Hailan Holdings Limited

海藍控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2278

Global Offering

Sole Sponsor, Sole Global Coordinator, Sole Bookrunner and Lead Manager

海通國際
HAITONG

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

Hailan Holdings Limited
海藍控股有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**75,000,000 Shares**
Number of Hong Kong Offer Shares	:	**7,500,000 Shares (subject to reallocation)**
Number of International Offer Shares	:	**67,500,000 (subject to reallocation)**
Maximum Offer Price	:	**HK$4.58 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	:	**HK$0.01 per Share**
Stock Code	:	**2278**

Sole Sponsor

海通國際 HAITONG

Haitong International Capital Limited

Sole Global Coordinator, Sole Bookrunner and Lead Manager

海通國際 HAITONG

Haitong International Securities Company Limited

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and us on the Price Determination Date, which is expected to be on or around Wednesday, 6 July 2016 or such later date as may be agreed between the parties, but in any event no later than Monday, 11 July 2016. The Offer Price will be announced in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable after it is fixed. The Offer Price will not be more than HK$4.58 per Offer Share and is expected to be not less than HK$3.71 per Offer Share. Investors applying for the Hong Kong Offer Shares must pay the maximum Offer Price of HK$4.58 per Offer Share, together with brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price shall be lower than HK$4.58 per Offer Share. The Sole Global Coordinator (on behalf of the Hong Kong Underwriters) may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range stated above in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such a reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If applications for the Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced. If, for whatever reason, the Sole Global Coordinator and us are unable to agree on the Offer Price by Monday, 11 July 2016, the Global Offering will not proceed and will lapse.

Prospective investors of the Offer Shares should note that the Hong Kong Underwriters are entitled to terminate their obligations under the Hong Kong Underwriting Agreement by notice in writing to us given by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters), upon occurrence of any of the events set forth in the section headed “Underwriting – Grounds for Termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day trading in our Shares commences on the Stock Exchange.

Prior to making an investment decision, prospective investors should consider carefully all the information set forth in this prospectus, including but not limited to the risk factors set forth in the section headed “Risk Factors” in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law of the United States and may not be offered or sold, pledged or transferred within the United States except that the Offer Shares may be offered, sold or delivered outside the United States in reliance on Regulation S under the U.S. Securities Act.

30 June 2016

Latest time to complete electronic applications through the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2]	11:30 a.m. on Wednesday, 6 July 2016
Application Lists open[3]	11:45 a.m. on Wednesday, 6 July 2016
Latest time for lodging **WHITE** and **YELLOW Application Forms**	12:00 noon on Wednesday, 6 July 2016
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, 6 July 2016
Latest time to complete payment of **HK eIPO White Form** Applications by effecting internet banking transfers or PPS payment transfer(s)	12:00 noon on Wednesday, 6 July 2016
Application Lists close[3]	12:00 noon on Wednesday, 6 July 2016
Expected Price Determination Date[5]	Wednesday, 6 July 2016

Announcement of the

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allotment of the Hong Kong Offer Shares

to be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.hailanholdings.com** on or before	Thursday, 14 July 2016
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including the websites of the Stock Exchange at **www.hkexnews.com.hk** and our Company at **www.hailanholdings.com** (see section headed "How to Apply for the Hong Kong Offer Shares – 11. Publication of Result") on or before	Thursday, 14 July 2016

Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result**, with a "search by ID" function	Thursday, 14 July 2016
Dispatch/collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[(6)]	Thursday, 14 July 2016
Dispatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (where applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[(6)]	Thursday, 14 July 2016
Dealings in the Shares on the Main Board to commence on	Friday, 15 July 2016

Notes:

(1) All times and dates refer to Hong Kong local time and dates, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set forth in the section entitled "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "**black**" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 July 2016, the Application Lists will not open or close on that day. Further information is set forth in the section entitled "How to Apply for the Hong Kong Offer Shares – Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section entitled "How to Apply for the Hong Kong Offer Shares – Applying by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around Wednesday, 6 July 2016 and, in any event, not later than Monday, 11 July 2016. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and our Company by Monday, 11 July 2016, the Global Offering will not proceed and will lapse.

(6) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly successful applications if the final Offer Price is less than the Offer Price payable on application and in respect of wholly or partially unsuccessful applications. Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by their Application Form, may collect their Share certificates and/or refund cheques (where applicable) in person from the Hong Kong Branch Share Registrar between 9:00 a.m. and 1:00 p.m. on Thursday, 14 July 2016 or on the date notified by our Company as the date of dispatch of Share certificates and refund cheques. Applicants being individuals who is eligible for collection in person must not authorize any other person to make their collection on their behalf. Applicants being corporations that is eligible for collection in person must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporation's chop. Both individuals and authorised representatives, as the case may be, must produce at the time of collection evidence of identity acceptable to the Hong Kong Branch Share Registrar. If an applicant is eligible for collection in person but does not collect the share certificate and/or refund cheque (where applicable) by 1:00 p.m. on Thursday, 14 July 2016, the Share certificate and/or refund cheque (where applicable) will be sent to the address as it appeared on the relevant Application Form in the afternoon on the date of dispatch by ordinary post at the applicant's own risk.

Applicants who apply through the **HK eIPO White Form** service by paying the application monies through a single bank account, may have refund, in the form of e-Auto Refund payment instructions dispatched to their application payment bank account. Applicants who apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts, may have refund cheque(s) sent to the address specified in their application instructions to the designated **HK eIPO White Form** Service Provider by ordinary post and at their own risk.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by their Application Form, may collect their refund cheques (where applicable) in person from the Hong Kong Branch Share Registrar between 9:00 a.m. and 1:00 p.m. on Thursday, 14 July 2016 or on the date notified by our Company as the date of dispatch of refund cheques. The procedure for collection of the refund cheque (where applicable) is the same as that for **WHITE** Application Form applicant. Share certificate for successful applicant using **YELLOW** Application Form will be deposited into CCASS for credit to the applicant's investor participant stock account or the stock account of the applicant's designated CCASS participant. Detailed arrangements are set forth in the section entitled "How to Apply for the Hong Kong Offer Shares-Dispatch/collection of Share certificates and refund monies" in this prospectus.

For applicants who apply for less than 1,000,000 Hong Kong Offer Shares, their Share certificate and/or refund cheque (where applicable) will be sent to the address as it appeared on the relevant Application Form in the afternoon on the date of dispatch by ordinary post at the applicant's own risk.

Our Company will not issue any temporary documents of title in respect of the Shares. Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, 15 July 2016, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Grounds for Termination" in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

The above expected timetable is a summary only. You should refer to the sections "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Hailan Holdings Limited solely in connection with the Hong Kong Public Offering and Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, the Lead Manager, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other person or any other parties involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined or explained in the section headed "Definitions" in this prospectus.

OVERVIEW

We are a property developer primarily focusing on residential property development in the Hainan Province. As at the Latest Practicable Date, we possessed land use rights with an aggregate site area of 1,173,199.9 sq.m. and with an aggregate GFA of land bank of approximately 1.6 million sq.m. in respect of our Development Projects.

Our Group's properties development projects are located in Sanya, Haikou and Danzhou in the Hainan Province, the only tropical province of low air pollution and convenient access for visitors, are well-known tourist attractions which we believe will enable our Group to target on buyers from north-east part with much colder weather and other parts of the PRC as our major source of customers. According to DTZ Report, we were the tenth largest property developer in Sanya in terms of sales for the years 2014 and 2015 and accounted for 0.4% and 0.5% of the market share of the Hainan property development industry for the respective periods. The Hainan Province in turn accounted for 1.2% and 1.1% respectively, of the market share in China's real estate market in 2014 and 2015. The total GFA of commodity properties sold in the Hainan Province increased from 8.5 million sq.m. in 2010 to 10.5 million sq.m. in 2015, representing a CAGR of 4.3%. The total sales amount of commodity properties sold in the Hainan Province increased from RMB74.7 billion in 2010 to RMB98.3 billion in 2015, representing a CAGR of 5.6%.

Our commitment to quality project design, construction and development has won us numerous awards and recognition throughout the years. We were honoured as the Best Property Enterprise (優秀房地產企業) for the year 2014 by the Sanya Real Estate Industry Association (三亞市房地產業協會).

Our property development projects are located in (i) Sanya which is at the southernmost tip of Hainan Island; (ii) Haikou which is in the northern Hainan Island; and (iii) Danzhou which is in the northwest part of Hainan Island. As at the Latest Practicable Date, we had six property development projects at various stages of development. The table below sets forth a brief summary of our Development Projects. Please refer to the section headed "Business – Our Development Projects" in this prospectus for further details.

Projects	Project Company, % owned by our Company	Location of the projects	Status	Site Area sq.m.	Development type
Sanya Phoenix Aqua City South Shore Phase I	Sanya Fenghuang Xincheng, 100% owned	Sanya	Partly completed and partly under development*	189,921.7	Residential
Sanya Phoenix Aqua City South Shore Phase II	Sanya Fenghuang Xincheng, 100% owned	Sanya	Future development	356,572.1	Residential and commercial
Sanya Phoenix Aqua City Left Shore . .	Sanya Fenghuang Shuiyun, approximately 97.0% owned	Sanya	Partly completed and partly under development	139,797.7	Residential
Haikou Phoenix Aqua City Phase I	Hainan Nanhai Xiang Long, 100% owned	Haikou	Completed	25,490.2	Residential
Haikou Phoenix Aqua City Phase II. . . .	Hainan Nanhai Xiang Long, 100% owned	Haikou	Future development	61,761.0	Hotel
Danzhou Phoenix Aqua City	Danzhou Shuang Lian, 60% owned	Danzhou	Future development	399,657.2	Residential, commercial and hotel

* The residential properties of Sanya Phoenix Aqua City South Shore Phase I was completed and only the carparks and ancillary facilities were under development.

Our property development projects include high-rise apartments, medium-rise apartments, low-rise apartments, multi-storey apartments and related ancillary facilities, and are designed to mainly appeal to middle to high income customers from other provinces of the PRC for vacation.

BUSINESS MODEL

We mainly derive revenue from sales of properties, which are developed by us. Constrained by relatively limited financial resources, small to medium property developers like us do not accumulate a large pool of land bank. We intend to focus on large scale quality residential properties in the Hainan Province. We shall develop our property development projects phase-by-phase and acquire projects for development only when we have sufficient financial resources. We contract all our construction works of our property development projects to construction contractors, and monitor quality, cost control and construction progress during construction. Under this business model, we regularly conduct market research and proactively seek and seize opportunities under appropriate market conditions for potential development projects. For details, please refer to the section headed "Business – Land acquisition" in this prospectus.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

- Our properties are strategically located in Sanya, Haikou and Danzhou in the Hainan Province, being tourist cities of low air pollution with a well-established transportation network and suitable for senior citizens retirement and elderly care
- We maintain stringent quality and cost control policies
- We have an experienced management team supported by a well-trained workforce

OUR BUSINESS STRATEGIES

- We intend to continue to focus on the development of properties in the Hainan Province
- We intend to continue to focus on large scale quality residential properties
- We seek to enhance our product quality and maintain effective cost control measures
- We seek to further strengthen and develop recognition for our brand
- We plan to expand the business and diversify the product mix of our Group

PROPERTY VALUATION

The market value in existing state of the properties attributable to our Group as at 30 April 2016 as valued by the Property Valuer is RMB7,207.2 million.

In valuing the properties held for sale, the Property Valuer adopted direct comparison approach by making reference to comparable sales evidence as available in the relevant market. For properties held for investment, the Property Valuer valued it by investment approach by capitalizing the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the respective property. The capitalisation rate applied for our investment property is 3.5%. For properties under development, the Property Valuer valued them on the basis that they will be developed and completed in accordance with our Group's latest development proposal, adopted direct comparison approach by making reference to comparable sales evidence as available in the relevant market, or where appropriate, took into account the expended construction costs. For properties for future development, the Property Valuer valued them on the basis that they will be developed and completed in accordance with our Group's latest development proposal and adopted direct comparison approach by making reference to comparable sales evidence as available in the relevant market. The valuations using direct comparison approach were adjusted with respect to differences in location, floor, decoration standard, age, size, accessibility, plot ratio, usage and quality to arrive at the valuations. The Property Valuer also placed considerable reliance on the advice given by our PRC Legal Adviser concerning the validity of the property interests in the PRC. Investors are advised that the appraised value of our property interests shall not be taken as their actual realisable value or a forecast of their realisable value. Please refer to the section headed "Risk Factors – Risks Relating to Our Business – The appraised value of our properties may be different from their actual realizable values and are subject to change" in this prospectus for potential risks in this regard.

KEY OPERATING STATISTICS

Portfolio of our property development projects

The table below sets out a summary of our portfolio of property development as at 30 April 2016. Please refer to the section headed "Business" in this prospectus for further details.

			COMPLETED			UNDER DEVELOPMENT			FUTURE DEVELOPMENT				FUTURE DEVELOPMENT COST				
Project Zone	Project Company	Site area	GFA completed	Saleable GFA	Saleable GFA remaining unsold	GFA under development	Saleable GFA	Saleable GFA pre-sold	Planned GFA	Actual/estimated construction completion date	Actual/ estimated delivery date	Development costs incurred	2016	2017	2018 onwards	Total	Unit cost of sales per sq.m.
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)			(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB)
Sanya Phoenix Aqua City South Shore Phase I*	Sanya Fenghuang Xincheng	**189,921.7**	**278,247.4**	**242,951.3**	**4,383.4**	**11,672.7**	**–**	**–**	**–**			**3,080,075**	**–**	**–**	**–**	**–**	**12,677.7**
• Low-rise apartments			23,853.0	14,661.6	1,336.6	–	–	–	–	12 April 2012 and 13 May 2010	2010-2016	361,422	–	–	–	–	24,650.9
• Multi-storey apartments			89,756.2	79,658.6	1,515.3	–	–	–	–	13 May 2010 and 29 January 2015	2010-2016	1,106,919	–	–	–	–	13,895.8
• Medium-rise apartments			44,640.3	41,351.6	1,115.6	–	–	–	–	28 March 2012, 9 July 2012 and 26 January 2015	2012-2016	471,757	–	–	–	–	11,408.4
• High-rise apartments			119,997.9	107,279.5	415.9	–	–	–	–	28 March 2012, 10 December 2012, 19 December 2012, 26 December 2012 and 29 December 2014	2012-2016	1,075,608	–	–	–	–	10,026.2
• Carpark and Ancillary facilities			–	–	–	11,672.7	–	–	–	30 August 2016	2016	64,369	–	–	–	–	–
Sanya Phoenix Aqua City South Shore Phase II	Sanya Fenghuang Xincheng	**356,572.1**	**–**	**–**	**–**	**–**	**–**	**–**	**617,580.0**	**15 October 2021**	**2021-2026**	**1,470,942**	**94,409**	**1,028,765**	**2,655,507**	**3,778,681**	**8,500.3**

* Up to 30 April 2016, approximately 99% of the total saleable area for Sanya Phoenix Aqua City South Shore Phase I was sold/pre-sold.

Project Zone	Project Company	Site area	COMPLETED: GFA completed	COMPLETED: Saleable GFA	COMPLETED: Saleable GFA remaining unsold	COMPLETED: GFA held for investment	UNDER DEVELOPMENT: GFA under development	UNDER DEVELOPMENT: Saleable GFA	UNDER DEVELOPMENT: Saleable GFA pre-sold	FUTURE DEVELOPMENT: Planned GFA	Actual/estimated construction completion date**	Actual/ estimated delivery date	Development costs incurred	FUTURE DEVELOPMENT COST: 2016	FUTURE DEVELOPMENT COST: 2017	FUTURE DEVELOPMENT COST: 2018 onwards	FUTURE DEVELOPMENT COST: Total	Unit cost of sales per sq.m.
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)			(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB)
Sanya Phoenix Aqua City Left Shore*	Sanya Fenghuang Shuiyun	**139,797.7**	**169,400.6**	**111,939.6**	**91,990.0**	**11,952.3**	**115,071.2**	**48,955.4**	**36,212.3**	**–**			**2,431,436**	**29,693**	**179,295**	**185,669**	**394,657**	**17,564.8**
• Multi-storey apartments.			95,681.8	77,138.7	65,372.8	–	–	–	–	–	11 December 2015	2015-2018	1,017,171	3,280	128,996	185,669	317,945	17,308.0
• Medium-rise apartments.			65,019.0	34,800.9	26,617.2	11,436.5	48,955.4	48,955.4	36,212.3	–	25 December 2015 and around 30 June 2016	2015-2018	1,266,558	26,413	50,299	–	76,712	16,037.8
• Carpark and Ancillary facilities .			8,699.8	–	–	515.8	66,115.8	–	–	–	21 December 2015, 25 December 2015 and around 30 June 2016	2015-2018	147,707	–	–	–	–	–
Haikou Phoenix Aqua City Phase I . .	Hainan Nanhai Xiang Long	**25,490.2**	**45,790.3**	**30,157.0**	**30,157.0**	**–**	**–**	**–**	**–**	**–**	**1 March 2016**	**2017-2018**	**297,092**	**–**	**–**	**–**	**–**	**9,851.5**
Haikou Phoenix Aqua City Phase II . .	Hainan Nanhai Xiang Long	**61,761.0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**48,173.8**	**2 February 2020**	**2020-2026**	**177,598**	**8,500**	**130,275**	**354,673**	**493,449**	**13,929.7**
Danzhou Phoenix Aqua City .	Danzhou Shuang Lian	**399,657.2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**704,312.8**	**31 January 2023**	**2023-2028**	**509,869**	**18,031**	**182,986**	**3,053,984**	**3,255,001**	**5,345.5**

* Up to 30 April 2016, approximately 43% of the total saleable area for Sanya Phoenix Aqua City Left Shore was pre-sold/sold.

** The construction completion date refers to the date we completed the filing of completion inspection and acceptance for each project or each project phase. The costs estimated to be incurred for Sanya Phoenix Aqua City Left Shore after the construction completion date mainly represents renovation expenses to be incurred in the future prior to the delivery of properties.

SUMMARY COMBINED FINANCIAL INFORMATION

The following tables present summary combined financial information (inclusive of Danzhou Phase I) extracted from the Accountants' Report as set out in Appendix I to this prospectus and summary combined financial information (excluding Danzhou Phase I) for the year ended and as at 31 December 2013, 2014 and 2015. Pursuant to the agreement between the shareholders of Danzhou Shuang Lian, the other shareholder of Danzhou Shuang Lian continues to manage, develop and undertakes fully the risk and reward of Danzhou Phase I. The acquisition of Danzhou Shuang Lian has been accounted for as a business combination with Danzhou Shuang Lian fully combined into our Group's combined financial statements from the date of acquisition. As the Group does not share any risks and rewards relating to Danzhou Phase I pursuant to the abovementioned agreement, the net profit or loss, net assets or liabilities arising from Danzhou Phase I are wholly attributable to the non-controlling interests in our Group's combined statements of profit or loss and other comprehensive income and the combined statements of changes in equity. Please refer to the section headed "Financial Information – 2. Danzhou Phase I" in this prospectus for details of excluding Danzhou Phase I.

