. The fair value of unlisted real estate companies were determined based on unobservable market data, which were categorised within level 3 of the fair value hierarchy. Fair value gain on equity investment at FVPL recognised in "other (losses)/gains – net" was RMB134,617,000 (2018: RMB59,461,000) (Note 9).

19 Financial instruments by category

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Financial assets:		
Financial assets at amortised cost		
— Trade receivable and other receivables	**11,814,660**	8,443,081
— Amounts due from related parties	**5,654,598**	8,359,546
— Cash and bank balances	**34,308,567**	24,995,661
FVPL — Unlisted equity securities	**755,773**	802,087
	52,533,598	42,600,375
Financial liabilities:		
Liabilities at amortised cost		
— Trade and other payables, excluding accrual for staff costs and allowances and other taxes payable	**29,272,335**	27,138,035
— Amounts due to related parties	**7,293,888**	5,478,112
— Borrowings	**63,177,811**	62,532,834
Derivative financial instruments	**85,250**	—
	99,829,284	95,148,981

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

20 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale of the Group are all located in the PRC and expected to be completed and available for sale within one operating cycle. The relevant land use rights are on leases of 40 to 70 years.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Properties under development:		
— Construction costs	**20,677,296**	24,629,424
— Capitalised interests	**13,846,033**	10,316,532
— Land use rights	**80,776,025**	81,746,113
	115,299,354	116,692,069
Completed properties held for sale:		
— Construction costs	**4,476,461**	4,314,331
— Capitalised interests	**800,098**	1,198,545
— Land use rights	**2,396,611**	3,293,408
	7,673,170	8,806,284

(a) Assigning costs to inventories

The costs of individual items of properties under development are determined where costs are assigned by specific identification and include the cost of acquisition, development and borrowing costs incurred during the development. See Note 2.16 for the Group's accounting policies for properties under development and completed properties held for sale.

The capitalisation rate of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's borrowings during the year ended 31 December 2019, 7.60% (2018: 7.06%).

20 Properties under development and completed properties held for sale (continued)

(b) Amounts recognised in profit or loss

Completed properties held for sale recognised as costs of sales during the year ended 31 December 2019 amounted to RMB36,546,997,000 (2018: RMB25,307,734,000).

There are no write-downs of inventories to net realisable value during the year ended 31 December 2019 (2018: Nil).

(c) Pledge information

As at 31 December 2019, certain properties under development and completed properties held for sale of the Group are pledged as security for the borrowings of the Group (Note 34).

21 Cash and bank balances

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash and cash equivalents	**15,344,805**	21,848,572
Term deposits (Note (a))	**15,671,771**	888,905
Restricted cash (Note (b))	**3,291,991**	2,258,184
	34,308,567	24,995,661

(a) The weighted average effective interest rate of the Group's term deposits as at 31 December 2019 was 3.17% per annum (31 December 2018: 2.25% per annum). The carrying amounts of the Group's term deposits approximate their fair values, as the impact of discounting is not significant.

(b) Amounts mainly represent cash deposits with designated banks as guarantee deposits for construction of properties, securities for borrowings and for issuance of commercial bills.

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group were required to place certain amount of properties presale proceeds at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

22 Contract assets and liabilities

The Group has recognised following assets and liabilities related to contracts with customer:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current contract assets:		
Contract cost – sales commission	**757,844**	350,003
Contract assets – provision of construction service	**241,732**	180,511
	999,576	530,514
Current contract liabilities – sales of properties	**60,265,275**	63,962,973

(i) Revenue recognised in relation to contract liabilities

(a) The following table set out the amount of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December
	2019
	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	
— sales of properties	**38,028,231**

(b) Unsatisfied contracts, mainly comprise of contract liabilities, related to sales of properties are expected to be recognised in 1 to 3 years, as of 31 December 2019.

23 Trade and other receivables and prepayments

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables (Note (a))	**73,991**	59,580
Other receivables:		
— Amounts due from minority interests	**8,199,973**	6,503,833
— Deposits for acquisition of land use rights and property development projects	**2,002,005**	871,281
— Deposits for construction contracts	**405,460**	50,000
— Others	**1,133,231**	958,387
	11,740,669	8,383,501
Prepayments:		
— Prepayments for acquisition of land use rights	**6,887,697**	4,635,286
— Prepaid value added tax, business taxes and other taxes	**6,000,101**	5,149,216
— Others	**312,711**	254,538
	13,200,509	10,039,040
Total trade and other receivables and prepayments	**25,015,169**	18,482,121
Less: non-current portion of prepayments	**—**	—
Current portion of trade and other receivables and prepayments	**25,015,169**	18,482,121

23 Trade and other receivables and prepayments (continued)

(a) Trade receivables mainly arose from sales of properties. Proceeds in respect of sale of properties is settled in accordance with the terms stipulated in the sale and purchase agreements.

Ageing analysis of the trade receivables is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within one year	**69,087**	55,190
Over one year	**4,904**	4,390
	73,991	59,580

These trade receivables relate to a number of independent customers for whom there is no significant financial difficulty. Management does not expect any credit loss for these receivables.

(b) As at 31 December 2019, the Group's trade and other receivables were mainly denominated in RMB (2018: same). As at 31 December 2019, the Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above (2018: same).

24 Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2018	1,494,800,500	14,948	13	3,506,038	3,506,051
Issue of ordinary shares in connection with private placement (Note (b))	103,500,000	1,035	1	893,180	893,181
Exercise of share options	2,960,000	—	—	24,338	24,338
At 31 December 2018	1,601,260,500	15,983	14	4,423,556	4,423,570
At 1 January 2019	**1,601,260,500**	**15,983**	**14**	**4,423,556**	**4,423,570**
Issue of ordinary shares in connection with private placement (Note (c))	**108,000,000**	**1,080**	**1**	**1,002,617**	**1,002,618**
Buy-back and cancellation of shares (Note (d))	**(10,626,000)**	**(106)**	—	**(87,905)**	**(87,905)**
Final dividend of 2018 (Note 29)	—	—	—	**(552,645)**	**(552,645)**
Share option scheme — Exercise of share options	**16,891,500**	**169**	—	**116,390**	**116,390**
At 31 December 2019	**1,715,526,000**	**17,126**	**15**	**4,902,013**	**4,902,028**

(a) The authorised share capital of the Company as at 31 December 2019 was HK$380,000 (2018: same) divided into 38,000,000,000 shares (2018: same).

(b) On 12 June 2018, 103,500,000 shares of the Company were placed to certain independent investors at price of HK$10.62 per share.

(c) On 3 April 2019, 108,000,000 shares of the Company were placed to certain independent investors at a price of HK$10.95 per share.

(d) The Company acquired 10,626,000 of its own shares through purchases from the stock market during the year ended 31 December 2019 for cash totaling HK$97,482,000 (equivalent to RMB87,905,000) and which was deducted from the share premium account. The shares were cancelled after the repurchase.

25 Other reserves

(a) Capital reserves

Capital reserves mainly represented accumulated capital contribution from the then shareholders of the group companies.

(b) Statutory reserves

In accordance with relevant rules and regulations in the PRC, when declaring dividend, the Group's PRC subsidiaries are required to appropriate not less than 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the respective companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses brought forward from prior years or to increase the paid up capital of respective companies.

(c) Share-based compensation reserve

The Company approved and adopted a share option scheme on 28 December 2015 (the "Share Option Scheme"). Share options under the Share Option Scheme (the "Option") are granted to eligible participant (the "Eligibles") including directors and other employees. Options are conditional on the Eligibles have served the Group for certain periods (the vesting period). Share Options are granted for no consideration and carry no dividend or voting rights. When exercisable, each Option is convertible into one ordinary share. The Group has no legal or constructive obligation to repurchase or settle the Options in cash.

On 5 January 2017, approximately 62,469,000 Options (the "2017 Options") were granted to Eligibles with an exercise price of HK$5.96 per share. The expiry date of the Options will be 4 January 2022.

On 30 April 2019, approximately 26,571,973 share options (the "2019 Options") were granted to Eligibles with an exercise price of HK$10.80 per share. The expiry date of the 2019 Options will be 4 January 2022.

There were two types of vesting schedule for above share options, which are: i) 30% of the options will be vested after 12 months of the grant date; 30% of the options will be vested after 24 months of the grant date and the remaining 40% will be vested after 36 months of the grant date, ii) options will be vested after 8 months of the grant date. Particulars of Options are as follows:

25 Other reserves (continued)

(c) Share-based compensation reserve (continued)

Set out below are movements of Options granted under the Share Option Scheme:

	Average exercise price in HK$ Per share under option	Number of Options
As at 1 January 2018	5.96	57,284,000
Forfeited during the year	5.96	(10,000,000)
Excerise during the year	5.96	(2,960,000)
As at 31 December 2018	5.96	44,324,000
As at 1 January 2019	**5.96**	**44,324,000**
Granted during the period	**10.80**	**26,572,000**
Forfeited during the year	**9.60**	**6,158,000**
Exercise during the year	**5.96**	**(16,891,500)**
As at 31 December 2019	**8.18**	**47,846,500**

The share options above are fully vested and exercisable.

The fair values of Options determined by reference to valuation prepared by an independent valuer. The significant inputs in the model were as follows:

		2017 Options	2019 Options
Fair value per Option at measurement date		HK$1.88 to HK$1.99	HK$2.38 to HK$2.41
(a)	expected maturity date:	4 January 2022	4 January 2022
(b)	stock price at grant date and exercise price:	HK$5.96 per share	HK$10.80 per share
(c)	volatility:	34.41%	41.56%
(d)	annual risk-free interest rate:	2.09%	2.04%
(e)	dividend yield	nil	2.8%
(f)	suboptimal factors:	2 or 3	1.69 to 1.77

The total expense recognised in consolidated income statement for share options granted to directors and employees for the year ended 31 December 2019 amounted to RMB47,939,000 (2018: RMB23,585,000).

26 Perpetual Capital Instruments

In 2016, certain group companies issued certain subordinated Perpetual Capital Instruments (the "Perpetual Capital Instruments"). The Perpetual Capital Instruments do not have maturity dates and the distribution payments can be deferred at the discretion of either the group companies or the Company. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the group companies or the Company elects to declare dividends to their shareholders, the group companies shall make distributions to the holders of Perpetual Capital Instruments at the distribution rates as defined in the subscription agreements. Movements of the Perpetual Capital Instruments are as follows:

	Principal RMB'000	**Distribution/ appropriation of profit** RMB'000	**Total** RMB'000
Balance as at 1 January 2018	2,700,000	41,981	2,741,981
Redemption of Perpetual Capital Instruments	(1,800,000)	—	(1,800,000)
Profit attributable to holders of Perpetual Capital Instruments	—	164,195	164,195
Distributions made to holders of Perpetual Capital Instruments	—	(158,044)	(158,044)
Balance as at 31 December 2018	900,000	48,132	948,132
Balance as at 1 January 2019	**900,000**	**48,132**	**948,132**
Redemption of Perpetual Capital Instruments	**(900,000)**	—	**(900,000)**
Profit attributable to holders of Perpetual Capital Instruments	—	**10,608**	**10,608**
Distributions made to holders of Perpetual Capital Instruments	—	**(58,740)**	**(58,740)**
Balance as at 31 December 2019	—	—	—

27 Borrowings

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Senior notes — unsecured (Note (a))	**21,333,454**	6,266,527
Asset backed securities — secured (Note (b))	**2,447,400**	1,300,000
Corporate bonds — unsecured	**12,167,521**	10,454,463
Borrowings from financial institutions — secured (Note (c))	**26,291,536**	39,392,048
Less: current portion of non-current borrowings	**(17,768,547)**	(19,703,221)
	44,471,364	37,709,817
Borrowings included in current liabilities:		
Borrowings from financial institutions — secured (Note (c))	**937,900**	5,119,796
Current portion of non-current borrowings	**17,768,547**	19,703,221
	18,706,447	24,823,017
Total borrowings	**63,177,811**	62,532,834

(a) The senior notes are guaranteed and secured by equity interests of certain non-PRC subsidiaries.

(b) The ABS was pledged by the right of receipt of proceeds arising from the Group's sales of certain properties.

(c) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 34.

27 Borrowings (continued)

(d) At 31 December, the Group's borrowings were repayable as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within 1 year	**18,706,447**	24,823,017
Between 1 and 2 years	**17,721,081**	27,141,264
Between 2 and 5 years	**26,105,190**	9,259,579
Over 5 years	**645,093**	1,308,974
Total	**63,177,811**	62,532,834

(e) The weighted average effective interest rates are as follows:

	As at 31 December	
	2019	2018
Senior notes	**9.59%**	9.05%
Asset backed securities	**7.37%**	7.50%
Corporate bonds	**7.15%**	7.34%
Borrowings from financial institutions	**5.31%**	6.74%

(f) The Group's borrowings were denominated:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
— RMB	**40,885,783**	54,852,070
— US$	**21,333,454**	7,232,740
— HKD	**958,574**	448,024
	63,177,811	62,532,834

(g) The fair value of senior notes as at 31 December 2019 was RMB20,748,644,397 (2018: RMB6,385,508,000), which was quoted in Singapore Exchange Ltd. and within level 1 of the fair value hierarchy. The carrying amounts of borrowings other than senior notes approximate their fair values as at 31 December 2019 (2018: same) as either the impact of discounting were not significant or the borrowings carry floating rates of interests.

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 3.1.

28 Deferred tax assets and liabilities

(i) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Deferred tax assets		
— to be recovered within 12 months	**266,871**	419,662
— to be recovered after 12 months	**318,399**	313,069
Total deferred tax assets before net off	**585,270**	732,731
Net of deferred tax liabilities	**(140,316)**	(193,604)
	444,954	539,127
Deferred tax liabilities		
— to be recovered within 12 months	**(246,877)**	(368,447)
— to be recovered after 12 months	**(1,921,108)**	(2,270,428)
Total deferred tax iabilities before net off	**(2,167,985)**	(2,638,875)
Net of deferred tax assets	**140,316**	193,604
	(2,027,669)	(2,445,271)
	(1,582,715)	(1,906,144)

The net movement on the deferred tax accounts before set-off is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At 1 January	**(1,906,144)**	(2,528,792)
Credited to the consolidated income statement (Note 13)	**323,429**	621,841
Business combination	**—**	807
At 31 December	**(1,582,715)**	(1,906,144)

28 Deferred tax assets and liabilities (continued)

(ii) The movement in deferred tax assets and liabilities before set-off during the years are as follows:

	Deferred tax assets – tax losses and others RMB'000	Deferred tax liabilities – fair value gains RMB'000	Deferred tax liabilities – excess of carrying amount of PUD and PHS over the tax bases RMB'000
At 1 January 2018	512,609	(668,497)	(2,372,904)
Business combination	4,387	—	(3,580)
Credited/(charged) to the consolidated income statement	215,735	(117,152)	523,258
At 31 December 2018	732,731	(785,649)	(1,853,226)
At 1 January 2019	**732,731**	**(785,649)**	**(1,853,226)**
(Charged)/Credited to the consolidated income statement	**(147,461)**	**5,038**	**465,852**
At 31 December 2019	**585,270**	**(780,611)**	**(1,387,374)**

29 Dividend

The 2018 final dividend of HK$0.365 per ordinary share, totalling HK$629,439,000 (equivalent to approximately RMB552,645,000), was approved by the shareholders at the annual general meeting held on 5 June 2019 and was fully paid up to the date of these financial statements.

The Board of Directors of the Company proposed a final dividend of HK$0.60 per ordinary share out of the share premium account, totaling approximately HK$1,029,316,000 (equivalent to approximately RMB922,040,000). Such dividend is to be approved by the shareholders at the annual general meeting ("AGM") on 5 June 2020. These financial statements do not reflect this dividend payable as a liability as at 31 December 2019.

30 Trade and other payables

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables (Note (a))	**11,838,408**	8,423,760
Notes payable	**343,297**	1,064,455
Other payables:		
— Amounts due to minority interests	**13,483,058**	11,913,987
— Deposits received for sales of properties	**379,526**	662,059
— Other taxes payable	**3,556,357**	3,496,506
— Interests payable	**986,136**	776,048
— Deposits from contractors and suppliers	**533,075**	399,443
— Accrued payroll	**241,663**	242,805
— Dividend payable	**171,424**	—
— Others	**1,537,411**	1,359,539
	33,070,355	28,338,602

(a) The ageing analysis of the trade payables is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within one year	**9,363,765**	6,470,999
Over one year	**2,474,643**	1,952,761
	11,838,408	8,423,760

(b) Trade and other payables were unsecured, interest-free, repayable on demand and denominated in RMB.

(c) The carrying amounts of trade and other payables were considered to be the same as their fair values.

31 Cash flow information

(a) Net cash used in operating activities:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**10,660,810**	6,657,648
Adjustments for:		
— Depreciation charges	**131,249**	113,397
— Finance costs-net	**379,572**	291,880
— Other income	**(184,119)**	—
— Amortisation of intangible assets and right-of-use assets	**38,613**	17,792
— Gains from disposal of property, plant and equipment	**(217)**	(282)
— Fair value gains on investment properties	**(49,682)**	(336,643)
— Share of net profits of investments accounted for using the equity method	**(895,660)**	(902,681)
— Fair value gains on financial assets at FVPL	**(134,617)**	(59,461)
— Fair value loss on derivative financial instruments	**85,250**	—
— Fair value gains on remeasurement of joint ventures	—	(5,478)
Changes in working capital:		
— Properties under development and completed properties held for sale	**10,424,035**	(17,357,016)
— Contract assets	**(469,062)**	(389,769)
— Trade and other receivables	**(3,371,579)**	239,139
— Prepayments	**(3,161,469)**	4,512,197
— Contract liabilities	**(3,697,698)**	22,718,824
— Trade and other payables	**1,399,027**	5,248,519
— Restricted cash	**(2,057,986)**	(547,732)
Cash generated from operations	**9,096,467**	20,200,334

31 Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

	1 January 2019 RMB'000	Financing cash flow – net RMB'000	Non-cash items RMB'000	31 December 2019 RMB'000
Borrowings	62,532,834	313,506	331,471	63,177,811
Lease liability	37,776	(22,242)	15,262	30,796
Amounts due to related parties	5,376,722	1,717,620	—	7,094,342
	67,947,332	2,008,884	346,733	70,302,949

	1 January 2018 RMB'000	Financing cash flow – net RMB'000	Non-cash items RMB'000	31 December 2018 RMB'000
Borrowings	69,453,610	(7,349,266)	428,490	62,532,834
Amounts due to related parties	1,338,971	4,037,751	—	5,376,722
	70,792,581	(3,311,515)	428,490	67,909,556

32 Financial guarantee

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (Note (a))	34,322,018	29,066,196
Guarantee provided for the borrowings of the joint ventures (Note (b))	3,164,440	3,000,000
	37,486,458	32,066,196

32 Financial guarantee (continued)

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificates which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of loss of the Group resulting from the default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

(b) Amounts represented the maximum exposure of the guarantees provided by the Group.

33 Commitments

(a) Commitments for property development expenditures and equity investments as at 31 December 2019 were as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contracted but not provided for		
— Property development activities	**21,260,554**	15,644,616
— Land use rights	**450,527**	170,513
— Equity investment	**107,097**	355,185
	21,818,178	16,170,314

(b) Operating leases commitments – the Group as lessee

The future aggregate minimum lease payments for short-term leases as at 31 December 2019 and non-cancellable operating leases as at 31 December 2018 are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
— Not later than one year	**73**	34,005
— Later than one year and not later than five years	**—**	23,972
	73	57,977

34 Assets pledged as security

		As at 31 December	
	Note	**2019 RMB'000**	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**717,297**	1,271,614
Land use rights	16	**265,881**	439,352
Investment properties	17	**5,132,788**	5,661,872
Total non-current assets pledged as security		**6,115,966**	7,372,838
Current assets			
Properties under development and completed properties held for sale	20	**36,451,662**	38,821,044
Restricted cash	21	**750,853**	1,075,706
Total current assets pledged as security		**37,202,515**	39,896,750
Total assets pledged as security		**43,318,481**	47,269,588

All of above assets of the Group are pledged as security for the borrowings from financial institutions of the Group (Note 27(a)).

Investments amounting to RMB2,467,170,828 (2018: RMB6,014,566,000) in certain subsidiaries directly or indirectly held by the Company were pledged as security for borrowing of the Group at 31 December 2019.

35 Significant related party transactions

(a) Parent entities

The Group is controlled by the following entities:

			Ownership interest As at 31 December	
Name	**Type**	**Place of incorporation**	**2019**	2018
Dingxin	Immediate parent company of the Company	BVI	**65.52%**	64.47%
TMF (Cayman) Limited	Ultimate parent entity and controlling party	The Cayman Island	**65.52%**	64.47%

(b) Subsidiaries

Interests in subsidiaries are set out in Note 11(a).

(c) Major related parties that had significant transactions during the year with the Group are as follows:

Related parties	Relationship with the Group
Mr. Ou	Controlling Shareholder and director of the Company
Rongxin Shiou Property Management Group Limited 融信世歐物業服務集團有限公司	A company controlled by the Controlling Shareholder
Fujian Rongxin Property Management Co., Ltd. 融信(福建)物業管理有限公司	A company controlled by the Controlling Shareholder
Xiuyi (Fujian) Landscape Engineering Co., Ltd. 秀藝(福建)園林工程有限公司	A company controlled by the Controlling Shareholder
Fuzhou Yubaichuan Real Estate Development Co., Ltd. 福州裕百川房地產開發有限公司	Joint venture

35 Significant related party transactions (continued)

(c) Major related parties that had significant transactions during the year with the Group are as follows: (continued)

Related parties	Relationship with the Group
Hairong (Zhangzhou) Property Co., Ltd. 海融(漳州)房地產有限公司	Joint venture
Hangzhou Zhongxu Property Co., Ltd. 杭州眾旭置業有限公司	Joint venture
Hangzhou Xinchen Property Co., Ltd. 杭州信辰置業有限公司	Joint venture
Jinhua Ruiying Real Estate Co., Ltd. 金華市瑞盈房地產有限公司	Joint venture
Nanjing Huihe Property Co.,Ltd. 南京薈合置業有限公司	Joint venture
Nanjing Kaijingsheng Property Development Co., Ltd. 南京愷璟晟房地產開發有限公司	Joint venture
Nanjing Taiyi Hexin Management Consultancy Co., Ltd. 南京泰熠和信企業管理諮詢有限公司	Joint venture
Hangzhou Rongxuan Real Estate Development Co., Ltd. 杭州融晅房地產開發有限公司	Joint venture
Qidong Bilian Property Co., Ltd. 啟東碧聯置業有限公司	Joint venture
Zhoushan Kairong Real Estate Development Co., Ltd. 舟山愷融房地產開發有限公司	Joint venture
Zhengzhou Langu Management Consultancy Co., Ltd. 鄭州藍穀企業管理諮詢有限公司	Joint venture
Fuyang Shangjun Real Estate Co., Ltd. 阜陽上郡房地產有限公司	Joint venture
Fuzhou Hongbailong Real Estate Development Co., Ltd. 福州泓百隆房地產開發有限公司	Joint venture
Cixi City Jingui Property Co., Ltd. 慈溪市金桂置業有限公司	Joint venture
Fujian Rongdaxin Investment Co., Ltd. 福建融達信投資有限公司	Joint venture

35 Significant related party transactions (continued)

(c) Major related parties that had significant transactions during the year with the Group are as follows: (continued)

Related parties	Relationship with the Group
Anji Rongshang Real Estate Co., Ltd. 安吉融尚房地產有限公司	Joint venture
Dongtai City Xinbi Real Estate Development Co., Ltd. 東台市新碧房地產開發有限公司	Joint venture
Fuzhou Liboshuntai Property Development Co., Ltd. 福州利博順泰房地產開發有限公司	Joint venture
Bengbu City Bicheng Real Estate Development Co., Ltd. 蚌埠市碧誠房地產開發有限公司	Joint venture
Jiangmen City Ronchang Real Estate Development Co., Ltd 江門市融昌房地產開發有限公司	Joint venture
Ronrui Co., Ltd 融瑞有限公司	Joint venture
Hefei Hailiang Property Co., Ltd 合肥海亮置業有限公司	Joint venture
Jinhua Tianxi Property Co., Ltd 金華天璽置業有限公司	Joint venture
Hangzhou Hexin Real Estate Development Co., Ltd 杭州和昕房地產開發有限公司	Joint venture
Huzhou Ronda Real Estate Development Co., Ltd 湖州融達房地產開發有限公司	Joint venture
Tianjin Jinrui Property Co., Ltd 天津金銳置業有限公司	Joint venture
Jiujiang Ronxi Real Estate Co., Ltd 九江融璽房地產開發有限公司	Joint venture
Hangzhou Meishengmei Property Co., Ltd 杭州美生美置業有限公司	Joint venture
Ningbo Fenghuahedu Real Estate Development Co., Ltd 寧波奉化和都房地產開發有限公司	Joint venture
Fujian Ronteng Property Co., Ltd 福建融騰置業有限公司	Joint venture

35 Significant related party transactions (continued)

(c) Major related parties that had significant transactions during the year with the Group are as follows: (continued)

Related parties	Relationship with the Group
Hangzhou Ronhao Property Co., Ltd 杭州融浩置業有限公司	Joint venture
Hangzhou Wanjign Property Co., Ltd 杭州萬璟置業有限公司	Joint venture
Shanghai Kaidai Real Estate Development Co., Ltd 上海愷岱房地產開發有限公司	Joint venture
Fuyang Lvdi Property Co., Ltd 阜陽綠地置業有限公司	Joint venture
Shaanxi Hai He Real Estate Development Co., Ltd. 陝西海和房地產開發有限公司	Associate
Yinchuan Shihai Real Estate Co., Ltd. 銀川世海房地產有限公司	Associate
Yinchuan Hai Mao Real Estate Co., Ltd. 銀川海茂房地產有限公司	Associate
Shaanxi Shengshi Haihong Real Estate development Co., Ltd. 陝西盛世海宏房地產開發有限公司	Associate
Hangzhou Rongxin Real Estate development Co., Ltd. 杭州融歆房地產開發有限公司	Associate
Hangzhou Dexin Shushan Property Co., Ltd. 杭州德信蜀山置業有限公司	Associate
Zhenjiang Yiteng Real Estate development Co., Ltd. 鎮江億騰房地產開發有限公司	Associate
Fuzhou City Wanxi Real Estate Co., Ltd. 福州市萬曦房地產有限公司	Associate
Fujian Fengrong Property Co., Ltd. 福建豐融置業有限公司	Associate
Hangzhou Mingyu Real Estate Development Co., Ltd 杭州銘昱房地產開發有限公司	Associate
Jiaxing Zhenyue Property Co., Ltd 嘉興臻岳置業有限公司	Associate

35 Significant related party transactions (continued)

(c) Major related parties that had significant transactions during the year with the Group are as follows: (continued)

Related parties	Relationship with the Group
Hangzhou Yuqian Real Estate Development Co., Ltd 杭州譽乾房地產開發有限公司	Associate
Hangzhou Linanlongxing Real Estate Development Co., Ltd 杭州臨安龍興房地產開發有限公司	Associate
Hangzhou Ronlang Real Estate Development Co., Ltd 杭州融朗房地產開發有限公司	Associate
Jiangmen City Hongshun Real Estate Development Co., Ltd 江門市弘順房地產開發有限公司	Associate
Fuzhou City Yuxiang Real Estate Development Co., Ltd 福州市禹翔房地產有限公司	Associate
Hangzhou Zhehan Real Estate Development Co., Ltd 杭州哲瀚房地產開發有限公司	Associate
Hangzhou Xuanlu Industrial Co. Ltd 杭州宣祿實業有限公司	Associate
Hangzhou Lvchengwangxi Real Estate Development Co., Ltd 杭州綠城望溪房地產開發有限公司	Associate
Yueqing City Ronliang Real Estate Development Co., Ltd 樂清市融梁房地產開發有限公司	Associate
Chengdu Jinfenghua Property Co., Ltd 成都金澧華置業有限公司	Associate
Hangzhou Longyi Real Estate Development Co., Ltd 杭州龍毅房地產開發有限公司	Associate

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or were available.

35 Significant related party transactions (continued)

(d) Key management compensation

Compensation for key management other than those for directors as disclosed in Note 8(a) is set out below.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Key management compensation:		
— Salaries and other employee benefits	**4,114**	3,551
— Pension costs	**98**	103
— Value of employee services under share option scheme	**7,041**	3,058
	11,253	6,712

(e) Transactions with related parties

Save as disclosed elsewhere in these consolidated financial statement, during the year ended 31 December 2019, the Group had the following significant transactions with related parties.