Selected items of the results of operations

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Turnover	192,451	790,369	1,556,962
Gross profit	75,868	388,532	428,184
(Loss)/profit before tax from continuing operations	(74,338)	275,684	342,141
(Loss)/profit attributable to equity shareholders of our Company	(75,625)[1]	128,182	191,812
Less:			
Fair value gain from investment properties	–	–	*(4,773)*
Subsidy income	*(310)*	–	*(2,556)*
Finance income[2]	*(11,385)*	–	*(13,147)*
Finance cost[2]	*21,370*	–	–
Gain from disposal of joint ventures	–	–	*(6,922)*
Gain from disposal of subsidiaries	–	–	*(12)*
Add:			
Share of losses of an associate	*3,120*	*2,077*	*640*
Listing expense	–	–	*12,727*
Net tax effect	*(3,199)*	*(519)*	*5,812*
Less:			
Loss/(Profit) from discontinued operation	*2,938*	*(924)*	*(1,210)*
Adjusted net (loss)/profit attributable to equity shareholders of our Company[3]	(63,091)	128,816	182,371

Notes:

(1) We recorded loss attributable to equity shareholders of our Company for the year ended 31 December 2013, mainly due to (i) relatively less GFA being delivered in 2013 as a result of the project development and properties completion schedule of Sanya Phoenix Aqua City South Shore Phase I; (ii) selling expenses of RMB58.6 million incurred for the pre-sales of properties of Sanya Phoenix Aqua City South Shore Phase I in 2013 for which the revenue recognition took place in subsequent years upon the delivery of properties to individual buyers; and (iii) interest expenses of RMB21.4 million incurred on loans borrowed from Xi'an Trust which could not be capitalised into properties under development as the loans were borrowed for the purpose of acquisition of Hainan Nanhai Xiang Long.

(2) The finance income and finance cost refers to those relating to intercompany loans.

(3) The adjusted net (loss)/profit attributable to equity shareholders of our Company serves to provide information about our operating and financial performance. It is not a measurement of financial performance under Generally Accepted Accounting Principles. You should not consider it in isolation or as a substitute for our profit (or loss) for the period or as an operating performance measure that is calculated in accordance with Generally Accepted Accounting Principles. In addition, as different companies may calculate adjusted net profit (or loss) attributable to equity shareholders differently, this measure may not be comparable to the adjusted net profit (or loss) figures of other companies.

Selected items of the results of operations (exclusive of Danzhou Phase I)

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Turnover	192,451	790,369	1,402,686
Gross profit	75,868	388,532	414,390
(Loss)/profit before tax from continuing operations	(68,467)	295,531	350,150
(Loss)/profit attributable to equity shareholders of our Company	(75,625)	128,182	191,812

Turnover

Our turnover consists primarily the proceeds from the sales of properties. We also commenced leasing of car parks and apartments in 2015 and revenue derived therefrom amounted to RMB536,000 for the year ended 31 December 2015. The following table sets forth the revenue generated during the Track Record Period:

	Year ended 31 December								
	2013			2014			2015		
Projects	GFA delivered(1)	Revenue(2)	Average Selling Price per sq.m.	GFA delivered(1)	Revenue(2)	Average Selling Price per sq.m.	GFA delivered(1)	Revenue(2)	Average Selling Price per sq.m.
	sq.m.	RMB'000	RMB	sq.m.	RMB'000	RMB	sq.m.	RMB'000	RMB
Sales of Properties									
Development Projects	9,058	192,451	21,247	40,675	790,369	19,431	48,815	1,402,150	28,724
1. Sanya Phoenix Aqua City South Shore Phase I	**9,058**	**192,451**	**21,247**	**40,675**	**790,369**	**19,431**	**31,193**	**989,159**	**31,711**
Low-rise apartments	1,926	61,797	32,085	169	5,913	34,988	373	11,597	31,091
Multi-storey apartments	–	–	–	90	930	10,333	22,766	810,967	35,622
Medium-rise apartments	–	–	–	–	–	–	7,606	159,708	20,998
High-rise apartments	7,132	130,654	18,319	40,416	783,526	19,387	448	6,887	15,373
2. Sanya Phoenix Aqua City Left Shore	**–**	**–**	**–**	**–**	**–**	**–**	**17,622**	**412,991**	**23,436**
Multi-storey apartments	–	–	–	–	–	–	9,999	279,185	27,921
Medium-rise apartments	–	–	–	–	–	–	7,623	133,806	17,553
Total (exclusive of Danzhou Phase I)	9,058	192,451	21,247	40,675	790,369	19,431	48,815	1,402,150	28,724
Danzhou Phase I	–	–	–	–	–	–	N/A(3)	154,276	N/A(3)
Total	9,058	192,451	21,247	40,675	790,369	19,431	N/A(3)	1,556,426	N/A(3)
Rental income									
1. Sanya Phoenix Aqua City Left Shore	–	–	–	–	–	–	–	536	–

Notes:

(1) GFA delivered refers to areas of properties which are eligible for revenue recognition, i.e. the properties are completed and delivered to customers.

(2) As at 31 December 2013, 2014 and 2015, proceeds from the pre-sales and sales of our properties which amounted to RMB2,071.6 million, RMB1,649.9 million and RMB583.4 million respectively were not eligible for revenue recognition and were recorded as receipt in advance.

(3) GFA information is not available in respect of Danzhou Phase I as Danzhou Phase I was managed and developed solely by other equity interest holder of Danzhou Shuang Lian with no involvement from our management nor do we share any risk and reward, we cannot ascertain the accuracy of the operating data which is contained in separate books, thus the operating data is not presented in this prospectus.

During the Track Record Period, our GFA delivered and revenue recognised, as well as the average selling price fluctuated from period to period depending on the types and size of the property units we delivered.

Cost of Sales

The table below reflects the components of our costs of properties sold during the Track Record Period:

Cost of Sales	Year ended 31 December					
	2013		2014		2015	
	RMB'm	%	RMB'm	%	RMB'm	%
Land costs and resettlement costs	20,589	17	33,257	8	240,483	21
Development costs	84,825	73	314,682	78	814,226	72
Capitalised interest	9,230	8	50,785	13	53,827	5
Indirect costs	1,939	2	3,113	1	20,242	2
Total	116,583		401,837		1,128,778	

The table below reflects our unit cost by each component (exclusive of Danzhou Phase I) during the Track Record Period:

Unit Cost of Our Development Projects	Year ended 31 December		
	2013	2014	2015
GFA delivered (sq.m.)[1]	9,058	40,675	48,815
Unit cost (RMB/sq.m.)[2]	**12,871**	**9,879**	**20,246**
Land costs and resettlement costs (RMB/sq.m.)	2,273	818	4,639
Development costs (RMB/sq.m.)	9,365	7,736	14,302
Capitalised interest (RMB/sq.m.)	1,019	1,248	996
Indirect costs (RMB/sq.m.)	214	77	309

Notes:

(1) GFA information is not available in respect of Danzhou Phase I as Danzhou Phase I was managed and developed solely by other equity interest holders of Danzhou Shuang Lian with no involvement from our management nor do we share any risk and reward, we cannot ascertain the accuracy of the operating data which is contained in separate books, thus the operating data is not presented in this prospectus.

(2) The unit cost of sales per sq.m. of high-rise apartments were the lowest amongst all four categories of properties sold by us given the associated land costs and resettlement costs were shared amongst a larger number of high-rise apartment units.

Gross Profit and Gross Profit Margin

The following table sets out our total gross profit and gross profit margin during the Track Record Period:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
		Gross Profit	
Sales of Properties	75,868	388,532	427,648
Rental Income	–	–	536
Total Gross Profit	75,868	388,532	428,184
		Gross Profit Margin %	
Sales of Properties#	39.4%	49.2%	27.5%
Rental Income	–	–	100%

Our gross profit margin increased to 49.2% for the year ended 31 December 2014 from 39.4% for the year ended 31 December 2013. The increase was primarily attributable to the change in sale mix that the majority of the GFA delivered for the year ended 31 December 2014 were high-rise apartments which were of a higher gross profit margin as compared to the year ended 31 December 2013 for which we delivered a higher portion of GFA of low-rise apartments which were of a lower gross profit margin.

Our gross profit margin decreased from 49.2% for the year ended 31 December 2014 to 27.5% for the year ended 31 December 2015. The decrease was attributable to the increase in the GFA delivered for multi-storey apartments which were of a lower gross profit margin for the year ended 31 December 2015 as compared to the year ended 31 December 2014 for which majority of GFA delivered were high-rise apartments which were of a higher gross profit margin. The unit cost of sales per sq.m. of high-rise apartments was the lowest amongst all four categories of properties sold by us given the associated land costs and resettlement costs were shared amongst a larger number of high rise-apartment units.

Summary Combined Statements of Financial Position

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Current assets	7,567,192	7,087,540	5,406,494
Current Liabilities	4,156,037	4,389,009	3,300,034
Net current assets	3,411,155	2,698,531	2,106,460
Non-current assets	143,647	157,143	260,361
Non-current liabilities	1,475,130	1,153,961	981,139
Net assets	2,079,672	1,701,713	1,385,682
Accumulated loss	(192,174)	(578,117)	(420,828)

Note: Our financial positions fluctuated with the stages of our Development Projects during the Track Record Period. For detailed discussion of our financial positions, please refer to the sections headed "Financial Information – Net Current Assets" and "Financial Information – Certain Balance Sheet Items" in this prospectus.

We recorded accumulated losses of RMB192.2 million, RMB578.1 million and RMB420.8 million as at 31 December 2013, 2014 and 2015 respectively. For details of the reasons of the accumulated losses, please refer to the section headed "Financial Information – Certain Balance Sheet Items – Accumulated losses" in this prospectus.

Summary Combined Statements of Financial Position (exclusive of Danzhou Phase I)

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Current assets	6,943,576	6,549,926	5,006,231
Current Liabilities	3,654,575	3,962,097	3,003,434
Net current assets	3,289,001	2,587,829	2,002,797
Non-current assets	133,587	142,980	248,333
Non-current liabilities	1,344,963	1,141,340	972,638
Net assets	2,077,625	1,589,469	1,278,492

Guarantees on Mortgage Facilities

During the Track Record Period, we had arranged bank financing for certain Independent Third Party purchasers of our Group's properties in Sanya Phoenix Aqua City Left Shore and Danzhou Phase I and provided guarantees to secure obligations of such purchaser for repayments. The amount of guarantees provided to secure the repayment obligations of the purchasers amounted to RMB65.1 million as at 31 December 2015 and RMB95.8 million as at 30 April 2016. Our Group's guarantee period starts from the date of grant of mortgage. Such guarantees will terminate upon the earlier of (i) the bank receiving the required evidence of mortgage over the relevant property in favour of the bank; or (ii) the full repayment of the mortgage loan by the purchaser of the relevant property. We may become liable to mortgagee banks if customers default on their mortgage loans and we would be responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and our Group is entitled to take over the legal title and possession of the related properties after repaying the outstanding mortgage principal and interest.

Summary Combined Statements of Cash Flows

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Net cash used in operating activities(Note)	(371,344)	(809,770)	(432,489)
Net cash generated from investing activities	20,639	302	44,275
Net cash generated from financing activities	390,680	801,166	395,510
Net increase/(decrease) in cash and cash equivalents	39,975	(8,302)	7,296
Cash and cash equivalents at 1 January	104,022	143,997	135,695
Cash and cash equivalents at end of year	143,997	135,695	142,991

Note: We recorded net cash used in operating activities of RMB371.3 million, RMB809.8 million and RMB432.5 million for the year ended 31 December 2013, 2014 and 2015 respectively. The main reason for the negative operating cash flow during the Track Record Period was because the Track Record Period only captured part of the cash flows over the two projects' project life cycles, i.e. Sanya Phoenix Aqua City South Shore Phase I and Sanya Phoenix Aqua City Left Shore. Sanya Phoenix Aqua City South Shore Phase I commenced pre-sales in 2009 and as such, substantial amount of receipt from pre-sales was received from 2009 to 2012. On the other hand, the construction of Sanya Phoenix Aqua City South Shore Phase I was gradually completed in early 2015 and therefore, we settled a substantial amount of construction costs payables in 2013 and 2014. We have recorded positive operating cash flow from Sanya Phoenix Aqua City South Shore Phase I over the project life span as a whole. Sanya Phoenix Aqua City Left Shore commenced construction at the end of 2012 and was substantially completed in March 2016 other than the decoration of property units, thus a substantial amount of trade payables was settled during the Track Record Period while only approximately 30% of the saleable area for Sanya Phoenix Aqua City Left Shore was pre-sold/sold during the Track Record Period. As such, we expect to record positive cash flow from Sanya Phoenix Aqua City Left Shore over its life span as a whole taking into account the future sales proceeds. Please refer to the section headed "Financial Information-Liquidity and Capital Resources-Cash Flows-Cash flows used in operating activities" in this prospectus for further details.

Summary Combined Statements of Cash Flows (exclusive of Danzhou Phase I)

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Net cash used in operating activities(Note)	(327,739)	(770,111)	(425,321)
Net cash (used in)/generated from investing activities	(91,206)	(165,238)	44,147
Net cash generated from financing activities	355,673	1,018,037	389,642
Net (decrease)/increase in cash and cash equivalents	(63,272)	82,688	8,468
Cash and cash equivalents at 1 January	104,022	40,750	123,438
Cash and cash equivalents at end of year	40,750	123,438	131,906

OPERATING CASH FLOWS

We recorded negative net cash flows from operating activities of RMB371.3 million, RMB809.8 million and RMB432.5 million, respectively, for the years ended 31 December 2013, 2014 and 2015. Our Directors believe that, after taking into account the cash to be generated from the pre-sales and sales of our properties which could be applied by us in the development of our Development Projects, the estimated net proceeds from the Global Offering and our available bank facilities, we have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus. For details of our operating cash flow during the Track Record Period, please refer to the section headed "Financial Information – Liquidity and Capital Resources – Cash flows – Cash flows from operating activities" in this prospectus.

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios for the periods or as at the dates indicated:

	Year ended 31 December		
	2013	2014	2015
Profitability ratios			
Turnover growth (%)	N/A	310.7	97.0
Gross profit margin (%)	39.4	49.2	27.5
Net profit margin (%)	(39.3)	16.2	12.3
Return on equity (%)	(3.6)	7.5	13.8

	As at 31 December		
	2013	2014	2015
Liquidity ratio			
Current ratio	1.82	1.61	1.64
Capital adequacy ratios			
Gearing ratio (%)	50.3	62.1	66.9
Net debt to equity ratio (%)	43.2	54.0	56.3

Please refer to the section headed "Financial Information – Key Financial Ratios" in this prospectus for further details.

CUSTOMERS

For each of the three years ended 31 December 2013, 2014 and 2015, our single largest customer accounted for approximately 6.6%, 1.5% and 0.5%, respectively, of the total revenue of our Group (exclusive of Danzhou Phase I)* in each year. Our five largest customers who are Independent Third Parties accounted for approximately 24.5%, 3.7% and 2.4% respectively, of the total revenue of Group (exclusive of Danzhou Phase I)* for the three years ended 31 December 2013, 2014 and 2015, respectively. Please refer to the section headed "Business – Customers" in this prospectus for further details.

SUPPLIERS

For each of the three years ended 31 December 2013, 2014 and 2015, the single largest supplier for our Group (exclusive of Danzhou Phase I)* accounted for approximately 34.5%, 29.1% and 32.1%, respectively, of our total purchases under our supply contracts in each year. The five largest suppliers for our Group (exclusive of Danzhou Phase I)* accounted for approximately 71.2%, 59.8% and 66.3% of our total purchases under our supply contracts for the three years ended 31 December 2013, 2014 and 2015, respectively. Please refer to the section headed "Business – Suppliers" in this prospectus for further details.

* Customers and suppliers information of Danzhou Phase I is not available as Danzhou Phase I was managed and developed solely by other equity interest holders of Danzhou Shuang Lian with no involvement from our management nor do we share any risk and reward, we cannot ascertain the accuracy of the operating data which is contained in separate books, thus the operating data is not presented in this prospectus.

RECENT DEVELOPMENTS

Our business operations have been stable after Track Record Period. We pre-sold 19,676.6 sq.m. GFA of our Development Projects for the four month ended 30 April 2016 as compared to 11,307.1 sq.m. GFA for the corresponding period. For the four months ended 30 April 2016, our contracted sales was RMB612.8 million (included pre-sales of uncompleted properties of RMB366.9 million) and our gearing ratio as at 30 April 2016 was 108.6%. On 26 January 2016, we entered into a five-year framework agreement in respect of a construction loan facility of RMB3,500 million with Industrial and Commercial Bank of China, Hainan Branch for the purpose of projects development. The construction loan facility will not become committed and unrestricted until the execution of construction loan agreement. The drawdown of the loan will be subject to, among others, relevant certificates and permits for the designated projects being obtained. Our PRC Legal Advisers are of the view that as we have obtained all the land use rights certificates of the designated project, and the relevant certificates and permits will be granted after completion of application procedures under relevant PRC laws and regulations, there will be no legal obstacles to obtain the relevant certificates and permits and the construction loan facility. On 9 March 2016, we obtained a bank loan facility of RMB150.0 million from Bank of Communication, Hainan Province Branch for the purpose of projects development of Sanya Phoenix Aqua City Left Shore. On 14 April 2016, we had obtained a loan with a principal amount of RMB400 million from Haikou Rural Commercial Bank Co., Ltd. Jinlian Branch for the repayment of bank loans of Sanya Fenghuang Shuiyun. On 31 March 2016 and 15 April 2016, we obtained two loans each with a principal amount of RMB500 million from Zijin Trust Co., Ltd. and Guo Tou Tai Kang Trust Co., Ltd., respectively under trust financing agreements for refinancing of our debts.

As the construction Sanya Phoenix Aqua City Left Shore has partly completed as at Latest Practicable Date and is expected to complete construction around 30 June 2016, as such, the relevant interest expenses could no longer be capitalised upon the construction completion of Sanya Phoenix Aqua City Left Shore. This, together with increase in bank loan balance in 2016, may result in an increase of RMB73.7 million in our interest expenses for the year ending 31 December 2016. Although we expect that our revenue would remain relatively stable for the year ending 31 December 2016, to the effect of the continuous revenue contribution from sales of apartments of Phoenix Aqua City Left Shore, given the expected increase in selling and distribution expenses, mainly due to expected increase in commission expenses and the expected increase in interest expenses of RMB73.7 million for reason sets out above and the non-recurring expenses incurred in relation to the Listing, it is expected that our Group will record a significant decline in net profit for the year ending 31 December 2016. Please refer to section headed “Risk Factors – We expect to record a significant decline in net profit for the year ending 31 December 2016.” in this prospectus for further details.

Our Directors are of the view that in the event that our projects development schedule and the drawdown of construction loan have been delayed, we are able to maintain sufficient liquidity and have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus. However, if such delay in our projects development schedule and drawdown of the construction loan persist for an indefinite period, which our Directors are of the view that the likelihood is remote after taking into consideration that (i) we have entered into the abovementioned framework agreement with Industrial and Commercial Bank of China, Hainan Branch; and (ii) we have never encountered any difficulty for drawdown of construction loan facility; and (iii) the view of our PRC Legal Advisers above, it may have a material adverse effect on our business, financial conditions and results of operations. Please refer to section headed “Risk Factors – We may not have adequate financing to fund our future land acquisitions and property developments, and such capital resources may not be available on commercially reasonable terms, or at all.” in this prospectus for further details.

On 1 February 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 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 which 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% which is lower than the previous requirement of not less than 40%. We believe that a downward adjustment of down payment ratio may increase the demand for our residential properties, which will have a favourable effect on our business, results of operations and financial condition.

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稅、營業稅優惠政策的通知》) promulgated by MOF, SAT and MOHURD on 17 February 2016 and implemented on 22 February 2016, the rate of deed tax payable for real estate transactions is adjusted downward. 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.. 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 of 90 sq.m. or less, and to 2% for a property of more than 90 sq.m.. Such downward adjustment of the rate of deed tax may increase the demand for our residential properties, and bring about a favourable effect on our business, results of operations and financial condition.

In January and February 2016, the relevant PRC Government authorities promulgated two regulations which are relevant to our operations. In particular, the *Implementing Rules of the Interim Regulations on Real Estate Registration* (《不動產登記暫行條例實施細則》), which took effect on 1 January 2016, authorise the real estate registration authority to perform site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management. Further, the *Provisions on Releasing Real Estate Advertisements* (《房地產廣告發佈規定》), which took effect on 1 February 2016, stipulate that a real estate advertisement shall not contain, amongst others, geomancy, divination or other superstitious information or any promise to a purchaser for a city resident status or for school admission for his/her children. We do not consider that the introduction of these regulations will have a material adverse impact on our operation. For further details of the above policies and regulations, please refer to the section headed "Regulatory Overview" in this prospectus.

The recent performance and market outlook of Hainan property market

Real estate has become one of the pillar industries in Hainan, and plays an important role in the city's economic development. In 2015, the total GFA and total amount of commodity properties sold were 10.5 million sq.m. and RMB98.3 billion, respectively, representing increases of approximately 4.8% and 5.1% when compared with those in 2014. Hainan residential market has developed quickly with a number of wealthy Chinese settled there. According to the goals described in "2010-2020 Hainan International Tourism Island Development Planning Outline", Hainan is expected to become a worldwide first-class island leisure resort by 2020. The number of travelers has also increased with the pace of Hainan International Tourism Island Development, representing a CAGR of approximately 15.6% between 2010 and 2015. The steady, rational development of Hainan tourism market will be the key demand driver of Hainan property market. According to DTZ, it is expected that the current investment in real estate and tourism consumption momentum trends to broadly continue for much of 2016. In the near future, Sanya residential market will keep on a steady, healthy and reasonable development while the selling price is expected to increase steadily. Along with the rapid growth of Haikou infrastructural investment, the demand in the near future for residential properties in Haikou is expected to be promising based on the projection of the growth trend of Haikou travelers with reference to the CAGR between 2010 and 2015. According to the latest city planning of Danzhou, residential real estate will be in full flourish.

Pre-IPO Equity Interest Incentive Scheme

Our Group adopted a Pre-IPO Equity Interest Incentive Scheme to certain senior management personnel, in which Mr. Yeung, one of our Controlling Shareholders will award 17.5% of the equity shares of Sanya Huixin Trading, our subsidiary, to such senior management personnel. Under the Pre-IPO Equity Interest Incentive Scheme, when certain conditions are met, the senior management personnel have an option to acquire the incentive equity interest at nil cost.

The Pre-IPO Equity Incentive Scheme was adopted by our Group on 5 January 2016. As advised by our Directors, the share-based compensation expenses to be incurred for the year ending 31 December 2016 in relation to the Pre-IPO Equity Incentive Scheme amount to approximately RMB5.7 million.

FUTURE PLANS AND USE OF PROCEEDS

For the year 2016, we intend to use our best effort to conduct the sale of Sanya Phoenix Aqua City Left Shore and to proceed with planning on the development of Sanya Phoenix Aqua City South Shore Phase II as well as to explore other potential property development projects. See the sections headed "Business – Our Strategies" in this prospectus for a detailed description of our future plans.

We estimate that we will receive net proceeds from the Global Offering, after deducting the underwriting fees and anticipated expenses payable by us in the Global Offering, of approximately HK$262.4 million (assuming an Offer Price of HK$4.15 per Share, being the midpoint of the indicative Offer Price range).

We currently intend to apply these net proceeds in the following manner:

Purpose	Amount of net proceeds from the Global Offering	Approximate percentage of the total net proceeds from the Global Offering
	(HK$ million)	(%)
Finance the development of Sanya Phoenix Aqua City South Shore Phase II(Note) . . .	236.2	90%
Working capital and other general corporate purposes . .	26.2	10%

Note: In the event that we suffer any delay in the development of Sanya Phoenix Aqua City South Shore Phase II, we will apply 80% of the net proceeds which was intended to finance the development of Sanya Phoenix Aqua City South Shore Phase II in financing the development of Haikou Phoenix Aqua City Phase II which is estimated to commence construction in January 2017, and 20% of such to Danzhou Phoenix Aqua City which is estimated to commence construction in March 2017.

For further details, please refer to the sections headed "Future Plans" and "Use of Proceeds" in this prospectus.

LISTING EXPENSES

Total expenses expected to be incurred in relation to the Listing, which are non-recurring in nature, is approximately RMB40.4 million (including underwriting commission). Of the aggregate Listing expenses of RMB16.2 million incurred during the Track Record

Period, approximately RMB12.7 million was charged to profit or loss in 2015, and the remaining amount of approximately RMB3.5 million was recorded as prepayment which is to be net off with share premium after the Listing. Our Group expects to further incur listing expenses (including underwriting commissions) of RMB24.2 million (based on mid-point of our indicative price range for the Global Offering and without taking into account any discretionary incentive fees, if applicable) by the completion of the Global Offering, of which an estimated amount of RMB12.2 million will charge to profit or loss in 2016, while approximately RMB12.0 million is expected to be directly attributable to the issue of Shares and accounted for as a deduction from equity upon successful listing. Please refer to the section headed "Financial Information – Listing Expenses" in this prospectus for further details.

STATISTICS OF THE GLOBAL OFFERING (1)

	Based on Offer Price of HK$3.71	Based on Offer Price of HK$4.58
Market capitalisation of our Shares(2)	HK$1,113.0 million	HK$1,374.0 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share(3)	HK$5.19	HK$5.41
Price-to-book ratio(4)	0.71	0.85

Notes:

(1) The Shares being offered in the Global Offering will rank pari passu with all Shares in issue or to be issued and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus.

(2) The calculation of market capitalisation is based on 300,000,000 Shares expected to be in issue following the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 300,000,000 Shares expected to be in issue immediately after completion of the Global Offering.

(4) The Company's price-to-book ratio is calculated as the Offer Price to unaudited pro forma adjusted consolidated net asset value per Share.

DIVIDENDS

For each of the three years ended 31 December 2013, 2014 and 2015, approximately nil, RMB489.6 million and RMB29.7 million were declared as dividends by us. As at 31 December 2015, there were nil reserves available for distribution to our equity holders. We currently do not have any plans for declaring dividends nor a dividend payment plan or policy.

Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions under our bank loan agreements such as full repayment of bank loan* as referred to in the section "Financial Information – Indebtedness Statement and Contingent Liabilities – Bank loans and borrowings" in this prospectus, if any, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of our Articles and the applicable laws of the Cayman Islands. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future. Any future declarations and payments of dividends will be at the discretion of our Directors and subject to applicable laws. For further details, please refer to the section headed "Financial Information – Dividends" in this prospectus.

* The expected dates of full repayment of the bank loans for Sanya Fenghuang Shuiyun and Hainan Nanhai Xiang Long as at 31 December 2015 are 9 July 2017 and 7 July 2017 respectively, while there was no outstanding bank loan for Sanya Fenghuang Xincheng and Danzhou Shuang Lian as at 31 December 2015.

SUMMARY OF MATERIAL RISK FACTORS

We believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorised into: (i) risks relating to our business; (ii) risks relating to our industry in the PRC; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering. The most significant risks are summarised as follows:

- Our business and prospects are heavily dependent on and may be adversely affected by the performance of the PRC property markets, particularly the performance in the Hainan Province.
- We expect to record a significant decline in net profit for the year ending 31 December 2016.
- We had negative net operating cash flow for the years ended 31 December 2013, 2014 and 2015. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected.
- We maintain a substantial level of indebtedness during the Track Record Period which may affect our business, financial condition, results of operations and prospects.
- We may not be successful in managing our growth and expansion into Danzhou. Further, our profitability is likely to decrease in respect of our future development in Danzhou which has significant lower average selling price than properties in Sanya and Haikou.
- We may not be able to acquire land reserves in desirable locations that are suitable for our development at commercially acceptable prices or at all.
- Failure to obtain or material delays in obtaining requisite certificates, permits, approvals or licenses from the PRC Government may adversely affect our ability in carrying out our property development operations.
- We rely on external contractors and suppliers to deliver our projects on time and up to our specified quality standards.

These risks are not the only significant risks that may affect the value of the Shares. Please refer to the section headed "Risk Factors" in this prospectus for more details.

SUMMARY OF NON-COMPLIANCE INCIDENTS

During the Track Record Period, we did not comply with certain applicable laws and regulations. These non-compliance incidents include (i) construction of unauthorised building; (ii) unauthorised sewage discharge; (iii) unauthorised change of use of settled foreign exchange capital; (iv) intercompany loans; (v) commencement of construction work prior to obtaining permit; and (vi) deviation from Planning Permit for Construction Works. During the Track Record Period, we have been fined for tax non-compliance occurred prior to the Track Record Period.

Please refer to the section headed "Business – Non-compliance" in this prospectus for further details of these non-compliance incidents. Our Directors consider that such non-compliance incidents will not have a material adverse effect on our business, results of operations and financial position. We have strengthened our internal control and have implemented enhanced internal control policies and measures to avoid occurrence of non-compliance incidents in the future, further details of which are set out in the section head "Business – Internal Control Measures to Ensure Future Compliance" in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue, Zhong Jia (International) and Zhong Ze (International) will be beneficially interested in approximately 74.78% and approximately 0.22% of the issued Shares of our Company, respectively. Zhong Jia (International) and Zhong Ze (International) are wholly-owned by Mr. Yeung. Accordingly, Mr. Yeung, Zhong Jia (International) and Zhong Ze (International) are our Controlling Shareholders after the Global Offering.

Mr. Yeung, our ultimate Controlling Shareholder also engages in other real estate development apart from our Group. It is our Group's strategy to focus on the development of large scale quality residential and commercial properties in the Hainan Province, one of the top tourist destination in the PRC, to benefit from its growing tourism industry and real estate investment. In the contrast, the Non-Target Cities Projects are mainly residential properties which targets to capture the demand for properties of local residents in Nanjing and Huizhou As such, the Non-Target Cities Projects are not in line with our business strategy and thus not considered to be included in our Group. In order to achieve the geographical segregation between the property development projects of the Excluded Businesses and our Group and to ensure clear delineation, the Private Group will conduct its property business only in the Non-Target Cities Projects and which will not form part of our Group. The Private Group also holds the Excluded Hainan Projects.

In order to avoid any possible future competition between our Group and our Controlling Shareholders, our Controlling Shareholders entered into the Deed of Non-competition with our Company (for itself and for the benefit of members of our Group) on 29 June 2016, among other things, our Controlling Shareholders has irrevocably and unconditionally undertaken not to compete with our Group, in respect of property development projects in the PRC, except for the Non-Target Cities. Under the Deed of Non-competition, our Controlling Shareholders have granted us the first right of refusal for acquisition of the Excluded Hainan Projects. Please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus for more details.

NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant effect on our financial position in the last 12 months. Except to the extent disclosed in the paragraph headed "Recent Developments" above, our Directors confirm that there has been no material adverse change in our financial, operational or trading position since 31 December 2015 (being the date as of which our latest audited combined financial statements were prepared as set out in Appendix I to this prospectus) and up to the date of this prospectus.

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

"Announcement No. 7"	the Circular on the PRC tax treatment of an indirect transfer of assets by a non-resident enterprise (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) promulgated by the State Administration of Taxation and became effective on 3 February 2015
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s) or, where the context so requires, any of them
"Application Lists"	the application lists for the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company, adopted on 22 June 2016 and as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"average selling price" or "ASP"	average selling price
"Board"	the board of directors of our Company
"building ownership certificate"	building ownership certificate issued by the competent authority of housing with respect to the ownership rights of buildings (房屋所有權證)
"Business Day"	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of Shares to be made on the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed "Statutory and General Information – A. Further information about our Company and our subsidiaries – 3. Written resolutions of our Shareholders passed on 22 June 2016 " in Appendix V to this prospectus
"CBRC"	China Bank Regulatory Commission

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Broker Participant, a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chairman"	chairman of the Board
"Chongqing Trust"	Chongqing International Trust Company Limited (重慶國際信託股份有限公司, formerly known as 重慶國際信託有限公司), a company established in the PRC with limited liability on 22 October 1984 and is an Independent Third Party
"Chung Wai (China) Property"	Chung Wai (China) Properties Group Limited (中惠(中國)置業集團有限公司), a company incorporated in Hong Kong with limited liability on 29 September 1994 which is indirectly held as to 100% by Mr. Yeung
"Chung Wai (Hainan)"	Chung Wai (Hainan) Properties Limited (中惠(海南)置業有限公司), a company established in the PRC with limited liability on 24 May 2007 which is indirectly held as to 100% by Mr. Yeung
"Chung Wai (Hong Kong)"	Chung Wai (Hong Kong) Property Company Limited (中惠(香港)置業有限公司), a company incorporated in Hong Kong with limited liability on 29 August 2007 which is indirectly held as to 100% by Mr. Yeung
"Chung Wai (Jiangsu)"	Chung Wai (Jiangsu) Decoration Park Project Company Limited (中惠(江蘇)裝飾園林工程有限公司), a company established in the PRC with limited liability on 18 May 1992 which is indirectly held as to 100% by Mr. Yeung

"Chung Wai Holding"	Chung Wai Holding Company Limited (中惠控股有限公司), a company incorporated in the BVI with limited liability on 13 August 2007 which is directly held as to 100% by Mr. Yeung
"Circular 601"	Notice on Interpretation and Determination of "beneficial owner" under Tax Treaties (《關於如何理解和認定稅收協定中"受益所有人"的通知》), promulgated by the State Administration of Taxation and became effective on 27 October 2009
"City Planning Law"	the City Planning Law of the People's Republic of China (《中華人民共和國城市規劃法》), promulgated by the Standing Committee of the National People's Congress on 26 December 1989 and was abolished on 1 January 2008
"Co-lead Managers"	CSL Securities Limited and RHB Securities Hong Kong Limited
"Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provision) Ordinance" or "Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) which came into effect on 3 March 2014 and as amended, supplemented or otherwise modified from time to time
"Company", "Our Company", "we" or "us"	Hailan Holdings Limited (海藍控股有限公司) (formerly known as Hailan Tourism Holdings Limited (海藍旅遊控股有限公司)), a company incorporated in the Cayman Islands as an exempted company with limited liability on 31 August 2015
"completion certificate(s)"	construction works completion inspection acceptance certificate/record issued by local construction bureaus or competent authorities in the PRC with respect to the completion of property projects (竣工驗收備案)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Construction Cooperation Framework Agreement"	the framework construction services agreement dated 8 April 2016 entered into between our Company, Nanjing Huizhi, Sanya Fenghuang Xincheng, Sanya Fenghuang Shui Yun, Hainan Nanhai Xiang Long and Danzhou Shuang Lian, further details of which are set out in the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions – Construction Cooperation Framework Agreement" in this prospectus
"construction land planning permit(s)"	construction land planning permit issued by local urban and rural planning bureaus or competent authorities in the PRC (建設用地規劃許可證)
"Construction Services"	the construction and installation services, waterproof engineering, renovation construction and services, earthwork engineering and other related services that Nanjing Huizhi is qualified to work on which are provided by Nanjing Huizhi to our Group as a sub-contractor
"construction works commencement permit(s)"	construction works commencement permit issued by local construction committees or competent authorities in the PRC (建築工程施工許可證)
"construction works planning permit(s)"	construction works planning permit issued by local urban and rural planning bureaus or competent authorities in the PRC (建設工程規劃許可證)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of our Company for the purposes of this prospectus and the Listing, means Mr. Yeung, Zhong Jia (International) and Zhong Ze (International) which will hold 75% of the enlarged issued share capital of our Company immediately following completion of the Global Offering and Capitalisation Issue
"Covenantors"	Mr. Yeung, Zhong Jia (International) and Zhong Ze (International)
"Danzhou"	Danzhou City (儋州市) in the Hainan Province
"Danzhou Phase I"	being phase I of the development project located at Danzhou. The development project located at Danzhou developed by Danzhou Shuang Lian is divided into phase I from which we have no share in the profit and loss, assets and liabilities, and phase II, i.e. Danzhou Phoenix Aqua City

"Danzhou Shuang Lian"	Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司), a company established in the PRC with limited liability on 3 December 2009, which is indirectly held as to 60% by our Company and directly held as to 40% by Nanjing San Long, which is in turn held as to 100% by 20 PRC natural persons who are Independent Third Parties
"Deed of Indemnity"	a deed of indemnity dated 29 June 2016 and entered into by the Covenantors as indemnifiers with and in favor of our Company (for itself and as trustee of its subsidiaries) in respect of, among other things, certain indemnities regarding taxation as referred to in the section headed "Statutory and General Information – E. Other Information – 1. Tax and other indemnities" in Appendix V to this prospectus
"Deed of Non-competition"	a deed of non-competition dated 29 June 2016 and entered into by the Covenantors with our Company (for itself and for the benefit of each other member of our Group), further details of which are set out in the section headed "Relationship with the Controlling Shareholders – Non-competition Undertakings" in this prospectus
"Development Ordinance"	the Administrative Ordinance on Development and Management of Urban Real Estate (《城市房地產開發經營管理條例》) promulgated by the State Council and became effective on 20 July 1998
"Development Projects"	being all the development projects referred to for the development and sales of residential property units conducted in the Hainan Province (excluding Danzhou Phase I), further details of which are set out in section headed "Business – Overview" in this prospectus
"Director(s)"	director(s) of our Company or any one of them
"DTZ" or "Property Valuer"	DTZ Cushman & Wakefield Limited
"DTZ Report"	the industry research report dated 30 June 2016 prepared by DTZ
"EIT"	the PRC Enterprise Income Tax (中華人民共和國企業所得稅)
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) promulgated by the National People's Congress on 16 March 2007 and became effective on 1 January 2008