Services provided by related parties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Services of property management and landscape engineering	**442,665**	254,256

Services provided to related parties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest income	**54,774**	—
Consultation services	**90,686**	—

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

Refer to Note 32 for information on guarantee provided for the borrowings of the joint ventures by the Group

35 Significant related party transactions (continued)

(f) Balances with related parties

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Amounts due from related parties		
— Joint ventures	**4,321,851**	7,858,014
— Associates	**1,332,747**	501,532
	5,654,598	8,359,546
Amounts due to related parties		
— Joint ventures	**5,800,306**	3,646,941
— Associates	**1,227,676**	1,055,576
— Other related parties	**265,906**	775,595
— Mr. Ou	**66,360**	674,205
— Rongxin Shiou Property Management Group Limited	**140,739**	59,757
— Xiuyi (Fujian) Landscape Engineering Co., Ltd.	**58,807**	41,633
	7,293,888	5,478,112

Amounts due from related parties mainly represented the cash advances made to related parties which are unsecured, repayable on demand and denominated in RMB.

Amounts due to Rongxin Shiou Property Management Group Limited represented mainly the payables of property management fees which were unsecured, interest-free, to be settled according to agreed terms and were denominated in RMB.

Amounts due to Xiuyi (Fujian) Landscape Engineering Co., Ltd. represented mainly the payables of landscape engineering services fee which were unsecured, interest free, to be settled according to agreed terms and were denominated in RMB.

Other amounts due to related parties mainly represented cash advances from related parties which were unsecured, interest-free, repayable on demand and denominated in RMB.

36 Subsequent event

(a) After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

37 Balance sheet of the Company

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Interests in a subsidiary	**2,064,663**	2,016,724
Financial assets at fair value through profit or loss	**571,828**	649,860
	2,636,491	2,666,584
Current assets		
Prepayments and other receivables	**4,311**	208
Amounts due from subsidiaries	**17,630,101**	7,679,814
Amounts due from related parties	**2,309,667**	637,433
Cash and bank balances	**2,333,796**	30,610
Total current assets	**22,277,875**	8,348,065
Total assets	**24,914,366**	11,014,649
EQUITY		
Equity attributable to owners of the Company		
Share capital	**15**	14
Share premium	**4,902,013**	4,423,556
Other reserves	**(2,420,514)**	(1,363,382)
Total equity	**2,481,514**	3,060,188

37 Balance sheet of the Company (continued)

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	**18,408,906**	5,286,770
Current liabilities		
Borrowings	**3,738,902**	2,393,994
Other payables	**179,640**	257,259
Amounts due to subsidiaries	**16,444**	—
Amounts due to related parties	**88,960**	16,438
Total current liabilities	**4,023,946**	2,667,691
Total liabilities	**22,432,852**	7,954,461
Total equity and liabilities	**24,914,366**	11,014,649

Ou Zonghong **Zhang Lixin**

37 Balance sheet of the Company (continued)

(a) Reserve movement of the Company

	Other reserves			
	Share premium RMB'000	Share-based compensation reverse RMB'000	Accumulated losses RMB'000	Total RMB'000
For the year ended 31 December 2018				
At 1 January 2018	3,506,038	53,868	(116,026)	3,443,880
Loss for the year	—	—	(1,316,024)	(1,316,024)
Share option scheme – value of employee services	—	23,583	—	23,583
— Exercise of share options	24,338	(8,783)	—	15,555
Issuance of ordinary shares in connection with private placement (Note 24(b))	893,180	—	—	893,180
At 31 December 2018	4,423,556	68,668	(1,432,050)	3,060,174
For the year ended 31 December 2019				
At 1 January 2019	**4,423,556**	**68,668**	**(1,432,050)**	**3,060,174**
Loss for the year	—	—	**(1,075,647)**	**(1,075,647)**
Share option scheme – value of employee services	—	**47,939**	—	**47,939**
— Exercise of share options	**116,390**	**(29,424)**	—	**86,966**
Buy-back and cancellation of shares	**(87,905)**	—	—	**(87,905)**
Final dividend of 2018	**(552,645)**	—	—	**(552,645)**
Issuance of ordinary shares in connection with private placement (Note 24(b))	**1,002,617**	—	—	**1,002,617**
At 31 December 2019	**4,902,013**	**87,183**	**(2,507,697)**	**2,481,499**

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Ronshine China Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Ronshine China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 111 to 205, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Provisions for properties under development ("PUD") and completed properties held for sale ("PHS")
- Classification of investment in subsidiaries, joint ventures and associates

Key Audit Matters (continued)

Key Audit Matter 1: Provisions for properties under development ("PUD") and completed properties held for sale ("PHS")	How our audit addressed the Key Audit Matter
Refer to Note 4 (a) and Note 19 to the consolidated financial statements. The total of PUD and PHS amounted to approximately RMB125,498 million as at 31 December 2018, accounting for approximately 62% of the Group's total assets. The carrying amounts of PUD and PHS are stated at the lower of cost or net realisable value ("NRV"). The Group assesses the NRV of PUD and PHS based on the realisability of these properties. As a result, provisions for PUD and PHS involve critical accounting estimates on the future selling prices and variable selling expenses for the properties, as well as the costs to completion for PUD.	Our procedures in relation to management's provision assessment for PUD and PHS included: 1. We understood, evaluated and validated management's key internal controls over the Group's process in determining the costs to completion of PUD and the net realisable values of PUD and PHS based on prevailing market conditions. 2. We challenged management's key estimates for: • Selling prices which were estimated based on the prevailing market conditions. We selected PUD and PHS on a sample basis to compare their estimated selling prices to the recent market transactions, making reference to the Group's selling prices of the same project's pre-sale units or the prevailing market prices of comparable properties with similar sizes, usages and locations, after considering future market development; • Variable selling expenses were estimated based on certain percentages of selling prices. We compared the above estimated percentages with the actual average selling expenses to revenue ratio of the Group in recent years; and • For the estimated costs to completion for PUD, we reconciled them to the budgets approved by management, examined the signed construction contacts on a sample basis, or compared the anticipated completion costs to the actual costs of comparable properties with similar sizes, usages and locations of the Group in recent years. We found that the key estimates used in management's assessment of the provision for PUD and PHS were properly supported by the available evidence.

Key Audit Matters (continued)

Key Audit Matter 2: Classification of investments in subsidiaries, joint ventures and associates	How our audit addressed the Key Audit Matter
Refer to Note 4 (b), Note 10 and Note 11 to the consolidated financial statements. The Group co-operated with other parties to invest in a large number of property development projects, which were classified as subsidiaries, joint ventures or associates. We focus on the classification of an investment as a subsidiary, a joint venture or an associate as it is determined based on whether the Group has control, joint control or significant influence over the investee. The assessment involves significant judgements through the analysis of various factors, including constitution of decision making authorities of an investee, such as shareholders' meetings and board of directors' meetings, decision making process, the Group's representation on the decision making authorities of an investee, as well as other facts and circumstances.	In assessing the classification of new investments or changes to existing investments during the year, we have performed the following procedures: 1. We obtained and examined the legal documents in relation to the investments ("Investment Documents"), including the cooperation agreements with other co-developers and articles of associations of the investees, with particular focuses on, including but not limited to the terms and conditions in relation to the rights of investors, coorperation arrangements, termination provisions, management structures and profit-sharing arrangements, and assessed management's judgement by analysing these key terms against accounting standards. Where there have been subsequent changes to the co-developers' agreements, articles of association, and management structures, we critically assessed management's re-assessment on whether those changes would affect the initial classification. 2. We examined the documents related to decision making of property development, including minutes of shareholders' meetings and board of directors' meetings of the investees, and evaluated the detailed project management and approval processes on a sample basis, including the authorities in determination and approval of project budgets, selection of main constructors and vendors of the projects and the determination of sales and marketing plan. Based on the procedures performed, we found that management's judgements applied in determining the classification of the Group's investments in subsidiaries, joint ventures and associates were supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Kam Chin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2019

Consolidated Income Statement

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	6	**34,366,500**	30,341,404
Cost of sales	7	**(26,301,557)**	(25,316,550)
Gross profit		**8,064,943**	5,024,854
Selling and marketing costs	7	**(1,137,009)**	(818,513)
Administrative expenses	7	**(1,341,193)**	(876,349)
Fair value gains on investment properties	16	**336,643**	1,108,095
Other income and other gains — net		**123,463**	45,521
Operating profit		**6,046,847**	4,483,608
Finance income	9	**243,063**	247,660
Finance cost	9	**(534,943)**	(24,629)
Finance (cost)/income — net	9	**(291,880)**	223,031
Share of net profit of associates and joint ventures accounted for using the equity method	11	**902,681**	283,100
Profit before income tax		**6,657,648**	4,989,739
Income tax expense	12	**(3,186,122)**	(2,343,491)
Profit for the year		**3,471,526**	2,646,248
Profit for the year is attributable to:			
— Owners of the Company		**2,149,660**	1,679,521
— Non-controlling interests		**1,157,671**	734,442
— Holders of Perpetual Capital Instruments	25	**164,195**	232,285
		3,471,526	2,646,248
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
— Basic earnings per share	13	**1.38**	1.22
— Diluted earnings per share	13	**1.37**	1.22

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**3,471,526**	2,646,248
Other comprehensive income	**—**	—
Total comprehensive income for the year	**3,471,526**	2,646,248
Total comprehensive income for the year is attributable to:		
— Owners of the Company	**2,149,660**	1,679,521
— Non-controlling interests	**1,157,671**	734,442
— Holders of Perpetual Capital Instruments	**164,195**	232,285
	3,471,526	2,646,248

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1,447,648**	1,518,138
Land use rights	15	**449,296**	464,407
Investment properties	16	**12,031,700**	10,465,400
Prepayments	22	**—**	92,729
Intangible assets		**7,516**	8,485
Investments accounted for using the equity method	11	**7,697,952**	6,743,913
Financial assets at fair value through profit or loss	17	**802,087**	—
Available-for-sale financial assets	17	**—**	42,000
Deferred tax assets	27	**539,127**	512,609
Total non-current assets		**22,975,326**	19,847,681
Current assets			
Properties under development	19	**116,692,069**	90,900,267
Completed properties held for sale	19	**8,806,284**	9,477,128
Amounts due from customers for contract works		**—**	140,745
Contract assets	21	**530,514**	—
Trade and other receivables and prepayments	22	**18,482,121**	23,720,226
Amounts due from related parties	34	**8,359,546**	3,971,790
Prepaid taxation		**2,602,357**	1,604,331
Available-for-sale financial assets	17	**—**	16,959
Cash and bank balances	20	**24,995,661**	20,517,148
Total current assets		**180,468,552**	150,348,594
Total assets		**203,443,878**	170,196,275
EQUITY			
Share capital	23	**14**	13
Share premium	23	**4,423,556**	3,506,038
Other reserves	24	**8,331,258**	6,718,226
Capital and reserves attributable to owners of the Company		**12,754,828**	10,224,277
Non-controlling interests		**21,915,398**	17,794,795
Perpetual Capital Instruments	25	**948,132**	2,741,981
Total equity		**35,618,358**	30,761,053

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	26	**37,709,817**	47,609,990
Deferred tax liabilities	27	**2,445,271**	3,041,401
Total non-current liabilities		**40,155,088**	50,651,391
Current liabilities			
Borrowings	26	**24,823,017**	21,843,620
Contract liabilities	21	**63,962,973**	—
Pre-sale proceeds received from customers		**—**	41,244,149
Trade and other payables	29	**28,338,602**	21,594,588
Amounts due to related parties	34	**5,478,112**	1,354,824
Current tax liabilities		**5,067,728**	2,746,650
Total current liabilities		**127,670,432**	88,783,831
Total liabilities		**167,825,520**	139,435,222
Total equity and liabilities		**203,443,878**	170,196,275

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 111 to 205 were approved by the Board of Directors of the Company (the "Board") on 21 March 2019 and were signed on its behalf.

Ou Zonghong **Zhang Lixin**

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Share capital RMB'000 (Note 23)	Share premium RMB'000 (Note 23)	Capital reserves RMB'000 (Note 24(a))	Statutory reserves RMB'000 (Note 24(b))	Share-based compensation reverse RMB'000 (Note 24(c))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Perpetual Capital Instruments RMB'000 (Note 25)	Total equity RMB'000
Balance at 1 January 2018	13	3,506,038	1,403,011	826,193	53,868	4,435,154	10,224,277	17,794,795	2,741,981	30,761,053
Comprehensive income										
— Profit for the year	—	—	—	—	—	2,149,660	2,149,660	1,157,671	164,195	3,471,526
— Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	2,149,660	2,149,660	1,157,671	164,195	3,471,526
Issuance of ordinary shares in connection with private placement	1	893,180	—	—	—	—	893,181	—	—	893,181
Issuance of ordinary shares in connection with exercise of share options	—	24,338	—	—	(8,783)	—	15,555	—	—	15,555
Change from a joint venture to a subsidiary	—	—	—	—	—	—	—	10,162	—	10,162
Acquisition of additional equity interest in a subsidiary (Note 10(c))	—	—	(551,428)	—	—	—	(551,428)	116	—	(551,312)
Capital injections from non-controlling interests	—	—	—	—	—	—	—	2,952,654	—	2,952,654
Redemption of Perpetual Capital Instruments	—	—	—	—	—	—	—	—	(1,800,000)	(1,800,000)
Distributions made to holders of Perpetual Capital Instruments	—	—	—	—	—	—	—	—	(158,044)	(158,044)
Share option scheme — value of employee services	—	—	—	—	23,583	—	23,583	—	—	23,583
Transfer to statutory reserves	—	—	—	435,042	—	(435,042)	—	—	—	—
Balance at 31 December 2018	14	4,423,556	851,583	1,261,235	68,668	6,149,772	12,754,828	21,915,398	948,132	35,618,358

	Attributable to owners of the Company									
	Share capital RMB'000 (Note 23)	Share premium RMB'000 (Note 23)	Capital reserves RMB'000 (Note 24(a))	Statutory reserves RMB'000 (Note 24(b))	Share-based compensation reverse RMB'000 (Note 24(c))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Perpetual Capital Instruments RMB'000 (Note 25)	Total equity RMB'000
Balance at 1 January 2017	12	2,485,669	1,403,011	503,023	—	3,078,803	7,470,518	12,386,271	3,232,533	23,089,322
Comprehensive income										
— Profit for the year	—	—	—	—	—	1,679,521	1,679,521	734,442	232,285	2,646,248
— Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income						1,679,521	1,679,521	734,442	232,285	2,646,248
Issuance of ordinary shares in connection with private placement	1	1,020,369	—	—	—	—	1,020,370	—	—	1,020,370
Acquisition of subsidiaries	—	—	—	—	—	—	—	2,782,913	—	2,782,913
Capital injections from non-controlling interests	—	—	—	—	—	—	—	1,891,169	—	1,891,169
Redemption of Perpetual Capital Instruments	—	—	—	—	—	—	—	—	(500,000)	(500,000)
Distributions made to holders of Perpetual Capital Instruments	—	—	—	—	—	—	—	—	(222,837)	(222,837)
Share option scheme — value of employee services	—	—	—	—	53,868	—	53,868	—	—	53,868
Transfer to statutory reserves	—	—	—	323,170	—	(323,170)	—	—	—	—
Balance at 31 December 2017	13	3,506,038	1,403,011	826,193	53,868	4,435,154	10,224,277	17,794,795	2,741,981	30,761,053