"Excluded Businesses"	the Excluded Hainan Projects and Non-Target Cities Projects, further details of which are set out in the sections headed "Relationship with Controlling Shareholders – Excluded Business – Excluded Hainan Projects" and "Relationship with Controlling Shareholders – Excluded Business – Non-Target Cities Projects", respectively, in this prospectus
"Excluded Hainan Projects"	the two properties development projects in the Hainan Province held by the Private Group, further details of which are set out in the section headed "Relationship with Controlling Shareholders – Excluded Business – Excluded Hainan Projects" in this prospectus
"Expropriation Rules"	the Regulations on the Expropriation and Compensation of Houses on State-owned Land (《國有土地上房屋徵收與補償條例》) promulgated by the State Council and became effective on 21 January 2011
"Fire Protection Law"	Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》) promulgated by the Standing Committee of the National People's Congress on 29 April 1998, amended on 28 October 2008 and became effective on 1 May 2009
"Fire Safety Provisions"	Provisions on the Administration of Fire Safety of State Organs, Organizations, Enterprises and Institutions (《機關、團體、企業、事業單位消防安全管理規定》) promulgated by the Ministry of Public Security of the PRC on 14 November 2001 and became effective on 1 May 2002
"FIREE" or "FIREEs"	foreign invested real estate enterprise(s)
"Foreign Exchange Regulations"	the Regulations for the Control of Foreign Exchange or the Foreign Exchange Regulations (《中華人民共和國外匯管理條例》) promulgated by the SAFE and became effective on 5 August 2008
"GDP"	gross domestic product
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**Green** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider

"Group"	our Company and its subsidiaries at the relevant point of time including where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Haikou"	Haikou City (海口市) in the Hainan Province
"Haikou Bo Tai Long"	Haikou Bo Tai Long Property Development Company Limited (海口博泰隆房地產開發有限公司), a company established in the PRC with limited liability on 20 July 2004 which was indirectly held as to 60% by Mr. Yeung and directly held as to 40% by an Independent Third Party
"Hainan AIC"	Hainan Province Administration for Industry & Commerce (海南省工商行政管理局)
"Hainan Henghua"	Hainan Henghua Industry Company Limited (海南恒華實業有限公司), a company established in the PRC with limited liability on 27 September 2005 which is indirectly held as to 100% by Mr. Yeung
"Hainan Hui Lin"	Hainan Hui Lin Construction Engineering Company Limited (海南惠霖建築工程有限公司), a company established in the PRC with limited liability on 27 December 2012 which was indirectly held as to approximately 12.46% by our Company, approximately 2.64% by Mr. Yeung, approximately 42.45% by Ms. Zhou Li, being our executive Director, and approximately 42.45% by Mr. Yeung's mother, immediately prior to its deregistration on 17 September 2015
"Hainan Nanhai Xiang Long"	Hainan Nanhai Xiang Long Properties Development Limited* (海南南海翔龍房地產開發有限公司), a company established in the PRC with limited liability on 18 April 2002 which is indirectly held as to 100% by our Company
"Hainan Notice on Adjusting Real Estate Development Enterprises Qualifications"	the Notice on Adjusting Real Estate Development Enterprises Qualifications Enacted by the General Office of the People's Government of the Hainan Province (《海南省人民政府辦公廳關於調整房地產開發企業資質條件等有關問題的通知》) (Qiong Fu Ban [2013] No. 160) promulgated by the General office of the People's Government of Hainan Province and became effective on 1 November 2013

"Hainan Province"	the Hainan Province (海南省) of the PRC
"Hainan Zhonghuan"	Hainan Zhonghuan Property Development Company Limited (海南中寰房地產開發有限公司), a company established in the PRC with limited liability on 11 March 2004 which is indirectly held as to 100% by Mr. Yeung
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	The Bank of East Asia, Limited
"HK$" or "HK dollars" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standard issued by HKICPA
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"Hong Kong Offer Shares"	the 7,500,000 Offer Shares initially being offered by us for subscription at the Offer Price under the Hong Kong Public Offering, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), on the terms and subject to the conditions described in this prospectus and the Application Forms

"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set forth in the section headed "Underwriting – Hong Kong Public Offer Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated 29 June 2016 relating to the Hong Kong Public Offering entered into by, among other parties, our Company, our Controlling Shareholders and the Hong Kong Underwriters
"Hotel Security Control Measures"	the Measures for the Control of Security in the Hotel Industry (《旅館業治安管理辦法》) promulgated by the State Council on 10 November 1987 and was revised on 8 January 2011
"Huizhou"	Huizhou City (惠州市) in the Guangdong Province of the PRC
"Incentive Equity Interest"	the incentive equity interest in Sanya Hui Xin Trading under the Pre-IPO Equity Interest Incentive Scheme
"Independent Third Party(ies)"	a party or parties that is or are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive, substantial shareholders of our Company, our subsidiaries or any of their respective associates
"Interim Regulations on Grant and Assignment"	the Interim Regulations of the People's Republic of China on Grant and Transfer of the Right to Use State-owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated by the State Council and became effective on 19 May 1990
"Internal Tender Review Committee"	the internal tender review committee of our Company, further details of which are set out in the section headed "Connected Transactions – Corporate Governance Relating to the Construction Cooperation Framework Agreement" in this prospectus
"International Offer Shares"	the 67,500,000 Shares being initially offered by us for subscription under the International Offering, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus

"International Offering"	the conditional placing of the International Offer Shares outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering which is expected to be entered into by, among others, our Company, our Controlling Shareholders, the Sole Global Coordinator, the Sole Sponsor and the International Underwriters on or around 6 July 2016
"k.m."	kilo metre(s)
"land grant contract"	a land use right grant contract (土地使用權出讓合同)
"land use rights certificate"	a certificate (or certificates as the case may be) of the right of a party to use a parcel of land (土地使用權證)
"LAT" or "Land Appreciation Tax"	land appreciation tax of the PRC
"LAT Detailed Implementation Rules"	the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) promulgated and enforced by the MOF on 27 January 1995
"LAT Notice"	the Notice to Regulate the Land Appreciation Tax Settlement of Real Estate Development Enterprise promulgated by the State Administration of Taxation on 28 December 2006 and effective from 1 February 2007 (《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》)
"LAT Provisional Regulations"	the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) promulgated by the State Council on 13 December 1993 and effective from 1 January 1994
"Latest Practicable Date"	21 June 2016, being the latest practicable date for ascertaining certain information in this prospectus prior to its publication
"Lead Manager"	Haitong International Securities Company Limited

"Leshan Huizhi"	Leshan Huizhi Technology Development Company Limited (樂山惠智科技發展有限公司), a company established in the PRC with limited liability on 5 March 2009 which is indirectly held as to 100% by Mr. Yeung
"Lian Yun Gang Hui Ke"	Lian Yun Gang Hui Ke Construction Development Company Limited (連雲港惠柯建設開發有限公司), a company established in the PRC with limited liability on 8 September 2005 which is indirectly held as to 100% by Mr. Yeung
"Lian Yun Gang Hui Neng"	Lian Yun Gang Hui Neng Foundation Construction Engineering Company Limited (連雲港惠能基礎建設工程有限公司), a company established in the PRC with limited liability on 30 November 2005 which is indirectly held as to 100% by Mr. Yeung
"Lian Yun Gang Jia Tai"	Lian Yun Gang Jia Tai Construction Engineering Company Limited (連雲港嘉泰建設工程有限公司), formerly known as Lian Yun Gang Jia Tai City Development Company Limited (連雲港嘉泰城市發展有限公司) and Jia Tai Tong Ren (Lian Yun Gang) Medical Industrial Investment Company Limited (嘉泰同仁(連雲港)醫療產業投資有限公司), respectively, a company established in the PRC with limited liability on 6 April 2006 which is an Independent Third Party
"Lian Yun Gang Long Ji Properties"	Lian Yun Gang Long Ji Properties Limited (連雲港隆基置業有限公司), a company established in the PRC with limited liability on 7 February 2007 which is indirectly held as to 100% by our Company
"Lian Yun Gang Tai Sheng Development"	Lian Yun Gang Tai Sheng City Development Limited (連雲港泰盛城市發展有限公司), a company established in the PRC with limited liability on 18 November 2009 which is indirectly held as to 100% by our Company
"Lingshui"	Lingshui Zhong Yin Development Company Limited (陵水中銀發展有限公司), a company established in the PRC with limited liability on 17 November 1992 and is an Independent Third Party
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of director of the Stock Exchange

"Listing Date"	15 July 2016, being the date on which dealings in our Shares are expected to first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"M&A Rules"	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 was issued by six PRC ministries and commissions, which became effective on 8 September 2006 and was revised on 22 June 2009
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, adopted on 22 June 2016 and as amended from time to time
"Ministry of Construction"	Ministry of Construction of the PRC, the predecessor of MOHURD
"MLR"	Ministry of Land and Resources of the PRC
"MOF"	Ministry of Finance of the PRC
"MOFCOM"	Ministry of Commerce of the PRC
"MOHURD"	the Ministry of Housing and Urban-Rural Development of the PRC
"Mr. Yeung"	Mr. Yeung Man (楊敏), an executive Director and our Chairman, the founder of our Group and one of our Controlling Shareholders
"mu"	mu (畝), a Chinese unit of measurement, equivalent to $666^2/_3$ sq.m.
"Nanjing"	Nanjing City (南京市) in the Jiangsu Province of the PRC

"Nanjing Aitekaidun"	Nanjing Aitekaidun Landscape Design Company Limited (南京艾特凱頓景觀設計有限公司), a company established in the PRC with limited liability on 13 August 2013 which was indirectly held as to 10% by Mr. Yeung prior to its disposal by Zhong Ze (Hong Kong) to the other shareholder of Nanjing Aitekaidun, being an Independent Third Party, on 20 January 2016
"Nanjing Bai Rui Ze"	Nanjing Bai Rui Ze Properties Company Limited (南京百瑞澤置業有限公司), a company established in the PRC with limited liability on 16 January 2013 which is indirectly held as to 100% by our Company
"Nanjing Boken"	Nanjing Boken Corporate Planning Consultation Company Limited (南京博肯企業策劃諮詢有限公司), a company established in the PRC with limited liability on 26 October 2009 which is indirectly held as to 100% by Mr. Yeung
"Nanjing Cuiping"	Nanjing Cuiping Construction Company Limited (南京翠屏建設有限公司), a company established in the PRC with limited liability on 29 April 2010 which is indirectly held as to 100% by Mr. Yeung
"Nanjing Diken"	Nanjing Diken Engineering Design Consultancy Company Limited (南京迪墾工程設計諮詢有限公司), a company established in the PRC with limited liability on 26 October 2009 which is indirectly held as to 100% by Mr. Yeung
"Nanjing Hengjida"	Nanjing Hengjida Engineering Design Consultancy Company Limited (南京恒紀達工程設計諮詢有限公司), a company established in the PRC with limited liability on 26 September 2010 which is indirectly held as to 100% by Mr. Yeung
"Nanjing Hengyixinye"	Nanjing Hengyixinye Investment Management Company Limited (南京恒誼信業投資管理有限公司), a company established in the PRC with limited liability on 20 March 2012 which is directly held as to 50% by Ms. Zhou Li, being our executive Director, and 50% by Mr. Yeung's mother
"Nanjing Hui Yin Da"	Nanjing Hui Yin Da Investment Management Company Limited (南京惠銀達投資管理有限公司), a company established in the PRC with limited liability on 11 April 2012 which was indirectly held as to 100% by Mr. Yeung immediately prior to its disposal by Sanya Fenghuang Xincheng to Mr. Ma Weimin (an Independent Third Party), on 28 July 2015

“Nanjing Huizhi”	Nanjing Huizhi Construction Installation Engineering Company Limited (南京惠智建築安裝工程有限公司), a company established in the PRC with limited liability which is indirectly held as to 100% by Mr. Yeung
“Nanjing Jia Pei”	Nanjing Jia Pei Investment Management Consultant Company Limited (南京嘉沛投資管理諮詢有限公司), a company established in the PRC with limited liability on 11 September 2013 which is indirectly held as to 100% by our Company
“Nanjing Jia Xie”	Nanjing Jia Xie Investment Management Consultation Company Limited (南京嘉協投資管理諮詢有限公司), a company established in the PRC with limited liability on 18 April 2012 which is indirectly held as to 100% by Mr. Yeung
“Nanjing Maoheng”	Nanjing Maoheng Engineering Design Consultancy Company Limited (南京茂恒工程設計諮詢有限公司), a company established in the PRC with limited liability on 15 November 2011 which is indirectly held as to 100% by Mr. Yeung
“Nanjing Rui Ke”	Nanjing Rui Ke Property Consultancy Company Limited (南京瑞柯置業顧問諮詢有限公司), a company established in the PRC with limited liability on 15 March 2010 which is indirectly held as to 100% by Mr. Yeung
“Nanjing San Long”	Nanjing San Long Cement Company Limited (南京三龍水泥有限責任公司), a company established in the PRC with limited liability on 26 June 2002 which is held as to 100% by 20 PRC natural persons who are Independent Third Parties
“Nanjing Si Yue”	Nanjing Si Yue Investment Company Limited (南京斯悅投資有限公司), a company established in the PRC with limited liability on 29 April 2015 which is indirectly held as to 100% by Mr. Yeung
“Nanjing Tianhui”	Nanjing Tianhui Tongda Corporate Planning Consultation Company Limited (南京天惠通達企業策劃諮詢有限公司), a company established in the PRC with limited liability on 26 September 2010 which is indirectly held as to 100% by Mr. Yeung

"Nanjing Yin Guang"	Nanjing Yin Guang Property Development Limited (南京銀廣房地產開發有限公司), a company established in the PRC with limited liability on 18 April 2014 which was indirectly held as to 12% by our Company immediately prior to its disposal by Nanjing Bai Rui Ze to Yincheng Real Estate Group Company Limited (銀城地產集團股份有限公司) being an Independent Third Party, on 28 August 2015
"Nanjing Yin Zhuo"	Nanjing Yin Zhuo Property Development Limited (南京銀卓房地產開發有限公司), a company established in the PRC with limited liability on 21 April 2014 which was indirectly held as to 11.9% by our Company immediately prior to its disposal by Nanjing Bai Rui Ze to Yincheng Real Estate Group Company Limited (銀城地產集團股份有限公司) being an Independent Third Party, on 4 September 2015
"Nanjing Youbi"	Nanjing Youbi Environment Art Design Company Limited (南京優比環境藝術設計有限公司), a company established in the PRC with limited liability on 13 August 2013 which was indirectly held as to 20% by Mr. Yeung prior to its disposal by Zhong Ze (Hong Kong) to an Independent Third Party on 31 March 2016
"Nanjing Yu Ming Hang"	Nanjing Yu Ming Hang Investment Management Company Limited (南京禦銘行投資管理有限公司), a company established in the PRC with limited liability on 14 October 2015 which is indirectly held as to 100% by Mr. Yeung
"Nanjing Zhonghui Construction"	Nanjing Zhonghui Construction Engineering Company Limited (南京中惠建築工程有限公司), a company established in the PRC with limited liability on 2 June 2003 which is indirectly held as to 100% by Mr. Yeung
"Nanjing Zhongwankai"	Nanjing Zhongwankai Construction Engineering Company Limited (南京中萬凱建築工程有限公司), a company established in the PRC with limited liability on 9 September 2013 which is indirectly held as to 100% by Mr. Yeung
"NDRC"	the National Development and Reform Commission of the PRC
"New Fortress"	New Fortress International Limited (新富昌國際有限公司), a company incorporated in BVI with limited liability on 1 July 2009 which is directly held as to 100% by Mr. Yeung

"New Lease Measures"	the Measures for the Administration of Leases of Commodity Buildings (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development of the People's Republic of China on 1 December 2010 and became effective on 1 February 2011
"Non-Target Cities"	Nanjing and Huizhou
"Non-Target Cities Projects"	the six major property projects conducted by the Private Group in Nanjing and Huizhou, further details of which are set out in the section headed "Relationship with Controlling Shareholders – Excluded Business – Non-Target Cities Projects" in this prospectus
"Notice on Adjustment of Deed Tax and Business Tax Preferential Policies in Real Estate Transaction Process"	the Notice on Adjustment of Deed Tax and Business Tax Preferential Policies in Real Estate Transaction Process (《關於調整房地產交易環節契稅營業稅優惠政策的通知》)(Cai Shui[2016]No. 23) promulgated by the Ministry of Housing and Urban-Rural Development of the People's Republic of China, State Administration of Taxation and Ministry of Finance on 17 February 2016 and became effective on 22 February 2016
"Notice 37"	Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by the SAFE on 14 July 2014 and effective from the promulgation
"Notice 698"	Notice of the SAT on Strengthening Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) promulgated by the State Administration of Taxation on 10 December 2009 and effective from 1 January 2008
"NPC"	the National People's Congress of the PRC

"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed under the Hong Kong Public Offering and the International Offer Shares are to be offered under the International Offering, to be determined in the manner further described in the section headed "Structure of the Global Offering – Pricing and Allocation" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"Paau Sze Fong"	Ms. Paau Sze Fong (包士芳), the ex-spouse of Mr. Yeung
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Peak Well"	Peak Well Investment Development Limited (頂豐投資發展有限公司), a company incorporated in the BVI with limited liability on 5 January 2010 which is directly held as to 100% by our Company
"Perfect Win"	Perfect Win International Limited (美凱國際有限公司), a company incorporated in the BVI with limited liability on 18 October 2007 which is indirectly held as to 100% by Mr. Yeung
"PRC" or "China"	the People's Republic of China and, except where the context requires and only for the purpose of this prospectus, references in this prospectus to the PRC or China do not apply to Taiwan, Hong Kong and the Macao Special Administrative Regions of the PRC
"PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities, or, where the context requires, any of them
"PRC Legal Advisers"	Beijing Dentons Law Offices, LLP (Guangzhou), our legal advisers as to PRC Law
"PRC Operating Subsidiaries"	Sanya Fenghuang Shuiyun, Sanya Fenghuang Xincheng, Hainan Nanhai Xiang Long and Danzhou Shuang Lian

"Pre-completion Sale Measures"	Measures for Administration of Pre-sale of Commodity Buildings (《城市商品房預售管理辦法》) promulgated by the Ministry of Construction on 15 November 1994 and became effective on 1 January 1995
"Pre-IPO Equity Interest Incentive Scheme"	the Pre-IPO Equity Interest Incentive Scheme adopted on 5 January 2016, a summary of the principal terms of which is set out in the section headed "Statutory and General Information – D. Pre-IPO Equity Interest Incentive Scheme" in Appendix V to this prospectus
"pre-sale permit"	a pre-sale permit authorising a developer to start the pre-sale of a property under construction (商品房預售許可證)
"Price Determination Agreement"	the agreement expected to be entered into among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or about the Price Determination Date to fix the Offer Price
"Price Determination Date"	the date on which the Offer Price is to be fixed by the Global Coordinator (on behalf of the Underwriters) and us, which is expected to be on or around 6 July 2016 and in any event not later than 11 July 2016
"Private Group"	a number of companies owned by Mr. Yeung apart from members of our Group which are principally engaged in real estate development, further details of which are set out in the section headed "Relationship with Controlling Shareholders – Excluded Businesses" in this prospectus
"Property Rights Law"	the Property Rights Law of the People's Republic of China (《中華人民共和國物權法》) promulgated by the National People's Congress on 16 March 2007 and became effective on 1 October 2007
"Provisions On Administration Of Qualifications"	the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》) promulgated by the Ministry of Construction on 16 November 1993 and was revised on 29 March 2000
"Regulation S"	Regulation S under the U.S. Securities Act
"Regulations On Demolition"	the Regulations for the Administration of Demolition and Removal of Urban Housing (《城市房屋拆遷管理條例》) promulgated by the State Council on 13 June 2001 and became effective on 1 November 2001 and was abolished on 21 January 2011

"Reorganisation"	the corporate reorganisations undergone by our Group in preparation for the Listing described in the section headed "History, Reorganisation and Group Structure – Reorganisation" in this prospectus
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to our Directors, further details of which are set out in the section headed "Statutory and General Information – A. Further information about our Company – 3. Written resolutions of shareholders of our Company" and the section headed "Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares" in Appendix V to this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sanya"	Sanya City (三亞市) in the Hainan Province
"Sanya AIC"	Sanya City Administration for Industry & Commerce (海南省三亞市工商行政管理局)
"Sanya Bai Yue"	Sanya Bai Yue Resort Apartment Management Company Limited (三亞百櫟度假公寓管理有限公司), a company established in the PRC with limited liability on 22 January 2013, which was indirectly held as to 100% by Mr. Yeung immediately prior to its disposal by Sanya Hui Xin Trading to Nanjing Hui Yin Da on 18 September 2015
"Sanya Fenghuang Hai Yuan"	Sanya Fenghuang Hai Yuan Investment Company Limited (三亞鳳凰海苑投資有限公司), a company established in the PRC with limited liability on 5 December 2014 which was indirectly held as to 100% by Mr. Yeung immediately prior to its deregistration on 1 December 2015
"Sanya Fenghuang Shuiyun"	Sanya Fenghuang Shuiyun Property Development Company Limited (三亞鳳凰水韻房地產開發有限公司), a company established in the PRC with limited liability on 21 October 2009 which is indirectly held as to approximately 97% by our Company

"Sanya Fenghuang Xincheng"	Sanya Fenghuang Xincheng Industry Company Limited (三亞鳳凰新城實業有限公司), a company established in the PRC with limited liability on 11 July 2007 which is indirectly held as to 100% by our Company
"Sanya Hai Hui"	Sanya Hai Hui Decoration Engineering Company Limited (三亞海惠裝飾工程有限公司), a company established in the PRC which was an independent third party contractor of our Company
"Sanya Huan Peng"	Sanya Huan Peng Hotel Management Company Limited (三亞歡朋酒店管理有限公司), a company established in the PRC with limited liability in 16 April 2015 which was held as to 49% by Sanya Fenghuang Shuiyun and 51% by 5 Independent Third Parties prior to its disposal by Sanya Fenghuang Shuiyun to Nanjing Hui Yin Da in 8 October 2015
"Sanya Hui Xin Trading"	Sanya Hui Xin Trading Company Limited (三亞惠新貿易有限公司), a company established in the PRC with limited liability on 29 December 2010 which is indirectly held as to 82.5% by our Company, and 8.75% by Mr. Yang Jinhe and 8.75% by Mr. Fang Jing, respectively. Mr. Yang Jinhe and Mr. Fang Jing hold the equity interest in Sanya Xui Xin Trading on trust for Mr. Yeung
"Sanya Huixi"	Sanya Huixi Tourism Industry Company Limited (三亞匯喜旅遊產業有限公司), a company established in the PRC with limited liability on 5 February 2007 which is indirectly held as to 100% by Mr. Yeung
"Sanya Zhong Ze Kai"	Sanya Zhong Ze Kai Industry Company Limited (三亞中澤凱實業有限公司), a company established in the PRC with limited liability on 1 April 2012 which is indirectly held as to 100% by our Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of Share(s)
"Sole Bookrunner"	Haitong International Securities Company Limited

"Sole Global Coordinator"	Haitong International Securities Company Limited
"Sole Sponsor"	Haitong International Capital Limited
"sq.ft."	square feet
"sq.m."	square meter(s)
"Standing Committee of NPC"	the Standing Committee of the National People's Congress
"State Administration of Taxation" or "SAT"	the State Administration of Taxation of the PRC (中國國家稅務總局)
"State Council"	the State Council of the PRC (中國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Suzhou Cuiping"	Suzhou Cuiping Property Company Limited (蘇州翠屏置業有限公司), a company established in the PRC with limited liability on 16 January 2008 and is an Independent Third Party
"Suzhou Zhuo Cheng"	Suzhou Zhuo Cheng Real Estate Development Company Limited (蘇州卓成房地產開發有限公司), a company established in the PRC with limited liability on 31 May 2002 and is an Independent Third Party
"Target Participant(s)"	Ms. Zhou Li, Mr. Huang Annan, Mr. Fan Wen Yi, Ms. Wu Lijuan, Mr. Wang Tao, Ms. Zhao Lin, Mr. Chen Xiang and Mr. Wang Pei, all of them are the participants of the Pre-IPO Equity Interest Incentive Scheme, further details of which are set out in the section headed "Statutory and General Information – D. Pre-IPO Equity Interest Incentive Scheme" in Appendix V to this prospectus
"Tenancy Agreement A"	the tenancy agreement dated 1 November 2015 entered into between Nanjing Bai Rui Ze and Zhong Hui Nanjing, further details of which are set out in the section headed "Connected Transactions – Tenancy Agreements" in this prospectus

"Tenancy Agreement B"	the tenancy agreement dated 1 November 2015 entered into between Nanjing Jia Pei and Zhong Hui Nanjing, further details of which are set out in the section headed "Connected Transactions – Tenancy Agreements" in this prospectus
"Tenancy Agreements"	Tenancy Agreement A and Tenancy Agreement B
"Time Being"	Time Being Group Limited (正時集團有限公司), a company incorporated in Hong Kong with limited liability on 8 October 2009 which is indirectly held as to 100% by our Company
"Track Record Period"	the period comprising three financial years of our Company ended 31 December 2015
"Trademark license Agreement"	a trademark license agreement dated 8 April 2016 (as supplemented and amended by a supplemental agreement dated 15 May 2016) entered into between our Company and Zhong Hui Nanjing relating to the non-exclusive license to use all of the trademarks set forth in the section headed "Statutory and General Information – B. Further information about the business of our Company – 2. Intellectual property rights – (c) Trademarks licensed to our Group" in Appendix V to this prospectus
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories and possessions, and all areas subject to its jurisdiction
"Urban Real Estate Law"	Law of the People's Republic of China on Urban Real Estate Administration (《中華人民共和國城市房地產管理法》)
"USD", "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States

"Verdure International"	Verdure International Holding Company Limited (翠屏國際控股有限公司) (formerly known as Chung Wai Property Construction Company Limited (中惠置業建設有限公司), a company incorporated in the Cayman Islands with limited liability on 24 August 2007 which is indirectly held as to 100% by Mr. Yeung
"we", "us" or "our"	our Company or our Group, as the context may require
"Wenchang"	Wenchang City (文昌市) in the Hainan Province
"Wenchang Citi-Verdure"	Wenchang Citi-Verdure Investment Company Limited (文昌城投中惠投資有限公司), a company established in the PRC with limited liability on 28 May 2010 which is indirectly held as to 60% by Mr. Yeung and directly held as to 40% by Wenchang City Construction Investment Company Limited (文昌市城市建設投資有限公司), being an Independent Third Party
"Xi'an Trust"	Chang'an International Trust Company Limited (長安國際信託股份有限公司), formerly known as Xi'an International Trust Company Limited (西安國際信託有限公司), a company established in the PRC with limited liability on 28 December 1999 and is an Independent Third Party
"Zhong Hui Nanjing"	Zhong Hui Nanjing Real Estate Development Company Limited (中惠(南京)房地產開發有限公司), a company established in the PRC with limited liability on 20 July 1995, which is indirectly held as to 100% by Mr.Yeung
"Zhong Jia (Hong Kong)"	Zhong Jia (Hong Kong) Investment Construction Company Limited (中嘉(香港)投資建設有限公司), a company incorporated in Hong Kong with limited liability on 28 December 2012 and directly held as to 100% by our Company
"Zhong Jia (International)"	Zhong Jia (International) Investment Construction Company Limited (中嘉(國際)投資建設有限公司), a company incorporated in the BVI with limited liability on 28 November 2012 which is directly held as to 100% by Mr. Yeung and is one of our Controlling Shareholders
"Zhong Jia (International) Holding"	Zhong Jia (International) Holding Company Limited (中嘉(國際)控股有限公司), a company incorporated in the BVI with limited liability on 12 August 2015 which is indirectly held as to 100% by Mr. Yeung

"Zhong Ze (Hong Kong)"	Zhong Ze (Hong Kong) Investment Limited (中澤 (香港)投資有限公司), a company incorporated in Hong Kong with limited liability on 20 September 2011 which is directly held as to 100% by our Company
"Zhong Ze (International)"	Zhong Ze (International) Investment Limited (中澤(國際)投資有限公司), a company incorporated in the BVI with limited liability on 10 August 2011 which is directly held as to 100% by Mr. Yeung and is one of our Controlling Shareholders
"Zhonghui (China) Investment"	Zhonghui (China) Investment Company Limited (中惠(中國)投資有限公司), a company established in the PRC with limited liability on 5 February 2005 which is indirectly held as to 100% by Mr. Yeung
"%"	per cent.

In this prospectus, the English translations of the official Chinese names of PRC laws or regulations, PRC government authorities, companies or other entities organized in the PRC or project names are furnished for identification purposes only. Should there be any inconsistency between the Chinese names and the English translations, the Chinese names shall prevail.

In this prospectus, unless otherwise specified, references to "provinces" in the PRC also include ethnic minority autonomous regions and municipalities directly administered by the central government.

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

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our Group's business and operating strategies and our ability to implement such strategies;
- our Group's dividend distribution plans;
- our Group's capital commitment plans;
- our operations and business prospects, including development plans for our existing and/or new businesses;
- cost, fluctuations in the price and availability of raw materials;
- our Group's financial condition;
- the future competitive environment for the PRC properties and tourism industries;
- the regulatory environment in terms of changes in laws and PRC government regulations, policies and approval processes in the regions where we develop or manage our projects as well as the general outlook for the PRC properties and tourism industries;
- future developments and the competitive environment in the PRC properties and tourism industries.

The words "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "plan," "seek," "will," "would" and similar expressions, as they relate to us, in particular, in the sections headed "Business" and "Financial Information" in this prospectus, are intended to identify a number of these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. They reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the Global Offering. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial conditions or the trading price of our Shares, and could cause you to lose all or part of the value of your investment in the Offer Shares.

RISKS RELATING TO OUR BUSINESS

Our business and prospects are heavily dependent on and may be adversely affected by the performance of the PRC property markets, particularly the performance in Hainan Province.

All of our current property development projects are located in the Hainan Province. As at the Latest Practicable Date, we had six property development projects at various stages of development. Since we expect to continue to deepen our market presence in the Hainan Province, our business continues to be heavily dependent on the performance of property markets in this region. The property market may be affected by local, regional, national and global factors, many of which are beyond our control and could include economic and financial conditions, speculative activities in local markets, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital.

Overall demand for private residential properties in China, particularly in provincial capitals and regional centers, has grown rapidly in recent years. However, the PRC property market also experienced fluctuations in property prices during the same period. There have been increasing concerns over housing affordability, the sustainability of market growth, and that the property market in certain cities in China have been overheating and may become a property "bubble". In addition, demand for properties in certain cities in China has been adversely affected and will continue to be affected by the economic downturn. Any material property market downturn in China generally or in cities in which we have or expect to have operations and any over-supply of properties or any potential decline in demand or prices for properties in the cities in which we operate or expect to operate may materially and adversely affect our business, financial condition and results of operations.

We expect to record a significant decline in net profit for the year ending 31 December 2016.

Although we expect our revenue would remain relatively stable for the year ending 31 December 2016, mainly due to the continuous revenue contribution from sales of apartments of Phoenix Aqua City Left Shore, having considered (i) the expected increase in selling and distribution expenses, mainly due to increase in commission expenses; and (ii) the expected increase in interest expenses of RMB73.7 million given we could no longer capitalise interests expenses for Sanya Phoenix Aqua City Left Shore (which was partly completed as at the Latest Practicable Date and is expected to complete construction around 30 June 2016), it is expected that our Group will record a significant decline in net profit for the year ending 31 December 2016. For detail, please refer to "Financial Information – Recent Developments" on P.338 in this prospectus.

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

We derive a majority of our revenue from the sale of properties that we develop. Our results of operations may fluctuate from period to period due to a combination of various factors, including our land bank available for pre-sale and sale, the overall schedule of our property development projects, the level of acceptance of our properties by prospective customers, the timing and the amount of GFA for pre-sale or sale, our revenue recognition policies and any changes in costs and expenses, such as land acquisition and construction costs. Generally, there is a time difference between the time we commence pre-sale of properties under development and completion of properties. Because the timing of completion of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA sold or pre-sold and the timing of completion of the properties we sell. Periods in which we pre-sell a large amount of aggregate GFA, however, may not necessarily be the periods in which we generate a correspondingly high level of revenue, if the pre-sold properties are not completed and delivered within such period.

Our revenue was RMB192.5 million, RMB790.4 million and RMB1,557.0 million for the three years ended 2013, 2014 and 31 December 2015, respectively, primarily due to the fluctuations in the total GFA delivered to our customers and the ASP recognized during the Track Record Period. Our gross profit margin was 39.4%, 49.2% and 27.5% for the three years ended 31 December 2013, 2014 and 2015, respectively. Our gross profit margin has and will continue to be affected by the change in the product mix delivered during the relevant period as well as land costs and resettlement costs and development costs. Any increase in construction and land costs in the future could reduce our gross margins to the extent that we are unable to pass these increased costs on to our customers and therefore, could materially and adversely affect our results of operations, financial condition and prospects.

We had negative net operating cash flow for the years ended 31 December 2013, 2014 and 2015. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected.

For the years ended 31 December 2013, 2014 and 2015, we had net cash used in operating activities of RMB371.3 million, RMB809.8 million and RMB432.5 million, respectively. Our net cash used in operating activities in 2013 to 2015 was primarily due to cash outflows associated with development of Sanya Phoenix Aqua City South Shore Phase I and Sanya Phoenix Aqua City Left Shore. During the Track Record Period, we funded our capital expenditure with internal resources and external financing. Please refer to the section headed "Financial Information – Liquidity and Capital Resources" in this prospectus. We cannot assure you that we will not experience negative net operating cash flow in the future. Negative net operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we may default on our payment obligations and may not be able to develop our projects as planned. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We maintain a substantial level of indebtedness during the Track Record Period which may affect our business, financial condition, results of operations and prospects.

We maintain a substantial level of borrowings to finance our operations during the Track Record Period and after the Global Offering, we may continue to have a substantial level of borrowings. As at 31 December 2013, 2014, 2015 and 30 April 2016, our total outstanding bank borrowings amounted to approximately RMB1,046.5 million, RMB1,056.8 million, RMB927.3 million and RMB1,448.3 million, respectively. Our gearing ratio, as calculated by dividing our total debt by our total equity, was approximately 50.3%, 62.1%, 66.9% and 108.6%, as at 31 December 2013, 2014, 2015 and 30 April 2016, respectively.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by the then prevailing economic conditions and financial, business and other factors, many of which are beyond our control. If we are unable to fulfill our repayment obligations under our borrowings, or are otherwise unable to comply with the restrictions and covenants in our current or future loans and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the lenders may accelerate the repayment of outstanding debt or, with respect to secured borrowings, enforce the security interest securing the loan. Any cross-default and acceleration clause may also be triggered as a result. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay all of our indebtedness, or that we would be able to obtain alternative financing on terms that are favourable or acceptable to us. As a result, our cash flow, cash available for distributions, results of operation and financial condition may be materially and adversely affected.

Our operations are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies relating to the PRC property sector and in local policies in the regions in which we operate.

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

There has been a series of regulations and policies to slow down the property market and curb the rally in property prices, as well as to dampen property speculation, for example, on 4 August 2010, Hainan Provincial Government issued the Opinion on Implementation of *the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities by the State Council* (《海南省人民政府貫徹落實國務院關於堅決遏制部分城市房價過快上漲通知的意見》), under which the down payment for the first residential property bought per family that is larger than 90 sq.m. shall be not less than 30% of purchase price and the downpayment shall be not less than 50% for the second home. In addition, the minimum interest rate on home purchases shall be no lower than 110% of the benchmark rate. Furthermore, banks are prohibited from providing loans to non-local residents who cannot prove the payment of local tax or social insurance for more than one year. These policies may affect the transaction volumes for properties which may limit our ability to obtain financing, acquire land for future developments, sell our properties at a profit or generate sufficient operating cash flow from contracted sales.

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

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

We derive a majority of our revenue from the sale of properties that we have developed, which is not of a recurring nature. Based on our current development plans, we believe that we have sufficient land reserves for property developments for the next several years. As of 30 April 2016, our properties held for future development includes Sanya Phoenix Aqua City South Shore Phase II with a planned GFA of 617,580.0 sq.m., Haikou Phoenix Aqua City Phase II with a planned GFA of 48,173.8 sq.m. and Danzhou Phoenix Aqua City with a planned GFA of 704,312.8 sq.m. We believe that the sustainable growth and success of our business significantly depend on our ability to continue acquiring additional land reserves in desirable locations at commercially reasonable prices that are suitable for the residential and commercial properties we developed. Our ability to acquire land depends on a variety of factors that are beyond our control, such as overall economic conditions, the availability of land parcels provided by the PRC Government, our effectiveness in identifying and acquiring land parcels suitable for development and competition for such land parcels. During the Track Record Period, substantially all of our land reserves were acquired through acquisition of or capital injection to companies with land. The availability and price of land sold through public tender, auction or listing-for-sale processes also depends on factors beyond our control, including government land policies and competition from other property developers. The PRC Government and relevant local authorities control the supply of new land parcels and approve the planning and use of such land parcels. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in the PRC. To the extent that we are unable to acquire suitable land parcels at commercially acceptable prices for our future development in a timely manner or at prices that enable reasonable economic returns to us or at all, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be successful in managing our growth and expansion into Danzhou.