The above consolidated statement of changes of equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	30	**20,200,334**	(8,459,527)
PRC corporate income tax paid		**(1,152,815)**	(1,034,641)
PRC land appreciation tax paid		**(1,232,096)**	(877,571)
Net cash generated from/(used in) operating activities		**17,815,423**	(10,371,739)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment and investment properties		**(1,186,947)**	(4,716,362)
Payments for purchase of intangible assets		**(1,711)**	(3,764)
Proceeds from disposal of equipment		**4,393**	5,050
Capital injections to joint ventures and associates		**(56,458)**	(3,238,593)
Purchase of subsidiaries arising on business combination, net of cash acquired		**—**	131,628
Payments for acquisition of financial assets at fair value through profit and loss		**(713,591)**	—
Payments for acquisition of available-for-sale financial assets		**—**	(42,000)
Proceeds from disposal of financial assets at fair value through profit and loss		**29,924**	—
Proceeds from disposal of available-for-sale financial assets		**—**	40,765
Interest received		**243,063**	85,365
Cash advances to related parties		**(6,736,972)**	(3,881,863)
Repayments from related parties		**2,349,216**	633,109
(Increase)/Decrease in term deposits		**(777,905)**	4,206,169
Net cash used in investing activities		**(6,846,988)**	(6,780,496)

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Proceeds from borrowings	30(b)	**35,058,473**	41,577,553
Repayments of borrowings	30(b)	**(42,407,739)**	(15,052,461)
Redemption of Perpetual Capital Instruments		**(1,800,000)**	(500,000)
Distribution to holders of Perpetual Capital Instruments		**(158,044)**	(222,837)
Cash advances from related parties	30(b)	**4,325,477**	1,137,877
Repayments to related parties	30(b)	**(287,726)**	(1,390,467)
Issuance of ordinary shares in connection with private placement	23	**893,181**	1,020,370
Issuance of ordinary shares in connection with exercise of share options		**15,555**	—
Capital injection from non-controlling interests		**2,952,654**	1,891,169
Payment for acquisition of additional equity interest in a subsidiary		**(551,312)**	—
Interest paid		**(5,085,334)**	(3,934,296)
Restricted cash pledged for borrowings		**(547,732)**	(362,148)
Net cash (used in)/generated from financing activities		**(7,592,547)**	24,164,760
Net increase in cash and cash equivalents		**3,375,888**	7,012,525
Cash and cash equivalents at beginning of the year		**18,472,631**	11,525,557
Exchange gains/(losses) on cash and cash equivalents		**53**	(65,451)
Cash and cash equivalents at end of the year		**21,848,572**	18,472,631

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 General information

Ronshine China Holdings Limited (the "Company") was incorporated in the Cayman Islands on 11 September 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal activity is investment holding. The Company and its subsidiaries (together the "Group") are principally engaged in property development business in the People's Republic of China (the "PRC").

The Company's shares were listed on the The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 January 2016.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 21 March 2019.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, available-for-sale financial assets and investment properties which are measured at fair value.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) New and amended standards and interpretations adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property[1]
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014–2016 cycle	

Save for the impact of adoption of HKFRS 9 and HKFRS 15 set out in Note 2.2, the adoption of other new and amended standards and interpretations did not have any material impact on the consolidated financial statements of the Group.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) New standards, amendments and interpretations not yet adopted

The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKAS 28 (Amendment)	Long-term investment in an Associate or Joint Venture	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	To be determined
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
Annual Improvements to HKFRSs 2015-2017 cycle	Clarifying previously held interest in a joint operation under HKFRS3 Business Combinations and HKFRS 11 Joint Arrangements	1 January 2019
	Clarifying income tax consequences of payments on financial instruments classified as equity under HKAS 12 Income Taxes	
	Clarifying borrowing costs eligible for capitalisation under HKAS 23 Borrowing Costs	
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 1 and HKAS 8 (Amendment)	Definition of material	1 January 2020
HKIFRS 17	Insurance Contracts	1 January 2021

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) New standards, amendments and interpretations not yet adopted (continued)

(i) HKFRS 16 Leases (continued)

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB57,977,000, see note 32(b). Of these commitments, approximately RMB15,696,000 relate to short-term leases which will be recognised on a straight-line basis as expense in consolidated income statement.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately RMB37,776,000 and lease liabilities of RMB37,776,000 on 1 January 2019 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The Group expects that net profit after tax will decrease by approximately RMB931,000 for the year ending 31 December 2019 as a result of adopting the new rules.

Operating cash outflows will decrease and financing cash outflows will increase by approximately RMB4,505,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

The Group adopted HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet as at 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Interim condensed consolidated balance sheet (extract)	31 December 2017 As originally presented	HKFRS 9	HKFRS 15	1 January 2018 Restated
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Financial assets at fair value through profit or loss (FVPL)	—	42,000	—	42,000
Available-for-sale financial assets (AFS)	42,000	(42,000)	—	—
Current assets				
Amounts due from customers for contract works	140,745	—	(140,745)	—
Contract assets	—	—	140,745	140,745
AFS	16,959	(16,959)	—	—
FVPL	—	16,959	—	16,959
Current liabilities				
Pre-sale proceeds received from customers	41,244,149	—	(41,244,149)	—
Contract liabilities	—	—	41,244,149	41,244,149

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(b) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2.2(b) below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 measurement categories including those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and those to be measured at amortised cost.

Reclassification from AFS to FVPL

Certain equity investments were reclassified from AFS to FVPL. They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. There were no changes in fair value of the equity investments in previous years, therefore no adjustment was recorded to opening equity due to the reclassification.

Other than that, there were no changes to the classification and measurement of financial instruments.

Impairment of financial assets

The Group has three types of financial assets measured at amortised cost that are subject to new expected credit loss model of HKFRS 9 either on a 12-month basis or a lifetime basis:

- trade receivables and contract assets
- other receivables and amounts due from related parties
- cash and bank balances

The Group revised its impairment methodology under HKFRS 9 for each of these classes of assets.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(b) Adoption of HKFRS 9 (continued)

Impairment of financial assets (continued)

(i) Trade receivables and contract assets

The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables and contract assets.

(ii) Other receivables and amounts due from related parties

The Group applied general approach and recorded either 12-month expected credit losses or lifetime expected credit losses on its other receivables and amounts due from related parties.

(iii) Cash and bank balances

While cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(c) Adoption of HKFRS 15

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. The new accounting policies are set out in Note 2.2(c) below.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, referred to as open contracts, thus the comparative figures have not been restated.

The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract assets and liabilities

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Contract assets recognised in relation to construction services were previously presented as Amounts due from customers for contract works.

Contract liabilities for progress billing recognised in relation to sales of properties were previously presented as Pre-sale proceeds received from customers.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(c) Adoption of HKFRS 15 (continued)

Accounting for revenue recognition of sales of properties and construction services

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a point in time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, when the properties that have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the input method for measuring progress.

Management has assessed the current sale agreements used by the Group in accordance with HKFRS 15 and is of the view that the criteria for recognising revenue over time are not met for the sales of properties, while the construction services meets the critiria for recognising revenue over time.

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract assets.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised facilities or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries

2.3.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(i) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.2 Separate financial statement

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Equity method, associates and joint arrangements

(i) Equity method

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the investee after the date of acquisition. The Group's investments in an associate or joint ventures include goodwill identified on acquisitions. Upon the acquisitions of the ownership interests in an associate or joint ventures, any differences between the costs of the associate or joint ventures and the Group's share of the net fair value of the associate's or joint ventures' identifiable assets and liabilities are accounted for as goodwill.

If the ownership interests in the associate or joint ventures are reduced but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investments. When the Group's share of losses in the associate or joint ventures equals or exceeds its interests in the associate or joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint ventures.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amounts of the associate or joint ventures and their carrying values and recognises the amounts adjacent to "share of net profit of associates and joint ventures accounted for using the equity method" in the consolidated income statement.

2 Summary of significant accounting policies (continued)

2.4 Equity method, associates and joint arrangements (continued)

(i) Equity method (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint ventures are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associate or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate or joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution of equity interests in the associate or joint ventures are recognised in the consolidated income statement.

(ii) Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

(iii) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint venture is accounted for using the equity method.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). These consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuations when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and bank balances and borrowings are presented in the consolidated income statement, within "finance (cost)/income — net". All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "other income and other gains — net".

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the year in which they are incurred.

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings	20 years
Office equipment	3–5 years
Motor vehicles	4 years
Leasehold improvements and furniture, fitting and equipment	Shorter of lease term and useful life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in consolidated income statement. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2.8 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 to 10 years.

2.9 Investment property

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

2 Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("Cash-generating Units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in consolidated income statement.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Debt instruments

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and other gains-net together with foreign exchange gains and losses. Impairment losses are presented as separated line item in the statement of profit or loss.

- Financial assets at fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income and other gains-net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and other gains-net. Impairment losses are presented as separated line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income and other gains-net in the period in which it arises.

Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated income statement when the Group's right to receive payments is established.

Changes in the fair value of FVPL are recognised in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVPL are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Impairment of financial assets

The Group assesses on a forward looking basis the ECL associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

The Group applies the simplified approach permitted by HKFRS 9, which uses expected lifetime losses to be recognised from initial recognition of the assets for trade receivables and contract assets.

Impairment on other receivables and amounts due from related parties is measured as either 12-month ECL or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

Accounting policies applied until 31 December 2017

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. This classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

The Group's loans and receivables comprise "*trade and other receivables*", "*amounts due from related parties*", "*amounts due from customers for contract works*", "*restricted cash*", "*cash and cash equivalents*" and "*term deposits*" in the consolidated balance sheet.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(ii) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(iv) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised, when monetary and non-monetary securities classified as available-for-sale in other comprehensive income.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income and other gains-net from continuing operations.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(v) Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. As a practical expedient, the Group may measure impairment on the basis of fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(v) Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

2 Summary of significant accounting policies (continued)

2.14 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by the Group for development of properties. Land use rights held for development for sale are inventories and included in properties under development or completed properties held for sale and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets, while those out of the normal operating cycle are classified as non-current assets. Land use rights to be developed for hotel properties and self-use buildings, are non-current assets, which are stated at cost and subsequently amortised in the consolidated income statement on a straight-line basis over the operating lease periods. Land use rights to be developed for investment properties are accounted for as part of investment properties.

2.15 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.16 Trade and other receivables and amounts due from related parties

Trade receivables are amounts due from customers for properties sold and services provided in the ordinary course of business. If collection of trade and other receivables and amounts due from related parties is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and amounts due from related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.17 Cash and bank balances

In the consolidated statement of cash flow, cash and bank balances includes cash and cash equivalents, term deposits and restricted cash. Cash and cash equivalents includes cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Term deposits mainly refers to the bank deposits with initial term of over three months but within one year. Restrict cash is the bank deposits which are restricted to use.

2 Summary of significant accounting policies (continued)

2.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Perpetual Capital Instruments

Perpetual Capital Instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

2.20 Trade and other payables and amounts due to related parties

Trade payables are obligations to pay for construction costs or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables and amounts due to related parties are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables and amounts due to related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

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

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

Other borrowing costs are expensed in the period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associate and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for its associate, only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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

2 Summary of significant accounting policies (continued)

2.23 Employee benefits

(a) Pension obligations

The Group companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

Contributions to these defined contribution plans are expensed as incurred.

(b) Housing benefits

PRC employees of the Group are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds are expensed as incurred.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.24 Share-based payments

Share-based compensation benefits are provided to directors and employees via the Group. Information relating to these schemes is set out in Note 24(c).

Share options

The fair value of options granted by the Group is recognised as a director and employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2 Summary of significant accounting policies (continued)

2.25 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance: does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

2 Summary of significant accounting policies (continued)

2.26 Revenue recognition (continued)

(ii) Construction services

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

(iii) Rental income

Rental income from investment property is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(iv) Service income

Service income is recognised when the related services are rendered.

(v) Financing component

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(vi) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.27 Interest income

Interest income is presented as finance income where it is earned from bank deposits and is recognised using the effective interest method.

2.28 Dividend income

Dividends are received from FVPL and FVOCI (2017 — from FVPL and AFS financial assets). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. However, the investment may need to be tested for impairment as a consequence.

2 Summary of significant accounting policies (continued)

2.29 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.30 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.31 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (include foreign exchange risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with most transactions being settled in RMB, which is the functional currency of the Group companies, except for certain transactions which are settled in foreign currencies. The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at 31 December 2018 were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Monetary assets denominated in:		
— United State Dollars ("US$")	**677,722**	1,589
— Hong Kong Dollars ("HK$")	**22,076**	—
Monetary liabilities denominated in:		
— US$	**7,232,740**	5,114,756
— HK$	**448,025**	—

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis in RMB against relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% appreciation/depreciation in RMB against the relevant currencies, respectively, the effect of increase/(decrease) on the profit for the year is:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
5% appreciation in RMB against:		
— US$	**327,751**	255,658
— HK$	**21,297**	—
5% depreciation in RMB against:		
— US$	**(327,751)**	(255,658)
— HK$	**(21,297)**	—

(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors the trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2018, if interest rates on borrowings at floating rates had been 100 basis points higher or lower with all other variables held constant, interest charges for the year ended 31 December 2018 would increase/decrease RMB140,995,000 (2017: RMB117,923,000), which would have been capitalised in qualified assets.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high credit quality institutions. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and bank balances, trade and other receivable, amounts due from related parties and contract assets shown in the consolidated balance sheet.

As at 31 December 2018, substantially all the Group's bank deposits included in cash and bank balances were deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk. The Group's bank deposits as at 31 December 2018 were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Big four commercial banks of the PRC (Note (i))	**5,087,733**	3,825,245
Other listed banks in the PRC	**11,034,119**	8,620,817
Other non-listed banks in the PRC	**8,873,217**	8,070,480
Other non-listed banks in the Macau	**—**	58
	24,995,069	20,516,600

Note(i): big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of such guarantees is made in Note 31. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables and amounts due from related parties, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counter parties is low.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and bank balances or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and bank balances and through having available sources of financing.