Since our inception, we have focused primarily on the development of properties in Sanya and Haikou. We plan to explore new opportunities in Danzhou.

We may not be able to leverage our experience in Sanya and Haikou to expand into other cities in the Hainan Province. Danzhou may differ from Sanya and Haikou in terms of the level of economic development, regulatory practice, level of our familiarity with local contractors, business practices and customs, and customer tastes, behaviour and preferences. Accordingly, our experience in Sanya and Haikou may not be transferable to, or relevant for, Danzhou. In addition, expanding our business into Danzhou may entail competition with local or nationwide developers who have an established local presence, are more familiar with local regulatory and business practices and customs and have stronger relationships with local contractors, all of which may give them a competitive advantage over us. Expanding into Danzhou also requires a significant amount of capital and management resources. We will need to manage the growth in our workforce to match the expansion of our business.

As we may face challenges not previously encountered in our business expansion, we may fail to recognise or properly assess risks or take full advantage of opportunities, or otherwise fail to adequately leverage our past experience to meet challenges encountered in Danzhou. For example, we may have difficulty in accurately predicting market demand for our properties in Danzhou. Any failure to successfully leverage our experience or to sufficiently understand the property market in Danzhou may have a material adverse effect on our business, financial condition and results of operations. Further, our profitability is likely to decrease in respect of our future development in Danzhou which has significant lower average selling price than properties in Sanya and Haikou.

We rely on external contractors and suppliers to deliver our projects on time and up to our specified quality standards.

We engage external third-party construction contractors, construction supervision and management companies, other service providers and suppliers to provide us with construction and related services and various types of construction materials as well as other services such as design. We normally select contractors for our property projects through tender by invitation.

We endeavour to engage companies with a strong reputation and track record, high performance and adequate financial resources. However, we cannot assure you that the services rendered or materials supplied by any of our existing or new construction contractors to be engaged by us will always be satisfactory or meet our quality requirements. Our construction contractors may fail to provide satisfactory services at the level of quality or within the timeline required by us. In addition, completion of our property developments may be delayed. We may incur additional costs in respect of remedial actions to be taken (including the replacement of such contractors) as well as potential compensation payable to our customers in the event of any unsatisfactory quality or delay in delivery of our property developments, which could adversely affect the cost structure and development schedule of our projects and could have a negative impact on our financial condition and business. During the Track Record Period, we recorded one return of property due to quality matters. For details, please refer to the section headed "Business – Warranty and Product Returns" of this prospectus. In addition, as we expand our business into other areas in the PRC, there may be a shortage of contractors that meet our quality standards and other selection criteria in such locations and we may not be able to engage a sufficient number of high-quality contractors in a timely manner, which may adversely affect the construction schedules and development costs of our property development projects.

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

Property development is capital-intensive and we expect to continue to incur a high level of capital expenditures for land acquisition and project construction in the foreseeable future. During the Track Record Period, we financed our property projects primarily through proceeds from the pre-sales and sales of our properties and bank borrowings. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including:

- our future results of operations, financial condition and cash flows;
- the condition of the international and domestic financial markets and financing availability;

- requirements to obtain PRC Government approvals necessary for obtaining financing in the domestic or international markets;
- changes in the monetary policies of the PRC Government with respect to bank interest rates and lending practices; and
- changes in policies regarding regulation and control of the property market.

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

- in 2006, the PRC government imposed a restriction prohibiting commercial banks from extending loans of any type to property developers for projects in which the property developer holds less than 35% of the project capital (i.e. ownership interest) or for projects for which the relevant construction land planning permit, construction works planning permit, construction works commencement permit have not been obtained;
- the State Council adjusted the ratio of registered capital to total investment to 20% for ordinary commodity housing projects and low-income housing projects and 30% for other property projects through its Notice of the State Council on Adjusting the Capital Ratio for 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》in 2009;
- the PBOC adjusted the Renminbi deposit reserve ratio for several time since 2010; and
- the PBOC has adjusted the benchmark one-year bank lending rate many times since 2010.

The above measures and other similar government actions and initiatives may limit our ability and flexibility in using bank loans to finance our property development projects. For example, we may be limited as to the development activities in which such financing can be used. In addition, the amount, timing and cost of funding available to us may be also adversely affected, as well as the collateral that can be used to secure such financing. We cannot assure you that the PRC Government will not introduce other initiatives, which may further limit our access to capital and methods to finance our property projects, or that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms, or at all.

Our ability to raise additional capital will depend on the performance of our business as well as economic and market conditions and other factors, some of which are beyond our control. For instance, we entered into a five-year framework agreement in respect of a construction loan facility of RMB3,500 million with Industrial and Commercial Bank of China, Hainan Branch for the purpose of projects development on 26 January 2016. We may not be successful in raising the required capital on reasonable terms in a timely manner in the event that the abovementioned construction loan to be provided by Industrial and Commercial Bank of China, Hainan Branch were delayed or could not be obtained, and as such, our business, financial condition and results of operations may be materially and adversely affected.

Our financing costs are subject to changes in interest rates, and our sales and pre-sales will be affected if mortgage financing becomes more costly or more difficult to obtain.

We finance our property development projects primarily through proceeds from pre-sales and sales of our properties and bank borrowings. For the years ended 31 December 2013, 2014 and 2015, our total interest on bank borrowings were RMB80.7 million, RMB89.8 million and RMB91.9 million, respectively.

In addition, if we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase and we may be subject to additional covenants, which could restrict our ability to utilise cash flow from operations. Any increases in interest rates on our borrowings may have a material adverse effect on our business, financial condition and results of operations.

Please refer to "Financial Information – Key Financial Ratios – Sensitivity analysis" in this prospectus for the effect in changes in interest rates, with all other variables held constant, on our Group's profit/(loss) after tax and total equity attributable to equity shareholders of our Company.

Furthermore, certain of the purchasers of our residential properties rely on personal housing loans granted by banks or housing provident fund from MOHURD to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely impact the affordability of residential properties. Pursuant to the PRC laws and regulations, the monthly mortgage payments shall not exceed 50% of the monthly income of individual borrowers. To control the growth in the PRC property market following the adoption of the stimulus package by the PRC Government in the second half of 2008, the PRC Government has implemented a number of policies to increase the down payment requirement and interest rates for residential property purchases and to suspend the granting of housing fund entrusted loans to buyers purchasing their third or more residential properties. However, in 2015, the PBOC, the MOHURD and the MOF have reduced the minimum down payment rate from 30% to 20% for first home buyers who use the housing provident fund for their purchase. We cannot assure you that the PRC Government and commercial banks will not increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. We cannot assure you that the commercial banks will approve potential property purchasers' applications for mortgage loans in a timely manner, or at all. Our sales and pre-sales may be materially and adversely affected if mortgage financing becomes more costly or more difficult to obtain.

A deterioration in our reputation and brand image may have a material adverse effect on our business, results of operations and financial condition.

We rely on our reputation and brand image to attract potential customers to our properties. Reputation and brand image are based largely on consumer perceptions with a variety of subjective qualities and can be damaged by isolated business incidents that degrade consumer confidence. Any negative incident or negative publicity concerning us or our properties, whether accurate or not, may damage our reputation and have a material adverse effect on our business, results of operations and financial condition. In addition, any inaccurate or negative media reports may require us to engage in defensive actions, which may divert our management's attention and adversely affect our business and results of operations. We cannot assure you that there will not be any other false, inaccurate or negative media reports about us or our projects in the future.

We rely on our trade name and trademarks and any infringement or inappropriate use of our trade name or trademarks may be detrimental to our reputation and profitability.

We are the registrant of 3 trademarks in Hong Kong, and we have made application for registration of 19 trademarks in the PRC. However, we cannot assure you that the applications will be granted and our trade name or trademarks will not be subject to any infringement in the future. Any unauthorised or inappropriate use of our trade name or trademarks could harm our market image and reputation, which may materially and adversely affect our financial condition and results of operations. Any litigation or dispute in relation to our trade name or trademarks could result in substantial costs and the diversion of resources and may materially and adversely affect our business and results of operations.

Any adverse publicity or other adverse development that may affect the reputation, brand image or the "Verdure" or "翠屏" brand generally and any failure in renewing the non-exclusive licence to use such brand may result in a material adverse effect on our business, results of operations and financial condition.

We rely on our reputation and brand image to attract potential customers to our properties. Reputation and brand image are largely based on consumer perception with a variety of subjective, isolated business incidents, negative publicity concerning us or our properties, whether true or not, may degrade consumer confidence and in turn have a material adverse effect on our business, results of operations and financial condition. We cannot assure you that there will not be any false, inaccurate or negative media reports about us or our projects in the future.

In particular, we currently market our products under the "Verdure" or "翠屏" brand which we have obtained a license to use from Zhong Hui Nanjing, being companies wholly owned by Mr. Yeung. For details, please refer to the sections headed "Business – Intellectual Property Rights" and "Connected Transactions – Trademark License Agreement" in this prospectus. However, our license to use such trademarks and brand names remains non-exclusive in nature. In this regard, the Private Group has marketed certain of its property development projects under the "Verdure" or "翠屏" brand. Any negative publicity or disputes regarding products owned by others and marketed under the licensed "Verdure" or "翠屏" brand, for example the property development projects of the Private Group, could adversely affect public perception of our products. Any impairment of our ability to continue selling products under the brand, or any significant damage to the brand's image could adversely affect our business, results of operations and financial condition.

Failure to obtain or material delays in obtaining, requisite certificates, permits, approvals or licenses from the PRC Government may adversely affect our ability in carrying out our property development operations.

The property industry in the PRC is heavily regulated and property developers must abide by various laws and regulations, including rules stipulated by national and local governments to enforce these laws and regulations. Like other property developers in China, we must apply to the relevant government authorities to obtain (and renew those relating to on-going operations) various licenses, permits, certificates and approvals to engage in property development operations, including but not limited to, qualification certificates for real property development enterprise, land use rights certificates, construction works commencement permits, construction works planning permits, construction land planning permits, pre-sale permits and completion certificates. We must meet specific conditions in order for the government authorities to issue or renew any certificate, license or permit.

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

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

The construction of property projects may take over a year or longer before they generate positive net cash flow through pre-sales, sales and leasing. As a result, our cash flows and results of operations may be significantly affected by our project development schedules and any changes to those schedules and whether our developments can be completed within the planned budgets. The schedules of our project developments and whether the projects can be completed within the planned budgets depend on a number of factors, including the performance and efficiency of our third-party contractors and our ability to finance construction and the associated financing costs. Other specific factors that could adversely affect our project development schedules and budgets include:

- changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
- changes in the relevant regulations and government policies;
- failure to obtain, or delay in obtaining, requisite approvals, permits or licenses from the PRC Government;
- errors in judgment on the selection and acquisition criteria for land parcels;
- shortages of materials, equipment, contractors and skilled labour;
- construction accidents;
- labour disputes; and
- natural catastrophes and adverse weather conditions.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm our reputation as a property developer, lead to loss of or delay in recognising revenues and lower returns, as well as liabilities for breach of contract. If a property project is not completed on time, the purchasers of pre-sold units may be entitled to compensation for late delivery or may be able to terminate the pre-sale agreements and claim damages.

We cannot assure you that we will not experience any such delays in the future or that we will not be subject to any liabilities for any such delays. Liabilities arising from any delays in the completion or delivery of our properties may have a material adverse effect on our business, results of operations and financial condition.

Our cash inflow from operations may fluctuate significantly from period to period due to seasonality.

During the Track Record Period, we generally recorded a lower amount of cash inflow from sales and pre-sales of properties during the summer seasons and a higher amount of cash inflow in the winter seasons as we target on, among others, potential buyers from north-east part of the PRC with much colder weather who will visit the Hainan Province in the winter seasons to avoid the cold weather in their homeland. Thus, our cash inflow of operations may fluctuate significantly from period to period and a comparison of different periods may not be meaningful. Our cash inflow for a given fiscal period are not necessarily indicative of cash inflow to be expected for any other fiscal period.

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

PRC law allows property developers to pre-sell properties prior to their completion upon satisfaction of certain requirements. We depend on cash flows from the pre-sale of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of properties and may use pre-sale proceeds only to finance the development project where the pre-sold properties are located. There is no guarantee that the PRC national or local governments will not adopt any limitation, restriction or abolishment of current pre-sale practices. The future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditures we must incur prior to obtaining a pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance the various stages of our property developments including increasing borrowings which would in turn increase our interest payments. This could have a material adverse effect on our business, cash flow, financial condition and results of operations.

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

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

The cost of construction materials, such as steel and concrete, and labour costs may fluctuate from period to period and has experienced such fluctuation during the Track Record Period. During the Track Record Period, the development cost accounted for approximately 73%, 78% and 72% of our cost of sales during the three years ended 31 December 2013, 2014 and 2015, respectively. Our unit development cost per sq.m. amounted to RMB9,364, RMB7,737 and RMB14,302 per sq.m. in respect of our Development Projects for the years ended 31 December 2013, 2014 and 2015, respectively. We generally do not enter into framework or commodities contracts to anticipate an increase or decrease in steel and concrete prices, nor do we include such provisions in general construction contracts. As such, we face risks arising from price fluctuations of steel and concrete. Although we had not been significantly affected by the fluctuations in the prices of steel or concrete during the Track Record Period, any material increase in the cost of any significant construction materials would increase the cost of our subcontractors and increase the subcontracting fees charged to us, resulting in an increase in our development costs (which constitute the largest component of our sales costs). In addition, labour costs in the PRC have increased significantly during 2011 to 2014, with a CAGR of 11.4%, and are expected to continue to increase in the future. If we fail to pass any or all of these increased costs to our customers, our profitability and financial condition may be adversely affected.

Please refer to "Financial Information – Combined Financial Statements – Cost of Sales" in this prospectus for a sensitivity analysis of hypothetical fluctuations in our average selling price of our properties sold and delivered, and development costs, with other assumptions held constant, and their effect on our revenue and profit (if any) for the Track Record Period.

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

We derive a substantial portion of our revenue from sales of our properties and certain of our purchasers apply for bank borrowings and mortgages to fund their purchases. In line with industry practice, commercial banks require us to guarantee mortgage loans offered to purchasers of the properties that we develop. Typically, we guarantee mortgage loans for a purchaser until the earlier of (i) the bank receiving the required evidence of mortgage over the relevant property in favour of the bank; or (ii) the full repayment of the mortgage loan by the purchaser of the relevant property. We are required to deposit with the mortgagee banks an amount which represents a certain percentage of the mortgage to which the guarantee relates. If a customer defaults on payment of its mortgage loan, 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. In line with industry practice, we do not conduct any independent credit checks on our customers and rely on the customer credit evaluations conducted by the mortgagee banks. These are contingent liabilities not reflected on our balance sheets.

As at 30 April 2016, our outstanding guarantees in respect of the mortgages of our customers amounted to RMB91.6 million. As at the Latest Practicable Date, we encountered two incidents of default by our purchaser for whom we had guaranteed their mortgage loans, which involved aggregated default payment plus accrued interest of RMB25,634 for the first incident and aggregated outstanding loan payment plus accrued interest of RMB297,876 for the second incident. We have settled the incident with the relevant purchaser of the first incident on 11 April 2016. In respect of the second incident, our PRC Legal Advisers are of the view that the bank's mortgagee interests over the property have been duly registered and the bank should first seek recovery from the sale of the property. Given the claim amount is not significant, even if the bank succeeded in the claim, there shall be no material adverse effect on our financial position. For further details, please refer to the sections headed "Business – Legal Proceedings" and "Financial Information – Contingent Liabilities – (a) Guarantees on mortgage facilities" in this prospectus. We did not encounter any customer default that had a material adverse effect on our financial condition and results of operations during the Track Record Period and up to the Latest Practicable Date. However, we cannot assure you that we will not be subject to guarantee-related risks. Should any material default occur and if we were called upon to honor our guarantees, our financial condition and results of operations could be adversely affected.

Our property development business may be subject to customer claims.

Under the Regulations on Administration of Development of Urban Property (《城市房地產開發經營管理條例》) promulgated by the State Council, which became effective on 20 July 1998, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. We receive quality warranties from our construction contractors with respect to our property projects to cover claims that may be brought against us under our warranties.

In addition, we may be subject to other types of customer claims from time to time during our ordinary course of business, such as claims in relation to the delay in delivery of property title documents. Purchasers shall apply for the relevant individual building ownership certificates and property developers, including us, are required to assist the purchasers in submitting the relevant documentary evidence within a stipulated period after delivery of the properties, for the government authorities' review and the issuance of the individual building ownership certificates regarding the properties purchased. During the Track Record Period, building ownership certificates of Sanya Phoenix Aqua City South Shore Phase I have not been given to some property owners on time. We may face possible litigation risk of breaching sales contract. For details, please refer to the section headed "Business – Description of our property development projects – Sanya – 1. Sanya Phoenix Aqua City South Shore Phase I" in this prospectus. Delays by the government authorities in reviewing the application and granting approval and certain other factors may affect timely delivery of the general and individual building ownership certificates. We may not be able to submit the relevant documents for the government authorities' review in time due to such delays, which may result in penalties and, in the case of a prolonged delay, the purchaser's demand for return of property or compensation. If we become liable to a significant number of purchasers for such delay, our business, financial condition and results of operations may be materially and adversely affected.

We cannot assure you that we will not face any significant customer claims in the future, which may result in significant expenses to resolve such claims. If we delay in remedying the related defects, our reputation may be harmed and our business, financial condition and results of operations may be adversely affected. Furthermore, although we receive quality warranties from our construction contractors, we may not be able to fully cover our liabilities by enforcing such quality warranties or at all, and the money retained by us from our contractors to cover our payment obligations under the quality warranties may also be insufficient, which could further increase our liabilities under such customer claims.

We may be subject to litigation proceedings and may not succeed in defending ourselves against such claims or proceedings.

We are exposed to litigation and other legal proceedings that may arise from time to time in our ordinary courses of our business. For details of our litigation, please refer to the section headed "Business – Litigation".

Although we plan to vigorously defend our interests in any legal proceedings that arise in the ordinary courses of our business, we could in future incur judgments or enter into settlements of claims that could have a material adverse effect on our results of operations in any particular periods.

Regardless of the merits of any claims or litigations, the Group may have to divert management resources and incur costs to handle these claims. Negative publicity may also be resulted, which may affect the Group's corporate image and reputation. In addition, although it was a term of the agreements amongst Sanya Zhong Ze Kai, Danzhou Shuang Lian and Nanjing San Long that notwithstanding Sanya Zhong Ze Kai has 60% equity interests in Danzhou Shuang Lian, it would not be entitled to any economic interests or be responsible for any loss in respect of Danzhou Phase I. Danzhou Phase I is now completed. We cannot assure you that we will not be subject to such claims nor assume any liabilities arising from Danzhou Phase I in the future.

Any failure or delay in obtaining Planning permits and other relevant permits may materially and adversely affect our business, financial condition and results of operations.

Under relevant PRC laws and regulations, the relevant authorities generally will not issue the formal land use rights certificates until the developer (i) has paid the land premium in full and (ii) is in compliance with other land grant conditions. As of the Latest Practicable Date, we had obtained the land use rights certificates for all of our property development projects. Under relevant PRC regulations, we will be allowed to commence construction of these properties as soon as we have paid the land premium and obtained other required approvals and permits. However, we cannot assure you that there will not be delays in the government authorities' issuance of the such permits. Any failure or delay in obtaining the commencement of construction permit will adversely affect our property development schedule and our business development plan and may have a material adverse effect on our business, financial condition and results of operations.

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

Under PRC laws and regulations, if we fail to develop a particular project according to the terms of the relevant land grant contract, including those relating to the payment of land premiums and other fees, the specified use of the land and the time for commencement and completion of the property development, the PRC Government may impose a penalty, or reclaim our land. If we fail to pay any outstanding land premiums by the date stipulated in the contract, we may be subject to a late payment penalty according to the terms of the land grant contract. If we fail to fully pay the land premiums within 60 days or 6 months after the deadline, the government is entitled to terminate the land grant contract and claim for indemnities.

Furthermore, subject to certain limited exceptions, if we fail to commence construction for more than one year from the commencement date stipulated in the land grant contract, the land authorities may serve an idle land notice on us and impose an idle land fee equivalent to 20% of the land premium. Subject to certain limited exceptions, if we fail to commence construction for more than two years, the land is subject to confiscation. Moreover, even if we commence construction in accordance with the land grant contract, if the size of the developed land area is less than one-third of the size of the total site area of the land, or if the total capital expenditure is less than one-fourth of the total amount expected to be invested in the project as specified in the project registration or approval documents, not including the land premium or relevant tax and fees, and the development of the land is suspended for over one year without government approval, the land will be treated as idle land.

Pursuant to the Notice on Promoting the Saving and Intensification of Use of Land (《國務院關於促進節約集約用地的通知》), MLR and other authorities are required to conduct research on and commence drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, MLR issued the Notice on Strengthening Administration of Construction Land and Promoting the Utilisation of Approved Land without Utilisation (《關於嚴格建設用地管理促進批而未用土地利用的通知》) in August 2009, which reiterates the current rules regarding idle land. In September 2010, MLR and MOHURD or its predecessor, the Ministry of Construction of the PRC jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (《關於進一步加強房地產用地和建設管理調控的通知》) which provides that a property developer and its controlling shareholders will be prohibited from participating in land bidding if it engages in any non-compliance or illegal behaviours, such as (i) leaving land idle for more than one year on the relevant developer's or its controlling shareholder's own reasons, (ii) illegal transfer of land use rights, (iii) non-compliance with the land development requirements specified in a land grant contract, and (iv) crimes such as taking land by forging official documents and illegal land speculation.

We cannot assure you that regulations relating to idle land in China will not become more restrictive or circumstances leading to imposition of penalty, liquidated damages or confiscation of our land will not arise in the future. If we are deemed as holding land idle for more than one year without cause or our land is forfeited due to factors mentioned in this section headed "Risk Factors", most of which are beyond our control, we may lose the opportunity to develop the relevant land, our investments in the land, including land premiums paid and development costs incurred, and our ability to bid for other land in the future, any of which could materially and adversely affect our business prospects, results of operations and financial condition.

We are dependent on third-party real estate sales agencies for sales and marketing of our property projects and may be affected by the performance of such agencies.

We primarily outsource marketing and sales work to professional property sales agencies, and our sales management division oversees and monitors the work performed by the sales agencies. Please refer to the sections headed "Business – Marketing" and "Business – Pre-sales" in this prospectus for more details. We expect to continue to engage third-party sales agencies to conduct sales and marketing of almost all of our property projects in the near future.

Our internal sales management division approves the overall sales and marketing planning and monitors such agencies' sales and marketing activities to ensure that our marketing strategies and plans are implemented and our products are well-positioned and presented. However, we cannot assure you that the sales agencies we engage are in compliance in all material respects with PRC laws and regulations applicable to them. If any of the sales agencies engaged by us fail to comply with applicable PRC laws and regulations in our sales and marketing campaigns, we may lose a portion of our customers, and our reputation and credibility, business and results of operations could be harmed. In addition, if any of the sales agencies engaged by us cannot meet our sales targets or we are not able to engage suitable sales agencies in a timely manner, our sales may be affected and our business, financial condition and results of operations may also be adversely affected.

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

The appraised value of our properties as contained in the section headed "Property Valuation" in Appendix III to this prospectus are based on multiple assumptions that include elements of subjectivity and uncertainty. The assumptions adopted in the property valuation report include, among others:

- transferable land use rights in respect of the properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid;
- information and advice given by the Group and the legal opinion of the PRC Legal Advisers, regarding the titles to the properties and the interests in the properties are correct;
- the owners have enforceable title to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired term as granted;
- no allowance has been made for any charges, pledges or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale; and
- properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

If any of the assumptions used by DTZ in reaching the appraised value of our properties will prove to be inaccurate, the appraised value of our properties may materially differ from realisable value. Therefore, the appraised value should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of our property projects as well as national and local economic conditions may affect the value of the properties we hold.

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

In accordance with PRC regulations on LAT, all persons including companies and individuals that receive income from the sale or transfer of land use rights, properties and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the properties. For the three years ended 31 December 2015, the approximate amount of LAT we provided was RMB17.9 million, RMB121.0 million and RMB71.6 million, respectively. LAT obligations must be settled with the relevant tax bureaus within a specified time frame after the completion of a property project.

We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement of the same with the relevant tax authorities. As some of our projects are developed in several phases, deductible items for calculation of LAT, such as land costs, are apportioned among such different phases of development. Provisions for LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which are subject to final confirmation by the relevant tax authorities upon completion of the projects. However, given the time gap between the point at which we make provision for the LAT and the completion of the relevant project, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other bases on which we calculate LAT. Hence, our LAT expenses recorded for a particular period may require subsequent adjustments. If we substantially underestimate LAT for a particular period, a payment of the actual LAT assessed and levied on us by the tax authorities could adversely affect our results of operations for a subsequent period.

Furthermore, certain notices issued by the PRC Government relating to the settlement of LAT allow provincial tax authorities to formulate their own implementation rules according to the local situation. If the implementation rules promulgated in the cities or provinces in which our projects are located require us to settle all unpaid LAT at the same time, or impose other conditions, our business, results of operations and financial condition may be materially and adversely affected.

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

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

Potential liability for environmental problems could result in substantial costs.

We are subject to a variety of laws and regulations concerning the protection of environment. Environmental laws can prohibit or severely restrict property development activities in environmentally sensitive regions or areas. Compliance with environmental laws and regulations may result in delays and may cause us to incur substantial compliance and other costs. Sewage pipelines of Sanya Fenghuang Xincheng was found to have made sewage discharge into Sanya West River and a penalty of RMB200,000 has been imposed on us. For details, please refer to the section headed "Business – Licenses, Regulatory Approvals and Compliance Records – Non-Compliance" in this prospectus.

As required by PRC laws and regulations, we have engaged independent third-party environmental consultants to conduct environmental impact assessments at all of our completed construction projects and those under our development, and such environmental impact assessments were submitted to the relevant government authorities for approval. It is possible that the environmental impact assessment conducted may not reveal all environmental liabilities or the extent of their impact, and we may not be aware of all material environmental liabilities. If any portion of a project is found to be non-compliant with the relevant environmental standards, the relevant authorities may suspend our operations at that project as well as impose fines and penalties.

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

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

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 face various risks in connection with our businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. In addition, we do not maintain insurance in respect of litigation risks, business termination risks or product liability. Please refer to the section headed "Business – Insurance" in this prospectus for further information. The occurrence of any of these events may result in an interruption of our operations and subject us to significant losses or liabilities. In addition, there are certain losses for which insurance may not be available on commercially reasonable terms, such as losses suffered due to war, civil unrest and certain other events of force majeure. We do not carry insurance to cover such losses. If we incur substantial losses or liabilities and our insurance coverage is unavailable or inadequate to cover such losses or liabilities, our business, results of operations and financial condition may be materially and adversely affected.

Investment in real properties is relatively illiquid, and we may not be able to sell such investment properties at prices or on terms satisfactory to us, or at all.

In general, investment in real properties is relatively illiquid compared with other forms of investment. We may need to dispose of certain investment properties in the event of changing economic, financial and investment conditions. However, we cannot assure you that we will be able to sell such investment properties at competitive prices or on terms satisfactory to us, or at all.

We were not in full compliance with the applicable PRC laws and regulations during the Track Record Period.

We were not in full compliance with the applicable PRC laws and regulations during the Track Record Period. Please refer to the section headed "Business – Non-Compliance" in this prospectus for more details. Save for the non-compliance incidents disclosed therein, as at the Latest Practicable Date, we were not involved in any actual or pending legal or arbitration proceedings in respect of non compliance issue that we believe would have a material adverse impact on our financial condition or results of operations, and we were not involved in any material claims or administrative penalties in relation to our Group made or notified either by third parties against us or vice versa. Any future judgment or penalty against us in respect of these non-compliance incidents could have an adverse effect on our business, financial condition, cash flow and results of operations.

Future investments or acquisitions may have a material adverse effect on our ability to manage our business and harm our results of operations and financial condition.

We may make strategic investments and acquisitions that complement our operations. However, our ability to make successful strategic investments and acquisitions will depend to a large extent on our ability to identify suitable acquisition targets that meet our investment and acquisition criteria, to obtain financing on favourable terms and, where relevant, to obtain the required regulatory approvals. In the event that we are unable to make, or are restricted from making, such strategic investments or acquisitions due to regulatory, financial or other constraints, we may not be able to effectively implement our investment or expansion strategies.

Acquisitions typically involve a number of risks, including, but not limited to:

- the difficulty of integrating the operations and personnel of the acquired business;
- the potential disruption to our ongoing business and the distraction of our management;
- the difficulty of maintaining uniform standards, controls, procedures and policies;
- the impairment of relationships with employees and customers as a result of integration of new management and personnel;
- unrevealed potential liabilities and historical non-compliance incidents associated with acquired businesses;
- more capital is required to preserve and grow the value of acquired businesses or assets than planned; and
- adverse effects on our results of operations due to the amortisation of and potential impairment provision for goodwill or other intangible assets associated with acquisitions, and losses sustained by acquired businesses after the date of acquisitions.

We may not be able to make acquisitions or investments on favourable terms or within a desired time frame. Even if we were able to make acquisitions or investments successfully as desired, we cannot assure you that we will achieve an intended level of return on such acquisitions or investments. In addition, we may require additional equity financing in order to make such acquisitions and investments. If obtained, any such additional equity financing may result in dilution to the holdings of existing shareholders. Any of these factors could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders will, upon the completion of the Global Offering, beneficially own approximately 75% of the issued share capital. As such, our Controlling Shareholders will have substantial control over our business. By virtue of their ownership of our share capital as well as their positions on our Board, they will be able to exert significant influence over our business and other matters of significance to us and other Shareholders by voting at general meetings of our Shareholders or our Board meetings, including:

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

The interests of our Controlling Shareholders may differ from the interests of other Shareholders, and they are free to exercise their votes according to their own interests. In particular, our Controlling Shareholders are able to:

- subject to applicable laws and regulations, cause our Board to act in a manner that may not be in the best interests of our other Shareholders;
- subject to the provisions of our Articles of Association, cause us to adopt amendments to our Articles of Association, including amendments that are not in the best interests of our other Shareholders; or
- otherwise determine the outcome of most corporate actions, including the enforcement of the Deed of Non-competition or Deed of Indemnity against our Controlling Shareholders and subject to the applicable requirements of the Stock Exchange, cause us to effect corporate transactions without the approval of our other Shareholders.

In the event that the interests of our Controlling Shareholders conflict with those of other Shareholders, our other Shareholders may be disadvantaged as a result.

RISKS RELATING TO OUR INDUSTRY IN THE PRC

The PRC property market is heavily regulated and subject to frequent introduction of new regulations which may adversely affect property developers.

The PRC Government exerts considerable direct and indirect influence on the growth and development of the PRC property market through industry policies and other economic measures such as setting interest rates, increasing bank reserve ratios and implementing lending restrictions, imposing tax on property transfers and imposing foreign investment and currency exchange restrictions. Since 2004, the PRC Government introduced a series of regulations and policies designed to generally control the growth of the property market, including, among others:

- strictly enforcing the idle land related laws and regulations;
- restricting the grant or extension of revolving credit facilities to property developers that hold large amounts of idle land and vacant commodity properties;
- prohibiting commercial banks from lending funds to property developers with an internal capital ratio of less than certain prescribed percentage; and
- restricting PRC commercial banks from granting loans to property developers for the purpose of paying land grant premiums.

In particular, the PRC Government also introduced the following policies, among others, to specifically control the growth of the residential property market in the PRC and some of which focus on the first-tier cities:

- restricting (a) residents who own more than two residential properties within the same city, (b) non-residents who own more than one residential properties within the same city, or (c) non-residents who fail to provide proof of tax payment or social security contributions beyond a specified time period from purchasing additional residential properties;
- limiting the maximum amount of monthly mortgage and the maximum amount of total monthly debt service payments of an individual borrower and suspending mortgage financing for the purchase of third or above residential properties of a household;
- imposing a business tax levy on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties;
- increasing minimum down payment for purchase of a second residential property of a household;
- tightening the availability of individual housing loans in the property market to individuals and their family members with more than one residential property; and
- limiting the availability of individual housing provident fund loans for the purchase of a second (or more) residential properties by labours and their family members.

Please refer to the section headed "Regulatory Overview" in this prospectus for details.

We cannot assure you that the PRC Government will not implement further tightening measures to restrain the PRC property market at the national, provincial, municipal and/or local level, in which case the transaction volume and selling prices of properties in the PRC may decline or further intensify, and as a result, our financial condition and results of operations may be, and or may continue to be, adversely affected.

Our ability to secure new projects and related investments may be restricted by policies and regulations introduced by the PRC Government with respect to foreign investment in the PRC property market.

The PRC Government has introduced a number of policies and regulations aimed at regulating overseas investment in the property industry in the past few years. On 11 July 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE issued the "Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market" (《關於規範房地產市場外資準入和管理的意見》). On 23 May 2007, MOFCOM and SAFE issued the Circular on the Reinforcement and Regulation of Approval and Supervision of Foreign Direct Investment in the Real Estate Section (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》).

Please refer to the section headed "Regulatory Overview" in this prospectus for details.

On 10 March 2015, MOFCOM and NDRC jointly issued a revised Catalogue for the Guidance of Industries for Foreign Investment (2015 Revision) (《外商投資產業指導目錄2015年修訂》) that provided, among other things, the construction and operation of villas fall under the category of industries in which foreign investment is prohibited. None of our projects under development are villas.

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

The PRC property market industry is highly competitive.

The property market in the PRC has been highly competitive. Our existing and potential competitors include both major national and regional property developers facing varied competitions in terms of land acquisition, geographic location, management expertise, financial resources, access to transportation infrastructure, size of land reserves, product quality, brand recognition by customers, customer services and support, pricing and design quality. We may seek to further enhance our market presence in these cities amid intense competition.

In recent years, a large number of property developers have begun to undertake property development and investment projects in the PRC. These include major domestic and overseas property developers, as well as State-owned and private property developers, including a number of leading Hong Kong property developers. Many of our competitors, including top-tier domestic developers, may have greater financial and other capital resources, experience, marketing and other capabilities and/or name recognition than us. Our existing and potential competitors vary among the different cities in which we operate. Certain local competitors may have extensive local knowledge and business relationships and/or a longer operating track record in the relevant local markets than we do. Competition among property developers may cause an increase in land costs and raw material costs, shortages in quality construction contractors, surplus in property supply leading to property price decline, further delays in issuance of governmental approvals, and higher costs to attract or retain talented employees, all of which may materially and adversely affect our business. We cannot assure you that we will be able to compete successfully in the future against our existing or potential competitors or that increased competition with respect to our activities may not have a material adverse effect on our financial condition and results of operations.

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

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuations in property prices. It is extremely difficult to predict by how much and when demand will develop, as many social, political, economic, legal and other factors, most of which are beyond our control, may affect the development of the market. The level of uncertainty is increased by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of a liquid secondary market for residential property may discourage investors from acquiring new properties. In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit demand for residential property.

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

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

RISKS RELATING TO THE PRC

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

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

- political structure;
- level of the PRC Government's involvement and control;
- growth rate and level of development;

- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

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

Other political, economic and social factors may also lead to further adjustments of the reform measures, which may not necessarily have a positive effect on our business development and operations. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy that the government believed to be over-heating, including the property industry. These measures have included restricting foreign investment in certain sectors of the property industry, raising benchmark interest rates of commercial banks and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits and raising the thresholds and minimum loan interest rates for residential mortgages. These actions, as well as future actions and policies of the PRC Government, could cause a decrease in the overall level of economic activity in the property industry and in turn have a material and adverse impact on our business, results of operations and financial conditions.

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

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God and occurrence of epidemics.

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some cities in China may be under the threat of flood, earthquake, rainstorm or drought. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS, H5N1 avian flu, H1N1 influenza, Ebola or an outbreak of any other epidemics in China or globally, including the spread of H7N9 avian influenza virus and especially in the cities in which we operate, may result in material disruptions to our property development projects and our sales and marketing efforts, which in turn may adversely affect our business, financial condition and results of operations.

Fluctuations in the value of the Renminbi may have a material and adverse impact on your investment.

Substantially all of our revenues and expenditures are denominated in Renminbi, while the net proceeds from the Global Offering and any dividends, if any, we pay on our Shares will be in Hong Kong dollars. Any appreciation in the Renminbi against the Hong Kong dollar will adversely affect the relative value of the proceeds we will receive from the Global Offering. A depreciation in the Renminbi, on the other hand, would adversely affect the value of any dividends, if any, we pay to our Shareholders in foreign currencies, or require us to use more Renminbi funds to service the same amount of any foreign debt.

Fluctuations in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the future.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. As of the Latest Practicable Date, we had not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

The PRC Government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange businesses. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, we cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will continue to be in effect in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, business, results of operations and financial condition may be materially and adversely affected.

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

Our business is conducted in mainland China and is governed by PRC laws and regulations. Substantially all of our subsidiaries are located in China and are subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by who an application or case is presented to such agency, we may receive less favorable interpretation of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including our Shareholders.