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2018					
Borrowings	**28,640,031**	**28,835,664**	**9,989,755**	**1,387,133**	**68,852,583**
Trade and other payables, excluding accrual for staff costs and other taxes payable	**24,599,291**	**—**	**—**	**—**	**24,599,291**
Amounts due to related parties	**5,478,112**	**—**	**—**	**—**	**5,478,112**
Financial guarantee	**29,066,196**	**—**	**—**	**—**	**29,066,196**
Guarantee provided for joint ventures	**3,000,000**	**—**	**—**	**—**	**3,000,000**
	90,783,630	**28,835,664**	**9,989,755**	**1,387,133**	**130,996,182**
As at 31 December 2017					
Borrowings	25,389,158	32,747,787	15,876,079	1,774,700	75,787,724
Trade and other payables, excluding accrual for staff costs and other taxes payable	20,506,007	—	—	—	20,506,007
Amounts due to related parties	1,354,824	—	—	—	1,354,824
Financial guarantee	20,646,169	—	—	—	20,646,169
Guarantee provided for joint ventures	2,057,910	—	—	—	2,057,910
	69,954,068	32,747,787	15,876,079	1,774,700	120,352,634

Note: Interests on borrowings were calculated on borrowings held as at 31 December 2018 (2017: same). Floating-rate interests were estimated using the current interest rate as at 31 December 2018 (2017: same).

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owners, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and bank balances.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Total borrowings (Note 26)	**62,532,834**	69,453,610
Less: Cash and bank balances (Note 20)	**(24,995,661)**	(20,517,148)
Net borrowings	**37,537,173**	48,936,462
Total equity	**35,618,358**	30,761,053
Gearing ratio	**1.05**	1.59

3 Financial risk management (continued)

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

The Group's financial assets include cash and bank balances, trade and other receivables, amounts due from related parties, FVPL (2017: available for sale financial assets). The Group's financial liabilities include trade and other payables, amounts due to related parties and borrowings. The fair value for financial assets and liabilities with maturities of less than one year are assumed to approximate their carrying amounts due to their short term maturities.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determined fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of foreign currency forwards is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial assets and liabilities (continued)

(ii) Valuation techniques used to determined fair values (continued)

The following table presents the Group's FVPL were measured at fair value at 31 December 2018.

Recurring fair value measurements	Notes	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
FVPL:				
— Unlisted equity securities	17	697,977	104,110	802,087

The following table presents the Group's FVPL were measured at fair value at 31 December 2017.

Recurring fair value measurements	Notes	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
AFS				
— Unlisted equity securities		16,959	42,000	58,959

(iii) Fair value measurements using significant unobservable inputs

The following table presents the changes in level 3 items for the periods ended 31 December 2018,

	Level 3 RMB'000
Opening balance 1 January 2017	—
Additions	42,000
Disposals	—
Closing balance 31 December 2017	42,000
Additions	57,731
Disposals	(12,965)
Gains recognised in profit or loss	17,344
Closing balance 31 December 2018	**104,110**
Unrealized gain recognised for the year	**17,344**

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial assets and liabilities (continued)

(iii) Fair value measurements using significant unobservable inputs (continued)

The FVPL were measured at fair value, which was grouped into level 3 fair value measurements, subsequent to initial recognition. Techniques, such as discounted cash flow analysis, were used to determine fair value for the financial assets.

The Group's policy was to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers among levels 1, 2 and 3 for recurring fair value measurements.

(b) Non-financial assets

The non-financial assets of investment properties of the Group were measured at fair value.

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards. An explanation of each level is provided in Note 3.3(a).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the year.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Non-financial assets (continued)

(ii) Valuation techniques used to determine level 3 fair values

The directors determine a property's value within a range of reasonable fair value estimates. Fair values of the Group's completed investment properties are derived using the income capitalisation approach. This valuation method takes into account the net rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate.

Fair values of the Group's investment properties under development are derived using the direct comparison approach and residual approach. The direct comparison approach involves the analysis of recent market sales evidence of similar properties to compare with the premises under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparable is then compared with the subject and where there is a difference, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. The residual approach takes into account the residual value on the completed gross development value ("GDV") after deduction of the outstanding construction costs and expenses as well as profit element. It first assesses the GDV or estimated value of the proposed developments as if completed at the date of valuation. Estimated cost of the development includes construction costs, marketing, professional fees, finance charges, and associated costs, plus an allowance for the developer's risk and profit. The development costs are deducted from the GDV. The resultant figure is the residual value of the subject property.

All resulting fair value estimates for investment properties are included in level 3.

(iii) Fair value measurements using significant unobservable inputs (level 3)

Detailed disclosures of the changes in level 3 items for the years ended 31 December 2018 and 31 December 2017 for recurring fair value measurements are disclosed in Note 16.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Non-financial assets (continued)

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Properties status	Fair value at 31 December 2018 RMB'000	Fair value at 31 December 2017 RMB'000	Unobservable inputs	Range of inputs in 2018	Range of inputs in 2017
Completed	**5,735,900**	4,392,000	Capitalisation rate[1]	**3.5%~5.3%**	2.5%~5.0%
			Market rents[2] (RMB/square meter/month)	**14-220**	14-213
Under development	**6,295,800**	6,073,400	Market prices[2] (RMB/square meter)	**4,500-67,409**	4,792-60,726
			Anticipated developer's profit margins[3]	**25%**	25%
Total	**12,031,700**	10,465,400			

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Non-financial assets (continued)

(iv) Valuation inputs and relationships to fair value (continued)

Relationship of unobservable inputs to fair value:

— 1 The higher the capitalisation rate, the lower the fair value;

— 2 The higher the market rents and market prices, the higher the fair value;

— 3 The higher the anticipated developer's profit margins, the higher the fair value.

(v) Valuation processes

The Group's investment properties were valued at 31 December 2018 by independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and valuer at least once every six months, in line with the Group's interim and annual reporting process.

At each reporting period end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior period valuation report; and
- Holds discussions with the independent valuer.

As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

4 Critical estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Provisions for properties under development, completed properties held for sale and prepayment for acquisition of land use rights

The Group assesses the carrying amounts of properties under development, completed properties held for sale and prepayments for acquisition of land use rights according to their net realisable values based on the realisability of these properties and prepayments. As a result, provisions for properties under development, completed properties held for sale and prepayment for acquisition of land use rights involve critical accounting estimates on the future selling prices and variable selling expenses for the properties, as well as the costs to completion for properties under development and prepayments for acquisition of land use rights.

(b) Classification of subsidiaries, joint ventures and associates

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

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

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

4 Critical estimates and judgments (continued)

(c) Valuation of investment properties

The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions have been disclosed in Note 3.3(b).

(d) Corporate income tax, land appreciation tax and deferred taxation

The Group is subject to corporate income tax and land appreciation tax ("LAT") in the PRC. Judgment is required in determining the provision for corporate income tax and LAT. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. The Group has not finalised its corporate income tax and LAT calculations and payments with certain local tax authorities in charge of certain of the Group's projects in the PRC. The Group recognised the corporate income tax and LAT based on management's best estimates according to the interpretation of the applicable tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the corporate income tax and LAT provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

Deferred income tax liabilities are provided to the taxable temporary differences arising from the Group's investments in subsidiaries, joint ventures and an associate unless the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Provisions for deferred land appreciation tax liabilities relating to the taxable temporary difference of investment properties are provided unless management determines that the expected manner of recovery of the properties is through rental income from the lease of the properties only. All these involve management's judgments and estimations and the actual outcome may be different.

5 Segment information

The executive directors have been identified as the CODM. Management has determined the operating segments based on the reports reviewed by the executive directors, which are used to allocate resources and assess performance.

The Group is principally engaged in the property development in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors regard that there is only one segment which is used to make strategic decisions. Revenue and profit after income tax are the measures reported to the executive directors for the purpose of resources allocation and performance assessment.

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenue are derived in the PRC for the year ended 31 December 2018 (2017: same).

(a) As at 31 December 2018, the total assets, other than financial assets at fair value through profit or loss of the Group were located in the PRC (2017: same).

(b) There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenue for the year ended 31 December 2018 (2017: same).

6 Revenue

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue from contracts with customers:		
Revenue from sales of properties		
— Recognised at a point in time	**33,406,515**	29,588,530
Revenue from construction services, hotel operations and others:		
— Recognised at a point in time	**173,304**	91,292
— Recognised over time	**650,637**	559,570
Revenue from other sources-rental income	**136,044**	102,012
	34,366,500	30,341,404

7 Expenses by nature

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of properties sold (excluding staff costs)	**25,644,539**	24,140,449
Staff costs (including directors' emoluments) (Note 8)	**1,299,999**	790,093
Advertising costs	**464,037**	448,025
Business taxes and other taxes	**407,253**	712,425
Property management fees	**185,582**	77,826
Consulting fees	**118,458**	93,178
Depreciation (Note 14)	**113,397**	67,030
Office and travelling expenses	**105,001**	77,014
Office lease payments	**95,518**	58,310
Entertainment expenses	**73,413**	49,616
Amortisation of intangible assets and land use right	**17,792**	7,747
Auditors' remuneration	**15,000**	10,015
Others	**239,770**	479,684
Total	**28,779,759**	27,011,412

8 Staff costs — including directors' emoluments

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Fees, salaries and other benefits	**1,201,193**	694,587
Pension costs	**75,223**	41,638
Value of employee services under share option scheme	**23,583**	53,868
	1,299,999	790,093

8 Staff costs — including directors' emoluments (continued)

(a) Directors' emoluments

The directors' emoluments paid/payable by the Group are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Fees, salaries and other benefits	**12,452**	6,832
Pension costs	**306**	188
Value of employee services under share option scheme	**7,919**	14,559
	20,677	21,579

(i) For the year ended 31 December 2018

Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Pension costs RMB'000	Value of employee services under share option scheme RMB'000	Total RMB'000
Executive directors:					
— Mr. Ou Zonghong ("Mr. Ou")	—	**2,239**	**51**	—	**2,290**
— Mr. Wu Jian (note (iii))	—	**1,690**	**51**	**1,250**	**2,991**
— Mr. Lin Junling (note (iii))	—	**2,279**	**51**	**1,250**	**3,580**
— Ms. Zeng Feiyan	—	**2,039**	**51**	**2,361**	**4,451**
— Mr. Ruan Youzhi (note (iv))	—	**2,039**	**51**	**2,361**	**4,451**
— Mr. Zhang Lixin (note (iv))	—	**1,439**	**51**	**697**	**2,187**
Non-executive directors:					
— Ms. Chen Shucui (note (v))	**118**	—	—	—	**118**
Independent non-executive directors:					
— Mr. Lo, Wing Yan William	**203**	—	—	—	**203**
— Mr. Ren Yunan	**203**	—	—	—	**203**
— Mr. Qu Wenzhou	**203**	—	—	—	**203**
	727	**11,725**	**306**	**7,919**	**20,677**

8 Staff costs — including directors' emoluments (continued)

(a) Directors' emoluments (continued)

(ii) For the year ended 31 December 2017

Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Pension costs RMB'000	Value of employee services under share option scheme RMB'000	Total RMB'000
Executive directors:					
— Mr. Ou	—	1,468	47	—	1,515
— Mr. Wu Jian	—	1,703	47	4,853	6,603
— Mr. Lin Junling	—	1,459	47	4,853	6,359
— Ms. Zeng Feiyan	—	1,599	47	4,853	6,499
Independent non-executive directors:					
— Mr. Lo, Wing Yan William	201	—	—	—	201
— Mr. Ren Yunan	201	—	—	—	201
— Mr. Qu Wenzhou	201	—	—	—	201
	603	6,229	188	14,559	21,579

During the year ended 31 December 2018, none of the directors of the Company waived his emoluments nor has agreed to waive his emoluments (2017: same).

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor are any payable (2017: same). No consideration was provided to or receivable by third parties for making available directors' services (2017: same).

There were no loans, quasi-loans or other dealings in favor of the directors, their controlled bodies corporate and connected entities as at 31 December 2018 (2017: same).

Other than those disclosed in Note 34(e), there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: same).

8 Staff costs — including directors' emoluments (continued)

(a) Directors' emoluments (continued)

(iii) Mr.Wu Jian and Mr.Lin Junling have resigned the director position in November 2018.

(iv) Mr. Ruan Youzhi and Mr.Zhang Lixin were appointed as a director in November 2018.

(v) Ms. Chen Shucui was appointed as a director in June 2018.

(b) Five highest paid individuals

For the year ended 31 December 2018, the five individuals whose emoluments were the highest in the Group included four (2017: three) directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2017: two) individual during the year are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Fees, salaries and other benefits	**2,039**	2,945
Pension costs	**51**	94
Value of employee services under share option scheme	**2,361**	8,444
	4,451	11,483

The emoluments payable to the remaining one (2017: two) individual falls within the following band:

	Year ended 31 December	
	2018	2017
Annual emolument band:		
— HK$5,000,000–HK$5,500,000	**1**	—
— HK$6,500,000–HK$7,000,000	**—**	2

During the year ended 31 December 2018, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2017: none).

9 Finance (cost)/income — net

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Finance income		
— Interest income from bank deposits	**243,063**	85,365
— Net foreign exchange gains	**—**	162,295
	243,063	247,660
Finance costs		
— Net foreign exchange losses	**(457,868)**	—
— Interest expenses of borrowings	**(5,226,070)**	(4,018,484)
— Less: capitalised interest (Note (i))	**5,148,995**	3,993,855
	(534,943)	(24,629)
Finance (cost)/income — net	**(291,880)**	223,031

(i) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year ended 31 December 2018 was 7.06% (2017: 6.65%).

10 Subsidiaries

(a) The Group's principal subsidiaries

The Group's principal subsidiaries at 31 December 2018 are set out below. The proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of companies		Type of legal status	Place of operation/ establish-ment	Principal activities	Authorised/ registered/paid up capital and debt securities	Ownership interest held by the Group %	Ownership interest held by non-controlling interests %
Indirectly held by the Company:							
融信(福建)投資集團有限公司	Rongxin (Fujian) Investment Group Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB4,025,000,000	100%	–
融信(福州)置業有限公司	Rongxin (Fuzhou) Property Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB270,833,300	80%	20%
和美(上海)房地產開發有限公司	Hemei (Shanghai) Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB19,607,843	51% (i)	49%
福州融信雙杭投資發展有限公司	Fuzhou Rongxin Shuanghang Investment Development Co., Ltd.	Limited liability company	PRC	Property development	Registered capital of RMB200,000,000 and paid up capital of RMB100,000,000	100%	–
福建泰坤貿易有限公司	Fujian Taikun Trading Co., Ltd.	Limited liability company	PRC	Investment Holdings	Registered and paid up capital of RMB5,000,000	100%	–
福州世歐房地產開發有限公司	Fuzhou Shiou Investment Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB3,000,000,000	50% (i)	50%
福建世歐投資發展有限公司	Fujian Shiou Investment Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB500,000,000	50% (i)	50%
和美(漳州)房地產有限公司	Hemei (Zhangzhou) Property Co.,Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB50,000,000	100%	–
杭州愷澤房地產開發有限公司	Hangzhou Kaize Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB900,000,000	93%	7%
上海愷居房地產開發有限公司	Shanghai Kaiju Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB800,000,000	51% (i)	49%
杭州愷興房地產開發有限公司	Hangzhou Kaixing Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB1,000,000,000	75%	25%
上海愷冠臻房地產開發有限公司	Shanghai Kaiguanzhen Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB5,500,000,000	50% (i)	50%
杭州萬晨置業有限公司	Hangzhou Wanchen Property Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB1,300,000,000	50% (i)	50%
安徽海亮房地產有限公司	Anhui Hailiang Property Co.,Ltd. ("Anhui Hailiang")	Limited liability company	PRC	Property development	Registered capital of RMB3,150,000,000 and paid up capital of RMB2,162,500,000	55%	45% (b)
寧波海亮房地產投資有限公司	Ningbo Hailiang Property Investment	Limited liability company	PRC	Property development	Registered and paid up capital of RMB300,000,000	55%	45% (b)

* The English names of PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

10 Subsidiaries (continued)

(a) The Group's principal subsidiaries (continued)

(i) In accordance with the cooperation agreements with co-developers and articles of associations of these companies, the Group has controlling power in the shareholders' meetings and board of directors' meetings in decision on the relevant operational activities. Accordingly, the Group has exposure or rights to variable returns from its involvement with these companies, and has the ability to affect those returns through its majority voting position and the existing rights to direct the relevant activities. Thus these companies are accounted for as subsidiaries of the Group.

(ii) Significant restriction

The conversion of RMB denominated balances of cash and bank balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government. These regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends. As at 31 December 2018, the carrying amount of the cash and bank balances included within the consolidated financial statements to which these restrictions applied was denominated in RMB (2017: same).

Certain equity interests in the subsidiaries of the Company were pledged for financing arrangements of the Group as at 31 December 2018 and 2017 (Note 33).

(b) Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the combined summarised financial information for Hailiang Group that has non-controlling interests that are material to the Group. Hailiang Group was acquired from a third party on 31 July 2017 (the "Acquisition Date"). The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheets as at 31 December

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets	**1,013,228**	857,519
Non-current liabilities	**(924,680)**	(2,371,338)
Non-current net assets/(liabilities)	**88,548**	(1,513,819)
Current assets	**30,480,710**	31,002,705
Current liabilities	**(22,699,663)**	(21,928,796)
Current net assets	**7,781,047**	9,073,909
Net assets	**7,869,595**	7,560,090
Proportionate share of the net assets attributable to non-controlling interests	**3,847,428**	3,627,845

10 Subsidiaries (continued)

(b) Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised income statement and statement of comprehensive income for the year ended 31 December 2018 and for the period from the Acquisition Date to 31 December 2017

	Year ended 31 December 2018 RMB'000	The period from the Acquisition Date to 31 December 2017 RMB'000
Profit/(loss) before income tax	**574,259**	(91,366)
Income tax expense	**(189,918)**	(33,788)
Profit/(loss) for the year/period	**384,341**	(125,154)
Total comprehensive income for the year/period	**384,341**	(125,154)
Total loss and comprehensive income for the year/period allocated to non — controlling interests	**160,318**	(60,920)

Summarised statement of cash flows for the year ended 31 December 2018 and for the period from the Acquisition Date to 31 December 2017

	Year ended 31 December 2018 RMB'000	The period from the Acquisition Date to 31 December 2017 RMB'000
Net cash generated from/(used in) operating activities	**3,277,463**	(747,306)
Net cash generated from/(used in) investing activities	**159,900**	(4,648)
Net cash (used in)/generated from financing activities	**(1,893,147)**	388,911
Net increase/(decrease) in cash and cash equivalents	**1,544,216**	(363,043)
Cash and cash equivalents at beginning of the period	**2,665,109**	3,028,152
Cash and cash equivalents at end of the period	**4,209,325**	2,665,109

(c) Transaction with non-controlling interests

On 12 November 2018, the Group acquired an additional 49% non-controlling interest of a subsidiary from Zhengzhou Yuhan Real Estate Development Co. Ltd for RMB551,312,000. Immediately prior to the purchase, the carrying amount of the existing 49% non-controlling interest in the jointly controlled project was deficit RMB116,000. The Group recognised an increase in non-controlling interests of RMB116,000 and a decrease in equity attributable to owners of the parent of RMB551,428,000.

11 Investments accounted for using the equity method

(a) Investments accounted for using the equity method

(i) Amounts recognised in the consolidated balance sheet are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Investments accounted for using the equity method:		
— Joint ventures	**6,454,808**	5,831,016
— Associates	**1,243,144**	912,897
	7,697,952	6,743,913

(ii) The amounts recognised in the consolidated income statement are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Share of net profit of associates and joint ventures accounted for using the equity method:		
— Joint ventures	**114,309**	202,000
— Associates	**788,372**	81,100
	902,681	283,100

(iii) The Group made equity investments in certain real estate project companies where the Group has significant influence or jointly controls, with total consideration of RMB56,458,000 in 2018 (2017: RMB3,238,593,000). The Group accounted for these equity investments using equity method.

11 Investments accounted for using the equity method (continued)

(b) Set out below are major joint ventures and associates of the Group as at 31 December 2018. The place of incorporation or registration is also their principal place of business.

Name of entity		Place of business/ place of incorporation and business	% of ownership interest	Measurement method	Principal activities
Joint ventures					
福州利博順泰房地產開發有限公司	Fuzhou Liboshuntai Property Development Co., Ltd. ("Fuzhou Liboshuntai")	PRC	50%	Equity	Property development
海融(漳州)房地產有限公司	Hairong (Zhangzhou) Property Co., Ltd.	PRC	50%	Equity	Property development
上海愷泰房地產開發有限公司	Shanghai Kaitai Property Development Co., Ltd. ("Shanghai Kaitai")	PRC	50%	Equity	Property development
上海愷岱房地產開發有限公司	Shanghai Kaidai Property Development Co., Ltd.	PRC	50%	Equity	Property development
福州裕百川房地產開發有限公司	Fuzhou Yubaichuan Real Estate Development Co., Ltd.	PRC	34%	Equity	Property development
Associates					
銀川海茂房地產有限公司	Yinchuan Hai Mao Real Estate Co., Ltd.	PRC	27%	Equity	Property development
漳州市萬科濱江置業有限公司	Zhangzhou City Wankebinjiang Property Co., Ltd.	PRC	20%	Equity	Property development

11 Investments accounted for using the equity method (continued)

(c) Summarised financial information for joint ventures

(i) Set out below is the summarised financial information for Shanghai Kaitai, which is material to the Group.

Summarised balance sheet

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets	**4**	18
Non-current liabilities	**—**	(333,820)
Non-current net assets/(liabilities)	**4**	(333,802)
Current assets	**10,292,050**	8,651,451
Current liabilities	**(5,944,711)**	(5,492,984)
Current net assets	**4,347,339**	3,158,467
Net assets	**4,347,343**	2,824,665
Carrying value of the Group's interest in Shanghai Kaitai	**2,173,672**	1,412,333

Summarised income statement and statement of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**2,747,401**	694,278
Income tax expense	**(1,224,723)**	(285,146)
Profit for the year	**1,522,678**	409,132
Total comprehensive income for the year	**1,522,678**	409,132
Share of the net profit of Shanghai Kaitai accounted for using the equity method	**761,339**	204,566

12 Income tax expense

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current income tax:		
PRC corporate income tax	**1,877,753**	1,140,187
PRC LAT	**1,930,210**	1,258,057
	3,807,963	2,398,244
Deferred income tax:		
PRC corporate income tax	**(621,841)**	(54,753)
Income tax expense	**3,186,122**	2,343,491

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profit/loss of the consolidated entities as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**6,657,648**	4,989,739
Less: share of net profits of associates and joint ventures	**(902,681)**	(283,100)
	5,754,967	4,706,639
Tax calculated at applicable corporate income tax rates	**1,524,492**	1,160,068
Effect of expenses not deductible for income tax	**213,973**	239,880
PRC LAT deductible for income tax purpose	**(482,553)**	(314,514)
PRC corporate income tax	**1,255,912**	1,085,434
PRC LAT	**1,930,210**	1,258,057
	3,186,122	2,343,491

Deferred tax liabilities of RMB964,352,000 (2017: RMB666,144,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries amounting to RMB9,643,520,000 as at 31 December 2018 (31 December 2017: RMB6,661,440,000). The Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

12 Income tax expense (continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2017 and 2018, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the PRC (the "CIT Law") effective on 1 January 2008.

PRC LAT

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rates.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the CIT Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for these undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings from its PRC subsidiaries.

Hong Kong profits tax

The applicable Hong Kong profits tax rate was 16.5% for the year ended 31 December 2018 (2017: 16.5%). Hong Kong profits tax was not been provided as the Group did not have any assessable profit subject to Hong Kong profits tax for the year ended 31 December 2018 (2017: Nil).

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands (the "BVI") was incorporated under the Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax.

13 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**2,149,660**	1,679,521
Weighted average number of ordinary shares in issue	**1,552,963,000**	1,373,813,000
Basic earnings per share (RMB per share)	**1.38**	1.22

(b) Diluted earnings per share

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**2,149,660**	1,679,521
Weighted average number of ordinary shares in issue	**1,552,963,000**	1,373,813,000
Adjustments — share options and awarded shares	**18,454,000**	2,725,000
Weighted average number of ordinary shares for diluted earnings per share	**1,571,417,000**	1,376,538,000
Diluted earnings per share (RMB per share)	**1.37**	1.22

14 Property, plant and equipment

	Buildings RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements and furniture, fitting and equipment RMB'000	Properties under construction RMB'000	Total RMB'000
As at 1 January 2017						
Cost	675,656	27,668	44,859	49,219	574,798	1,372,200
Accumulated depreciation	(14,518)	(13,094)	(21,816)	(1,715)	—	(51,143)
Net book amount	661,138	14,574	23,043	47,504	574,798	1,321,057
Year ended 31 December 2017						
Opening net book amount	661,138	14,574	23,043	47,504	574,798	1,321,057
Business combination	2,366	—	4,481	4,471	—	11,318
Additions	1,231	9,594	10,659	9,329	225,181	255,994
Transfer	784,587	—	—	15,392	(799,979)	—
Disposals	—	(705)	(2,496)	—	—	(3,201)
Depreciation charges	(36,134)	(7,407)	(8,235)	(15,254)	—	(67,030)
Closing net book amount	1,413,188	16,056	27,452	61,442	—	1,518,138
At 31 December 2017						
Cost	1,463,840	35,571	51,344	78,411	—	1,629,166
Accumulated depreciation	(50,652)	(19,515)	(23,892)	(16,969)	—	(111,028)
Net book amount	1,413,188	16,056	27,452	61,442	—	1,518,138
Year ended 31 December 2018						
Opening net book amount	**1,413,188**	**16,056**	**27,452**	**61,442**	**—**	**1,518,138**
Additions	**346**	**15,838**	**7,122**	**23,713**	**—**	**47,019**
Disposals	**—**	**(1,329)**	**(1,058)**	**(1,725)**	**—**	**(4,112)**
Depreciation charges	**(62,304)**	**(7,108)**	**(9,170)**	**(34,815)**	**—**	**(113,397)**
Closing net book amount	**1,351,230**	**23,457**	**24,346**	**48,615**	**—**	**1,447,648**
At 31 December 2018						
Cost	**1,464,186**	**46,478**	**55,668**	**100,224**	**—**	**1,666,556**
Accumulated depreciation	**(112,956)**	**(23,021)**	**(31,322)**	**(51,609)**	**—**	**(218,908)**
Net book amount	**1,351,230**	**23,457**	**24,346**	**48,615**	**—**	**1,447,648**

As at 31 December 2018, certain properties, plant and equipment of the Group are pledged as security for the borrowings of the Group (Note 33).

15 Land use rights

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Opening net book amount	**464,407**	479,518
Amortisation	**(15,111)**	(15,111)
Closing net book amount	**449,296**	464,407

Amounts represented the land use rights of hotels properties. The relevant land use rights were held on leases of 40 years.

As at 31 December 2018, certain land use rights of the Group are pledged as security for the borrowings of the Group (Note 33).

16 Investment properties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets — at fair value:		
Opening balance at 1 January	**10,465,400**	4,058,000
Addition	**1,229,657**	4,571,905
Transfer from properties under development	**—**	727,400
Fair value gains	**336,643**	1,108,095
Closing balance at 31 December	**12,031,700**	10,465,400
Total gains for the year recognised in profit or loss and included in "*fair value gains on investment properties*" of the consolidated income statement — unrealised	**336,643**	1,108,095
Rental income (Note 6)	**136,044**	102,012

16 Investment properties (continued)

(a) As at 31 December 2018, the Group had no contractual obligations for repairs, maintenance or enhancements (2017: same).

(b) As at 31 December 2018, certain investment properties of the Group are pledged as security for the borrowings of the Group (Note 33).

(c) The capitalisation rate of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year ended 31 December 2018, in this case 7.06% (2017: 6.65%).

(d) The future aggregate minimum rental receivables under non-cancellable operating lease are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
– Not later than one year	**155,994**	122,002
– Later than one year and not later than five years	**413,641**	404,483
– Later than five years	**496,537**	529,910
	1,066,172	1,056,395

17 Financial assets at fair value through profit or loss/Available-for-sale financial assets

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets		
Unlisted equity securities	**802,087**	42,000
Current assets		
Unlisted equity securities	**–**	16,959

The investments mainly represented unlisted equity investments in various entities, including investment fund companies and real estate project companies, each of which the Group holds less than 20% equity interest in. These investments were not traded in active markets. Therefore, the fair value related to investment fund companies were determined in accordance with observable market data, which were categorized within level 2 of the fair value hierarchy. The fair value related to unlisted real estate project companies were determined based on unobservable market data, which were categorized within level 3 of the fair value hierarchy. Fair value gain on equity investment at FVPL recognised in "other income and other gains –net" was RMB 59,461,000 (2017: nil).

18 Financial instruments by category

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Financial assets:		
Financial assets at amortised cost (2017: loans and receivables)		
— Trade receivable and other receivables	**8,443,081**	7,743,495
— Amounts due from related parties	**8,359,546**	3,971,790
— Cash and bank balances	**24,995,661**	20,517,148
FVPL — unlisted equity securities	**802,087**	—
AFS — unlisted equity securities	**—**	58,959
	42,600,375	32,291,392
Financial liabilities:		
Liabilities at amortised cost		
— Trade and other payables, excluding accrual for staff costs and allowances and other taxes payable	**27,138,035**	20,506,007
— Amounts due to related parties	**5,478,112**	1,354,824
— Borrowings	**62,532,834**	69,453,610
	95,148,981	91,314,441

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

19 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale of the Group are all located in the PRC and expected to be completed and available for sale within one operating cycle. The relevant land use rights are on leases of 40 to 70 years.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Properties under development:		
— Construction costs	**24,629,424**	13,950,974
— Capitalised interests	**10,316,532**	6,932,891
— Land use rights	**81,746,113**	70,016,402
	116,692,069	90,900,267
Completed properties held for sale:		
— Construction costs	**4,314,331**	4,869,516
— Capitalised interests	**1,198,545**	1,180,057
— Land use rights	**3,293,408**	3,427,555
	8,806,284	9,477,128

(a) Assigning costs to inventories

The costs of individual items of properties under development are determined where costs are assigned by specific identification and include the cost of acquisition, development and borrowing costs incurred during the development. See Note 2.15 for the Group's accounting policies for properties under development and completed properties held for sale.

The capitalisation rate of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year ended 31 December 2018, in this case 7.06% (2017: 6.65%).

19 Properties under development and completed properties held for sale (continued)

(b) Amounts recognised in profit or loss

Completed properties held for sale recognised as costs of sales during the year ended 31 December 2018 amounted to RMB25,307,734,000 (2017: RMB24,274,435,000).

There are no write-downs of inventories to net realisable value during the year ended 31 December 2018 (2017: RMB31,973,000 recognised as costs of sales).

(c) Pledge information

As at 31 December 2018, certain Properties under development and completed properties held for sale of the Group are pledged as security for the borrowings of the Group (Note 33).

20 Cash and bank balances

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Cash and cash equivalents denominated in (Note (a)):		
— RMB	**21,838,867**	18,471,107
— USD	**5,418**	1,524
— HK$	**4,287**	—
	21,848,572	18,472,631
Term deposits denominated in RMB (Note (b)):	**888,905**	111,000
Restricted cash denominated in RMB (Note (c)):	**2,258,184**	1,933,517
	24,995,661	20,517,148

(a) The Group's cash on hand as 31 December 2018 amounted to RMB592,000 (2017: RMB548,000).

(b) The weighted average effective interest rate of the Group's term deposits as at 31 December 2018 was 2.25% per annum (31 December 2017: 3.6% per annum). The carrying amounts of the Group's term deposits approximate their fair values, as the impact of discounting is not significant.

20 Cash and bank balances (continued)

(c) Amounts mainly represent cash deposits with designated banks as guarantee deposits for construction of properties, securities for borrowings and for issuance of commercial bills.

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group were required to place certain amount of properties presale proceeds at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

21 Contract assets and liabilities

The Group has recognised following assets and liabilities related to contracts with customer:

	Year ended 31 December 2018 RMB'000	1 January 2018 RMB'000
Current contract assets:		
Contract cost –sales commission	**350,003**	–
Contract cost –sales of construction service	**180,511**	140,745
Current contract liabilities — sales of properties	**63,962,973**	41,244,149

(i) Significant changes in contract liabilities

The significant increase of contract liabilities in 2018 was due to increase in pre-sale of properties.

(ii) Revenue recognised in relation to contract liabilities

(a) The following table set out the amount of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December 2018 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	
— sales of properties	**16,952,461**

(b) Unsatisfied contracts, mainly comprise of contract liabilities, related to sales of properties are expected to be recognised in 1 to 3 years, as of 31 December 2018.

22 Trade and other receivables and prepayments

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables (Note (a))	**59,580**	316,456
Notes receivable	**—**	2,300
Other receivables:		
— Amounts due from minority interests	**6,503,833**	3,426,786
— Deposits for acquisition of land use rights and property development projects	**871,281**	2,461,113
— Deposits for construction contracts	**50,000**	50,000
— Receivables from local governments	**100,000**	405,265
— Others	**858,387**	1,081,575
	8,383,501	7,424,739
Prepayments:		
— Prepayments for acquisition of land use rights	**4,635,286**	14,459,839
— Prepaid value added tax, business taxes and other taxes	**5,149,216**	1,469,653
— Others	**254,538**	139,968
	10,039,040	16,069,460
Total trade and other receivables and prepayments	**18,482,121**	23,812,955
Less: non-current portion of prepayments	**—**	(92,729)
Current portion of trade and other receivables and prepayments	**18,482,121**	23,720,226

22 Trade and other receivables and prepayments (continued)

(a) Trade receivables mainly arose from sales of properties. Proceeds in respect of sale of properties is settled in accordance with the terms stipulated in the sale and purchase agreements.

Ageing analysis of the trade receivables is as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within one year	**55,190**	307,735
Over one year	**4,390**	8,721
	59,580	316,456

These trade receivables relate to a number of independent customers for whom there is no significant financial difficulty. Management does not expect any credit loss for these receivables.

(b) As at 31 December 2018, the Group's trade and other receivables were mainly denominated in RMB (2017: same). As at 31 December 2018, the Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above (2017: same).

23 Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2017	1,352,348,000	13,523	12	2,485,669	2,485,681
Issue of ordinary shares in connection with private placement	142,452,500	1,425	1	1,020,369	1,020,370
At 31 December 2017	1,494,800,500	14,948	13	3,506,038	3,506,051
At 1 January 2018	**1,494,800,500**	**14,948**	**13**	**3,506,038**	**3,506,051**
Issue of ordinary shares in connection with private placement (Note (b))	**103,500,000**	**1,035**	**1**	**893,180**	**893,181**
Exercise of share options	**2,960,000**	**—**	**—**	**24,338**	**24,338**
At 31 December 2018	**1,601,260,500**	**15,983**	**14**	**4,423,556**	**4,423,570**

(a) The authorised share capital of the Company as at 31 December 2018 was HK$380,000 (2017: same) divided into 38,000,000,000 shares (2017: same).

(b) On 12 June 2018, 103,500,000 shares of the Company were placed to certain independent investors at price of HK$10.62 per share.

24 Other reserves

(a) Capital reserves

Capital reserves mainly represented accumulated capital contribution from the shareholders of the group companies.

(b) Statutory reserves

In accordance with relevant rules and regulations in the PRC, when declaring dividend, the Group's PRC subsidiaries are required to appropriate not less than 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the respective companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses brought forward from prior years or to increase the paid up capital of respective companies.

(c) Share-based compensation reserve

The Company approved and adopted a share option scheme on 28 December 2015 (the "Share Option Scheme"). Share options under the Share Option Scheme (the "Option") are granted to eligible participant (the "Eligibles") including directors and other employees. Options are conditional on the Eligibles have served the Group for certain periods (the vesting period). Share Options are granted for no consideration and carry no dividend or voting rights. When exercisable, each Option is convertible into one ordinary share. The Group has no legal or constructive obligation to repurchase or settle the Options in cash.

On 5 January 2017, approximately 62,469,000 Options were granted to Eligibles with an exercise price of HK$5.96 per share. None of the outstanding Options as at 31 December 2018 was exercisable or expired. The expiry date of the Options will be 4 January 2022. Particulars of Options are as follows:

Vesting period	Exercise period	Number of outstanding Options as at 31 December 2018
1 years to 5 January 2018	5 January 2018 to 4 January 2022	**14,020,000**
2 years to 5 January 2019	5 January 2019 to 4 January 2022	**14,592,000**
3 years to 5 January 2020	5 January 2020 to 4 January 2022	**15,712,000**
		44,324,000

24 Other reserves (continued)

(c) Share-based compensation reserve (continued)

Set out below are movements of Options granted under the Share Option Scheme:

	Number of Options
As at 1 January 2018	**57,284,000**
Forfeited during the year	**(10,000,000)**
Exercise during the year	**(2,960,000)**
As at 31 December 2018	**44,324,000**

The fair values of Options determined by reference to valuation prepared by an independent valuer, using the Binomial valuation model range from HK$1.88 to HK1.99 per Option. The significant inputs in the model were as follows:

(a)	expected expiry date:	4 January 2022
(b)	stock price at grant date and exercise price	HK$5.96 per share
(c)	volatility	34.41%
(d)	annual risk-free interest rate	2.09%
(e)	dividend yield	nil
(f)	suboptimal factors	2 or 3

The total expenses recognised in consolidated income statement for Options granted to Eligibles for the year ended 31 December 2018 amounted to RMB23,583,000 (2017: RMB53,868,000).

25 Perpetual Capital Instruments

In 2016, certain group companies issued certain subordinated Perpetual Capital Instruments (the "Perpetual Capital Instruments"). The Perpetual Capital Instruments do not have maturity dates and the distribution payments can be deferred at the discretion of either the group companies or the Company. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the group companies or the Company elects to declare dividends to their shareholders, the group companies shall make distributions to the holders of Perpetual Capital Instruments at the distribution rates as defined in the subscription agreements. Movements of the Perpetual Capital Instruments are as follows:

	Principal	**Distribution/ appropriation of profit**	**Total**
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2018	**2,700,000**	**41,981**	**2,741,981**
Redemption of Perpetual Capital Instruments	**(1,800,000)**	**—**	**(1,800,000)**
Profit attributable to holders of Perpetual Capital Instruments	**—**	**164,195**	**164,195**
Distributions made to holders of Perpetual Capital Instruments	**—**	**(158,044)**	**(158,044)**
Balance as at 31 December 2018	**900,000**	**48,132**	**948,132**
Balance as at 1 January 2017	3,200,000	32,533	3,232,533
Redemption of Perpetual Capital Instruments	(500,000)	—	(500,000)
Profit attributable to holders of Perpetual Capital Instruments	—	232,285	232,285
Distributions made to holders of Perpetual Capital Instruments	—	(222,837)	(222,837)
Balance as at 31 December 2017	2,700,000	41,981	2,741,981

26 Borrowings

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Senior notes — unsecured	**6,266,527**	2,566,458
Asset backed securities — secured	**1,300,000**	827,200
Corporate bonds — unsecured	**10,454,463**	10,949,664
Borrowings from financial institutions — secured (Note (a))	**39,392,048**	49,165,935
Less: current portion of non-current borrowings	**(19,703,221)**	(15,899,267)
	37,709,817	47,609,990
Borrowings included in current liabilities:		
Borrowings from financial institutions — secured (Note (a))	**5,119,796**	5,944,353
Current portion of non-current borrowings	**19,703,221**	15,899,267
	24,823,017	21,843,620
Total borrowings	**62,532,834**	69,453,610

(a) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 33. In addition to pledge of the Group's assets, Mr. Ou has provided personal guarantee for the borrowings from financial institutions of RMB1,932,000,000 as at 31 December 2018 (2017: RMB2,185,500,000).

26 Borrowings (continued)

(b) At 31 December, the Group's borrowings were repayable as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**24,823,017**	21,843,620
Between 1 and 2 years	**27,141,264**	31,267,858
Between 2 and 5 years	**9,259,579**	14,668,873
Over 5 years	**1,308,974**	1,673,259
Total	**62,532,834**	69,453,610

(c) The weighted average effective interest rates are as follows:

	As at 31 December	
	2018	2017
Senior notes	**9.05%**	8.96%
Asset backed securities	**7.50%**	5.62%
Corporate bonds	**7.34%**	7.83%
Borrowings from financial institutions	**6.74%**	6.64%
Weighted average effective interest rates	**7.09%**	6.90%

(d) The Group's borrowings were denominated:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
— RMB	**54,852,070**	64,338,853
— US$	**7,232,740**	5,114,757
— HKD	**448,024**	—
	62,532,834	69,453,610

(e) The fair value of senior notes as at 31 December 2018 was RMB6,385,508,000 (2017: RMB2,569,692,000), which was quoted in Singapore Exchange Ltd. and within level 1 of the fair value hierarchy. The carrying amounts of borrowings other than senior notes approximate their fair values as at 31 December 2018 (2017: same) as either the impact of discounting were not significant or the borrowings carry floating rates of interests.

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 3.1.

27 Deferred tax assets and liabilities

(i) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Deferred tax assets		
— to be recovered within 12 months	**419,662**	238,795
— to be recovered after 12 months	**313,069**	285,596
— Set-off of deferred tax liabilities pursuant to set-off provisions	**(193,604)**	(11,782)
	539,127	512,609
Deferred tax liabilities		
— to be recovered within 12 months	**(368,447)**	(593,780)
— to be recovered after 12 months	**(2,270,428)**	(2,459,403)
— Set-off of deferred tax liabilities pursuant to set-off provisions	**193,604**	11,782
	(2,445,271)	(3,041,401)
	(1,906,144)	(2,528,792)

The net movement on the deferred tax accounts is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At 1 January	**(2,528,792)**	(1,220,584)
Credited to the consolidated income statement (Note 12)	**621,841**	54,753
Business combination	**807**	(1,362,961)
At 31 December	**(1,906,144)**	(2,528,792)

27 Deferred tax assets and liabilities (continued)

(ii) The movement in deferred tax assets and liabilities during the years are as follows:

	Deferred tax assets – tax losses and others	Deferred tax liabilities – fair value gains	Deferred tax liabilities – excess of carrying amount of PUD and PHS over the tax bases
	RMB'000	RMB'000	RMB'000
At 1 January 2017	258,949	(362,660)	(1,116,873)
Business combination	137,493	—	(1,500,454)
Credited/(charged) to the consolidated income statement	127,949	(305,876)	232,680
Set-off of deferred tax liabilities pursuant to set-off provisions	(11,782)	39	11,743
At 31 December 2017	512,609	(668,497)	(2,372,904)
At 1 January 2018	**512,609**	**(668,497)**	**(2,372,904)**
Business combination	**4,387**	**—**	**(3,580)**
Credited/(charged) to the consolidated income statement	**215,735**	**(117,152)**	**523,258**
Set-off of deferred tax liabilities pursuant to set-off provisions	**(193,604)**	**15,648**	**177,956**
At 31 December 2018	**539,127**	**(770,001)**	**(1,675,270)**

28 Dividend

The Board of Directors of the Company proposed a final dividend of HK$0.365 per ordinary share out of the share premium account, totaling approximately HK$584,460,000 (equivalent to approximately RMB512,104,000). Such dividend is to be approved by the shareholders at the annual general meeting("AGM") on 5 June 2019. These financial statements do not reflect this dividend payable as a liability as at 31 December 2018 (2017: none).

29 Trade and other payables

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade payables (Note (a))	**8,423,760**	7,007,075
Notes payable	**1,064,455**	592,778
Other payables:		
— Amounts due to minority interests	**11,913,987**	8,659,701
— Deposits received for sales of properties	**662,059**	2,047,107
— Other taxes payable	**3,496,506**	928,904
— Interests payable	**776,048**	635,312
— Deposits from contractors and suppliers	**399,443**	374,096
— Accrued payroll	**242,805**	159,677
— Others	**1,359,539**	1,189,938
	28,338,602	21,594,588

(a) The ageing analysis of the trade payables is as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within one year	**6,470,999**	5,017,284
Over one year	**1,952,761**	1,989,791
	8,423,760	7,007,075

(b) Trade and other payables were unsecured, interest-free, repayable on demand and denominated in RMB.

(c) The carrying amounts of trade and other payables were considered to be the same as their fair values.

30 Cash flow information

(a) Net cash used in operating activities

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**6,657,648**	4,989,739
Adjustments for:		
— Depreciation charges	**113,397**	67,030
— Finance cost/(income) – net	**291,880**	(223,031)
— Amortisation of intangible assets and land use rights	**17,792**	7,746
— Gains from disposal of property, plant and equipment	**(282)**	(1,849)
— Fair value gains on investment properties	**(336,643)**	(1,108,095)
— Fair value gains on remeasurement of joint ventures	**(5,478)**	—
— Share of net profits of investments accounted for using the equity method	**(902,681)**	(283,100)
— Fair value gains on FVPL	**(59,461)**	—
Changes in working capital:		
— Properties under development and completed properties held for sale	**(17,357,016)**	(34,765,407)
— Contract assets	**(389,769)**	—
— Trade and other receivables	**239,139**	(3,348,218)
— Prepayments	**4,512,197**	14,545,937
— Contract liabilities (2017: Pre-sale proceeds received from customers)	**22,718,824**	3,513,389
— Trade and other payables	**5,248,519**	8,367,042
— Restricted cash	**(547,732)**	(220,710)
Cash generated from/(used in) operations	**20,200,334**	(8,459,527)

30 Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

	1 January 2018 RMB'000	Financing cash flow – net RMB'000	Non-cash items RMB'000	31 December 2018 RMB'000
Borrowings	**69,453,610**	**(7,349,266)**	**428,490**	**62,532,834**
Amounts due to related parties	**1,338,971**	**4,037,751**	**–**	**5,376,722**
	70,792,581	**(3,311,515)**	**428,490**	**67,909,556**

	1 January 2017 RMB'000	Financing cash flow – net RMB'000	Business combination RMB'000	Non-cash items RMB'000	31 December 2017 RMB'000
Borrowings	39,417,264	26,525,092	3,739,000	(227,746)	69,453,610
Amounts due to related parties	1,464,170	(252,590)	127,391	–	1,338,971
	40,881,434	26,272,502	3,866,391	(227,746)	70,792,581

31 Financial guarantee

	As at 31 December 2018 RMB'000	2017 RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (Note (a))	**29,066,196**	20,646,169
Guarantee provided for the borrowings of the joint ventures (Note (b))	**3,000,000**	2,057,910
	32,066,196	22,704,079

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificates which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of loss of the Group resulting from the default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

(b) Amounts represented the maximum exposure of the guarantees provided by the Group.

32 Commitments

(a) Commitments for property development expenditures and equity investments as at 31 December 2018 were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Contracted but not provided for		
— Property development activities	**15,644,616**	10,019,267
— Land use rights	**170,513**	7,550,424
— Equity investment	**355,185**	151,033
	16,170,314	17,720,724

(b) Operating leases commitments — the Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
— Not later than one year	**34,005**	28,107
— Later than one year and not later than five years	**23,972**	21,848
	57,977	49,955

33 Assets pledged as security

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,271,614**	1,369,186
Land use rights	**439,352**	454,168
Investment properties	**5,661,872**	5,702,000
Total non-current assets pledged as security	**7,372,838**	7,525,354
Current assets		
Properties under development and completed properties held for sale	**38,821,044**	59,807,747
Restricted cash	**1,075,706**	1,358,816
Total current assets pledged as security	**39,896,750**	61,166,563
Total assets pledged as security	**47,269,588**	68,691,917

All of above assets of the Group are pledged as security for the borrowings from financial institutions of the Group (Note 26(a)).

Investments amounting to RMB6,014,566,000 (2017: RMB1,130,109,000) in certain subsidiaries directly or indirectly held by the Company were pledged as security for borrowing of the Group at 31 December 2018.

34 Significant related party transactions

(a) Parent entities

The Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest As at 31 December 2018	2017
Dingxin	Immediate parent company of the Company	BVI	**64.47%**	67.84%
TMF (Cayman) Limited	Ultimate parent entity and controlling party	the Cayman Island	**64.47%**	67.84%

(b) Subsidiaries

Interests in subsidiaries are set out in Note 10(a).

(c) Major related parties that had significant transactions during the year with the Group are as follows:

Related parties	Relationship with the Group
Mr. Ou	Controlling Shareholder and director of the Company
Rongxin Shiou Property Management Group Limited. 融信世歐物業服務集團有限公司	A company controlled by the Controlling Shareholder
Fujian Rongxin Property Management Co., Ltd. 融信(福建)物業管理有限公司	A company controlled by the Controlling Shareholder
Xiuyi (Fujian) Landscape Engineering Co., Ltd. 秀藝(福建)園林工程有限公司	A company controlled by the Controlling Shareholder
Fuzhou Yubaichuan Real Estate Development Co., Ltd. 福州裕百川房地產開發有限公司	Joint venture

34 Significant related party transactions (continued)

(c) Major related parties that had significant transactions during the year with the Group are as follows: (continued)

Related parties	Relationship with the Group
Hairong (Zhangzhou) Property Co., Ltd. 海融(漳州)房地產有限公司	Joint venture
Hangzhou Zhongxu Property Co., Ltd. 杭州眾旭置業有限公司	Joint venture
Hangzhou Xinchen Property Co., Ltd. 杭州信辰置業有限公司	Joint venture
Jinhua Ruiying Real Estate Co.,Ltd. 金華市瑞盈房地產有限公司	Joint venture
Nanjing Huihe Property Co.,Ltd. 南京薈合置業有限公司	Joint venture
Nanjing Kaijingsheng Property Development Co.,Ltd. 南京愷璟晟房地產開發有限公司	Joint venture
Nanjing Taiyi Hexin Management Consultancy Co.,Ltd. 南京泰熠和信企業管理諮詢有限公司	Joint venture
Hangzhou Ronghao Property Co.,Ltd. 杭州融浩置業有限公司	Joint venture
Hefei Hailiang Property Co., Ltd. 合肥海亮置業有限公司	Joint venture
Ningbo Fenghua hedu Real Estate Development Co.,Ltd. 寧波奉化和都房地產開發有限公司	Joint venture
Hangzhou Rongxuan Real Estate Development Co.,Ltd. 杭州融晅房地產開發有限公司	Joint venture
Qidong Bilian Property Co.,Ltd. 啟東碧聯置業有限公司	Joint venture
Zhengzhou Rongxin Langyue Property Co.,Ltd. 鄭州融信朗悅置業有限公司	Joint venture
Zhoushan Kairong Real Estate Development Co.,Ltd. 舟山愷融房地產開發有限公司	Joint venture
Zhengzhou Langu Management Consultancy Co.,Ltd. 鄭州藍穀企業管理諮詢有限公司	Joint venture

34 Significant related party transactions (continued)

(c) Major related parties that had significant transactions during the year with the Group are as follows: (continued)

Related parties	Relationship with the Group
Fuyang Shangjun Real Estate Co.,Ltd. 阜陽上郡房地產有限公司	Joint venture
Fuzhou Hongbailong Real Estate Development Co.,Ltd. 福州泓百隆房地產開發有限公司	Joint venture
Cixi City Jingui Property Co.,Ltd. 慈溪市金桂置業有限公司	Joint venture
Fujian Rongdaxin Investment Co.,Ltd. 福建融達信投資有限公司	Joint venture
Anji Rongshang Real Estate Co.,Ltd. 安吉融尚房地產有限公司	Joint venture
Dongtai City Xinbi Real Estate Development Co.,Ltd. 東台市新碧房地產開發有限公司	Joint venture
Hangzhou Jinyang Industrial Co.,Ltd. 杭州瑾揚實業有限公司	Joint venture
Fuzhou Liboshuntai Property Development Co., Ltd. 福州利博順泰房地產開發有限公司	Joint venture
Bengbu City Bicheng Real Estate Development Co., Ltd. 蚌埠市碧誠房地產開發有限公司	Joint venture
Fujian Rongteng Property Co., Ltd. 福建融騰置業有限公司	Joint venture
Fuyang Greenland Property Co., Ltd. 阜陽綠地置業有限公司	Joint venture
Hangzhou Wanjing Property Co.,Ltd. 杭州萬璟置業有限公司	Joint venture
Hangzhou Lvcheng Wangxi Real Estate Development Co.,Ltd. 杭州綠城望溪房地產開發有限公司	Associate
Shaanxi Hai He Real Estate development Co., Ltd. 陝西海和房地產開發有限公司	Associate
Yinchuan Shihai Real Estate Co., Ltd. 銀川世海房地產有限公司	Associate

34 Significant related party transactions (continued)

(c) Major related parties that had significant transactions during the year with the Group are as follows: (continued)

Related parties	Relationship with the Group
Yinchuan Hai Mao Real Estate Co., Ltd. 銀川海茂房地產有限公司	Associate
Shaanxi Shengshi Haihong Real Estate development Co., Ltd. 陝西盛世海宏房地產開發有限公司	Associate
Hangzhou Rongxin Real Estate development Co., Ltd. 杭州融歆房地產開發有限公司	Associate
Hangzhou Dexin Shushan Property Co., Ltd. 杭州德信蜀山置業有限公司	Associate
Zhenjiang Yiteng Real Estate development Co., Ltd. 鎮江億騰房地產開發有限公司	Associate
Fuzhou City Wanxi Real Estate Co., Ltd. 福州市萬曦房地產有限公司	Associate
Fujian Fengrong Property Co., Ltd. 福建豐融置業有限公司	Associate
Fujian Rongyao Property Co., Ltd. 福建融耀置業有限公司	Associate
Hangzhou Junan Real Estate development Co., Ltd. 杭州鈞安房地產開發有限公司	Associate
Zhangzhou City Wankebinjiang Property Co.,Ltd. 漳州市萬科濱江置業有限公司	Associate

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or were available.

34 Significant related party transactions (continued)

(d) Key management compensation

Compensation for key management other than those for directors as disclosed in Note 8(a) is set out below.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Key management compensation:		
— Salaries and other employee benefits	**3,551**	1,484
— Pension costs	**103**	47
— Value of employee services under share option scheme	**3,058**	4,222
	6,712	5,753

(e) Transactions with related parties

Save as disclosed elsewhere in these consolidated financial statement, during the year ended 31 December 2018, the Group had the following significant transactions which provided by related parties.

Services provided by related parties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Property management services	**134,820**	54,170
Landscape engineering services	**119,436**	—

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

Refer to Note 31 and Note 26(a) for information on guarantee provided for the borrowings of the joint ventures by the Group and the information on guarantee provided by Mr. Ou for the borrowings of the Group, respectively.

34 Related party transactions (continued)

(f) Balances with related parties

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Amounts due from related parties		
— Joint ventures	**7,858,014**	3,628,985
— Associates	**501,532**	342,805
	8,359,546	3,971,790
Amounts due to related parties		
— Joint ventures	**3,646,941**	933,569
— Associates	**1,055,576**	300,412
— Other related parties	**775,595**	120,843
— Mr. Ou	**674,205**	104,990
— Rongxin Shiou Property Management Group Limited	**59,757**	15,853
— Xiuyi (Fujian) Landscape Engineering Co., Ltd.	**41,633**	—
	5,478,112	1,354,824

Amounts due from related parties were mainly represented the cash advances made to related parties which are unsecured, interest-free, repayable on demand and denominated in RMB.

Amounts due to Rongxin Shiou Property Management Group Limited (formally known as Fujian Shiou Property Management Company Limited), represented mainly the payables of property management fees which were unsecured, interest-free, and to be settled according to agreed terms and were denominated in RMB.

Amounts due to Xiuyi (Fujian) Landscape Engineering Co., Ltd. represented mainly the payables of landscape engineering services fee which were unsecured, interest-free, and to be settled according to agreed terms and were denominated in RMB.

Other amounts due to related parties mainly represented cash advances from related parties which were unsecured, interest-free, repayable on demand and denominated in RMB.

35 Subsequent event

On 15 March 2019, a subsidiary of the Group entered into an agreement to fully dispose of its equity interest, representing 50% equity interest, in Shanghai Kaitai, a joint venture of the Group, to the joint venture partner of Shanghai Kaitai at a consideration of RMB1,005 million. Shanghai Kaitai has completed the development of its real estate project and distributed the profit to its respective shareholders before the disposal. The consideration was determined in accordance with the appraised net assets value of Shanghai Kaitai as of 31 January 2019. The transaction is expected to be completed by the end of March 2019.

36 Balance sheet of the Company

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Interests in a subsidiary	**2,016,724**	1,993,141
Financial assets at fair value through profit or loss	**649,860**	—
	2,666,584	1,993,141
Current assets		
Prepayments and other receivables	**208**	1,296
Amounts due from subsidiaries	**7,679,814**	6,654,600
Amounts due from a related party	**637,433**	—
Cash and bank balances	**30,610**	49,585
Total current assets	**8,348,065**	6,705,481
Total assets	**11,014,649**	8,698,622
EQUITY		
Equity attributable to owners of the Company		
Share capital	**14**	13
Share premium	**4,423,556**	3,506,038
Other reserves	**(1,363,382)**	(169,894)
Total equity	**3,060,188**	3,336,157

36 Balance sheet of the Company (continued)

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	**5,286,770**	197,013
Current liabilities		
Borrowings	**2,393,994**	5,114,757
Other payables	**257,259**	50,695
Amounts due to related parties	**16,438**	—
Total current liabilities	**2,667,691**	5,165,452
Total liabilities	**7,954,461**	5,362,465
Total equity and liabilities	**11,014,649**	8,698,622

Other reserve of the Company included share-based compensation reserve and accumulated losses. During the year, the change in share-based compensation reserve represents mainly the value of employee services under the share option scheme amounting to RMB23,583,000 (2017: RMB53,868,000), the change in accumulated losses represents mainly the loss of the Company amounting to RMB1,184,691,000 (2017: RMB223,477,000).

The balance sheet of the Company was approved by the Board of Directors on 21 March 2019 and was signed on its behalf:

Ou Zonghong **Zeng Feiyan**

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