Our Company is a holding company that relies on payment from our subsidiaries for funding, and any limitation on the ability of our PRC subsidiaries to pay dividends to us may have a material adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core business primarily through our subsidiaries in the PRC. We rely on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we incur and to pay any dividend we declare. If any of our subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us. In addition, our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year for their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of association. As a result, our PRC subsidiaries may be restricted in their ability to transfer any portion of their net income to us whether in the form of dividends, loans or advances. In addition, restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future, if any, may also restrict the ability of our PRC subsidiaries to make distributions to us. Any limitation on the ability of our PRC subsidiaries to pay dividends to us may materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, service our indebtedness or otherwise fund and conduct our business.

Change of tax law may subject us to higher income tax rate and dividends payable by our Company to our foreign investors and gain on the sale of our Shares could become subject to withholding taxes under the PRC tax laws.

Under the EIT Law and its implementation rules issued on 6 December 2007 effective 1 January 2008, the enterprise income tax for both domestic and foreign-invested enterprises was unified at 25% from 1 January 2008.

In addition, under the EIT Law, enterprises organised under the laws of jurisdictions outside the PRC with their de facto management bodies located in the PRC may be considered PRC resident enterprises and therefore subject to EIT at the rate of 25% on their worldwide income. Under the implementation of the EIT Law, the term “de facto management bodies” means the organisations that actually and comprehensively manage and control the production and operation, staff, finance, properties and other aspects of the organisations. As most of our management are located in the PRC after the effective date of the EIT Law, we may be considered a PRC resident enterprise and therefore subject to EIT at the rate of 25% on our worldwide income and dividends or gain on the sale of our Shares received by our non-resident enterprise shareholders may be subject to a withholding tax at a rate of up to 10%. The EIT Law provides that dividend payments generated between qualified PRC resident enterprises are exempted from enterprise income tax. According to the implementation rules of the EIT Law, "dividends, bonuses and other equity investment gains generated between qualified resident enterprises" as referred to in the EIT are the returns of investment made directly by one resident enterprise in another resident enterprise. The income from such equity investments such as dividends and bonuses shall not include the investment yield acquired by continuously holding the listed common shares of the resident enterprise for less than 12 months.

Although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, it remains unclear whether dividend payments by our PRC operating subsidiaries would meet such qualification requirements if we were considered a PRC resident enterprise for this purpose.

Under the EIT Law and its implementation regulations, PRC income tax at a rate of 10% is applicable to dividends payable to investors that are "non-PRC resident enterprises" (and which do not have an establishment or place of business in PRC, or which have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends are sourced within the PRC. Under the "Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, such dividend withholding tax rate is reduced to no more than 5% for dividends paid by a PRC company to a Hong Kong resident enterprise if such Hong Kong entity directly owns at least 25% of the equity interest of the PRC company. As such, dividends paid to us by our PRC subsidiaries through our Hong Kong subsidiaries may be subject to a reduced withholding tax at a rate of 5% under this arrangement, provided that our Hong Kong subsidiaries are deemed as "beneficial owners" of such income, and provided further that neither our company nor our Hong Kong subsidiaries are deemed to be PRC tax resident enterprises.

However, pursuant to Circular 601 by the SAT in October 2009, "beneficial owner" should carry out substantial business activities and own or have control over the rights or assets which give rise to such income. Specifically, agents and conduit companies will not be regarded as the "beneficial owner" of such income. If our Hong Kong subsidiaries are not deemed beneficial owners under Circular 601, they may not be able to enjoy the 5% preferential tax treatment and as a result the dividends distributed by our PRC subsidiaries through these Hong Kong subsidiaries will be adversely affected. Circular 601 further lists several factors that would be more unlikely for relevant authorities to identify a company to be a beneficial owner of certain specific income, including (i) whether the company is obligated to pay or distribute all or a substantial part of its income to a third country resident in a prescribed time period, (ii) whether the company does not or barely engages in other operating activities other than holding the assets or interests from which the income is derived, (iii) whether the assets, business size and employees of the company are relatively limited and could not reasonably match the income, (iv) whether the company has no or little control over the assets or interests from which the income is derived and bears no or little risks, (v) whether certain income are non-taxable or exempted from tax in the other contracting country, or the tax rate is extremely low, if any, (vi) whether apart from the loan agreement under which the interest payment is provided, there is other loan or deposit agreements between the lender and a third party with similar terms of amount, interest rate and execution date, and (vii) apart from the transfer agreement of copyright, patent or technology under which a license fee is provided, whether there are any other transfer agreements relating to the use, right or ownership to the copyright, patent or technology between the company and the third party.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and the PRC property industry contained in this document.

Certain facts, forecasts and other statistics in this document relating to China, the PRC economy and the PRC property industry have been derived from various government, official or public publications. However, we cannot guarantee the quality or reliability of such materials. They have not been prepared or independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside China. We have, however, taken reasonable care in the reproduction and/or extraction of the official government publications for the purpose of disclosure in this document.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this document may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy and the PRC property industry contained in this document.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and their liquidity and market price may be volatile.

Prior to the Global Offering, there was no public market for our Shares. The Offer Price range for our Shares was the result of negotiations among us and the Sole Bookrunner on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop or, if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. In addition, we cannot assure you that the Global Offering will result in the development of an active and liquid public trading market for our Shares. Furthermore, the price and trading volume of our Shares may be volatile. Factors such as the following may affect the volume and price at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- announcements of new projects or land acquisitions by us or our competitors;
- reduction of or restriction on financing for the property industry or housing market;

- changes in management or other key personnel of us or of our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- changes in laws, regulations and policies affecting our industry in China;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us, our Controlling Shareholders or other shareholders.

You should note that the stock prices of listing companies in the property industry have experienced wide fluctuations. Such market fluctuations may also adversely affect the market price of our Shares. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Shares.

You may have difficulties in protecting your interests because we are a Cayman Islands company and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions.

We are a Cayman Islands company and our corporate affairs are governed by the Companies Law and common law of the Cayman Islands. The laws of Cayman Islands relating to the protection of the interest of minority shareholders may differ from those under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Therefore, remedies available to the minority shareholders of our Company may be different from those they would have under the laws of Hong Kong or other jurisdictions. Please refer to the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix IV to this prospectus.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in mainland China or to enforce against them in mainland China any judgments obtained from non-PRC courts.

Most of our executive Directors are ordinarily resident in mainland China, and substantially all of our assets are located within mainland China. Therefore, it may be difficult for investors to effect service of process upon us or those persons inside mainland China or to enforce against us or them in mainland China any judgments obtained from non-PRC courts.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

We cannot guarantee that we will pay dividends.

Any declaration of dividends will be proposed by our Directors and the amount of any dividends will depend on various factors, including, without limitation, market conditions, our strategic plans and prospects, our business opportunities, our financial condition and results of operations, working capital requirements and anticipated cash needs, contractual restrictions and obligations, payments by subsidiaries of cash dividends to us and legal, tax and regulatory restrictions, and other factors that our Directors deem significant from time to time. For further details of our dividend payments, please refer to the section headed "Financial Information – Dividends" in this prospectus. We cannot guarantee if and when we will pay dividends in the future.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

Before the publication of this prospectus, there may be press and media coverage which contains certain information regarding the Global Offering and us that is not set out in this prospectus. We have not authorised the disclosure of such information in any press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no presentation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Given that our head office, business and operation are primarily located, managed and conducted in the PRC and, save for Mr. Yeung, who is our Chairman and executive Director and a resident in Hong Kong, all other Directors are not Hong Kong residents or based in Hong Kong, our Company does not and will not, in the foreseeable future, have two executive Directors residing in Hong Kong.

Accordingly, we have applied to the Stock Exchange for a waiver from compliance with the requirements under Rule 8.12 of the Listing Rules. The Stock Exchange has granted the requested waiver to our Company from strict compliance with the requirements under Rule 8.12 of the Listing Rules on condition that our Company would adopt the following arrangements to maintain regular communication with the Stock Exchange:

(a) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. Yeung, our Chairman and executive Director and Mr. Leung Wai Fung Joseph, our company secretary and chief financial officer who is an ordinary resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or email. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

(b) both authorised representatives have means to contact all members of the Board (including our non-executive Director and independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters;

(c) To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, our Company will implement a number of policies whereby (i) each executive Director, non-executive Director and independent non-executive Director shall provide his/her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the authorised representatives; (ii) in the event that an executive Director, non-executive Director or independent non-executive Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the authorised representatives; and (iii) all our Directors and authorized representatives will provide their respective mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses to the Stock Exchange;

(d) if the circumstances require, meetings of the Board can be convened and held in such manner as permitted under the Articles of Association at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;

(e) a compliance adviser has been appointed by our Company pursuant to Rule 3A.19 of the Listing Rules to provide our Company with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two authorized representatives of our Company, as our Company's principal channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company publishes its annual report in respect of its first full financial year commencing after the Listing Date;

(f) meetings between the Stock Exchange and our Directors can be arranged through the authorised representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly of any change in the authorised representatives or the compliance adviser; and

(g) all our Directors have confirmed that they possess or can apply for valid travel documents to travel to Hong Kong when so required and would be able to come to Hong Kong and meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES

Our Group has certain transactions with connected persons that are expected to continue after Listing, which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from the strict compliance with the relevant requirements in respect of such non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. The details of such waivers are set out in the section headed "Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information about us to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to its date.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his, her or its acquisition of Offer Shares to, confirm that he, she or it is aware of the restrictions on offers of the Offer Shares described in this prospectus. No action has been taken to permit a Hong Kong Public Offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus, and the Global Offering and sale of the Offer Shares, in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including the Offer Shares and Shares to be issued under the Capitalisation Issue.

No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or such other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the Listing Rules) after a trading transaction. You should seek advice from your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights, interests and liabilities.

All necessary arrangements have been made for the Shares to be admitted to CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Lead Manager, the Underwriters, any of our or their respective directors, officers of representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal share registrar, Estera Trust (Cayman) Limited in the Cayman Islands, and our register of members in Hong Kong will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong.

Dealings in our Shares registered on our share register kept in Hong Kong will be subject to Hong Kong stamp duty.

LANGUAGE

The English names of the PRC nationals, entities, departments, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding. Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB amounts into Hong Kong dollars at specified rates.

Unless we indicate otherwise or for transactions that have occurred at historical exchange rates, the translation of RMB into Hong Kong dollars, and vice versa, in this prospectus was made at the following rate:

- RMB0.83332 to HK$1.00

No representation is made that any amounts in Hong Kong dollars or RMB can be or could have been at the relevant dates converted at the above rate or any other rate or at all.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Yeung (楊敏)	18 Tang Shan Jie, Tang Shan Jie Dao, Jiangning District, Nanjing, Jiangsu Province, the PRC	Chinese
Mr. Huang Annan (黃安南)	Room 709, Block B, Dong San Huan Bei Lu (Wu 2 Hao), Chaoyang District, Beijing, the PRC	Chinese
Ms. Zhou Li (周莉)	18 Tang Shan Jie, Tang Shan Jie Dao, Jiangning District, Nanjing, Jiangsu Province, the PRC	Chinese
Ms. Fan Wen Yi (范文燚)	Room 606, Floor 6, Block 3, Xi Yuan, Bao An Jiang Nan Cheng (Phase 3), 66 He Ping Da Dao, Meilan District, Haikou City, Hainan Province, the PRC	Chinese
Non-executive Director		
Mr. Wang Pei (王培)	Flat 1902, Unit 2, Block 4, 8 Zheng He Nan Lu, Gulou District, Nanjing, Jiangsu Province, the PRC	Chinese
Independent non-executive Directors		
Mr. Li Zhong (李忠)	Room 1601, Unit 3, Block A, Kang Bao Hua Yuan, No. 8 Yuan, East Workers' Stadium Road, Chaoyang District, Beijing, the PRC	Chinese
Mr. E Jun Yu (鄂俊宇)	Room 1028, Floor 9, Block 8, Guang Da Jia Yuan, Wan Liu, 2 Quan Zong Lu, Haidian District, Beijing, the PRC	Chinese
Dr. Chen Shimin (陳世敏)	Room 2102, No. 8, Lane 188, Mingyue Road, Pudong, Shanghai, the PRC	American

For further information regarding our Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Party	Name and Address
Sole Sponsor	**Haitong International Capital Limited** 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Sole Global Coordinator, Sole Bookrunner and Lead Manager	**Haitong International Securities Company Limited** 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Co-lead Managers	**CSL Securities Limited** Room 1406-12, 14/F Nan Fung Tower 88 Connaught Road Central Central, Hong Kong **RHB Securities Hong Kong Limited** 12th Floor, World-Wide House 19 Des Voeux Road Central Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* **Loong & Yeung Solicitors** Room 1603, 16/F China Building 29 Queen's Road Central Central Hong Kong *As to PRC law:* **Beijing Dentons Law Offices, LLP (Guangzhou)** 51/F Tower A, Victory Plaza 103 Tiyuxi Road, Tianhe District Guangzhou China *As to Cayman Islands law:* **Appleby** 2206-19 Jardine House 1 Connaught Place Central Hong Kong

Underwriters	**Haitong International Securities Company Limited** 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	CSL Securities Limited Room 1406-12 14/F, Nan Fung Tower 88 Connaught Road Central Central Hong Kong
	RHB Securities Hong Kong Limited 12th Floor World-Wide House 19 Des Voeux Road Central Hong Kong
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Reed Smith Richards Butler** 20th Floor Alexandra House 18 Chater Road Central Hong Kong
	As to PRC law: **Zhong Lun Law Firm** 23/F, R&F Center 10 Huaxia Road Pearl River New Town Tianhe District Guangzhou China
Auditors and reporting accountants	**KPMG** *Certified Public Accountants* 8th Floor Prince's Building 10 Chater Road Central Hong Kong
Property valuer	**DTZ Cushman & Wakefield Limited** 16/F, Jardine House 1 Connaught Place Central Hong Kong

Industry Consultant	**DTZ Cushman & Wakefield Limited** 16/F, Jardine House 1 Connaught Place Central Hong Kong
Receiving Bank(s)	**Wing Lung Bank Limited** 45 Des Voeux Road Central Hong Kong

For further information regarding the qualifications of the above parties, please refer to the section headed "Statutory and General Information – (E) OTHER INFORMATION – 6. Qualifications of experts" in Appendix V of this prospectus.

Principal Place of Business and Head Office in the PRC	2/F, No. 1 Building Hampton by Hilton No. 169 Yu Lin Road Tianya District Sanya, the Hainan Province The PRC
Registered Office	**Estera Trust (Cayman) Limited** PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Company's Website	**www.hailanholdings.com** *(information contained on the website does not form part of this prospectus)*
Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	Room 1603, 16/F China Building 29 Queen's Road Central Central Hong Kong
Company Secretary	LEUNG Wai Fung Joseph (梁偉峰) *Certified Public Accountant* Flat E, 2/F, Block 9 South Horizons, Ap Lei Chau Hong Kong
Authorised Representatives	LEUNG Wai Fung Joseph (梁偉峰) *Certified Public Accountant* Flat E, 2/F, Block 9 South Horizons, Ap Lei Chau Hong Kong YEUNG Man (楊敏) 18 Tang Shan Jie, Tang Shan Jie Dao, Jiangning District, Nanjing, Jiangsu Province, the PRC
Audit Committee	CHEN Shimin (陳世敏) *(Chairman)* LI Zhong (李忠) E Jun Yu (鄂俊宇)

Remuneration Committee	E Jun Yu (鄂俊宇) *(Chairman)* HUANG Annan (黃安南) ZHOU Li (周莉) LI Zhong (李忠) CHEN Shimin (陳世敏)
Nomination Committee	YEUNG Man (楊敏) *(Chairman)* ZHOU Li (周莉) LI Zhong (李忠) E Jun Yu (鄂俊宇) CHEN Shimin (陳世敏)
Hong Kong Branch Share Registrar and Transfer Office	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Cayman Islands Principal Share Registrar and Transfer Office	**Estera Trust (Cayman) Limited** PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Compliance Adviser	**Haitong International Capital Limited** *A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity* 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Principal Bank(s)	**Industrial and Commercial Bank of China Limited** *(Sanya Branch)* 743 Jiefang Road Sanya Hainan Province The PRC **Bank of Communications Co., Ltd.** *(Sanya Branch)* Block D, Chuangye Building Xinfeng Road Sanya Hainan Province The PRC

This section contains information and statistics relating to the economy of China and the property industry in which we operate. We have extracted and derived the information in the section below, in part, from various official government publications and a commissioned market research report from DTZ. Please refer to the paragraph headed "Sources of Information" below for more details. We believe that such sources are appropriate sources for the information and statistics below, including forward-looking information for future periods as identified, and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us or the Sponsor, any of our or their respective affiliates or advisers, or any party involved in the Introduction and no representation is given as to its correctness, accuracy and completeness. Certain information and statistics included, including those excerpted from official and government publications and sources in China, may not be consistent with other information and statistics compiled within or outside China by third parties. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the DTZ Report, which may qualify, contradict or have an impact on the information as disclosed in this section.

SOURCES OF INFORMATION

In connection with the Listing, we commissioned a market research report from DTZ (which is the Hong Kong Office of Cushman & Wakefield) for use in part in this prospectus to provide information relating to the economy of China, the property market in China, especially in specified areas in the Hainan Province, and the property industry in which we operate. DTZ has charged us a total fee of RMB480,000, for the preparation of the DTZ Report, which we believe is in line with the market rate for such report.

Cushman & Wakefield is a global real estate services firm, which offers a range of services including investment agency, leasing agency, property and facilities management, project and building consultancy, investment and asset management, research and valuation. Cushman & Wakefield has offices of 43,000 employees in more than 60 countries.

For the purpose of the Listing, DTZ also serves as our property valuer. A property valuation report prepared by DTZ which relates to our property interests is included in Appendix III to this prospectus. The preparation of the DTZ Report and the property valuation report was separately handled by two different DTZ business functions which are independent from each other. The DTZ Report was prepared primarily by the designated market research team of DTZ based on data from the PRC government, renowned research institutions and the proprietary databases of DTZ. In the course of research, DTZ conducted interviews with local industry professionals and Company's management.

The following sets out the main reasons why DTZ adopted the above sources of information and considered them as reliable:

- it is general market practice to adopt official data and announcements from various Chinese government agencies;
- DTZ understands the data collection methodology and data source of the subscribed database from China Index Academy; and

- the information obtained from interviews is for DTZ's reference only and the findings in this report are not based on the results of these interviews. Nevertheless, DTZ has proven track records in providing market research studies to government and private clients in the regions where the DTZ Report cover, and the information obtained from those interviews are therefore considered reliable.

While preparing the DTZ Report, DTZ has relied on the assumptions listed below:

- there will be no political or administrative developments that will significantly impact general confidence in China, specifically in the studied areas, to the detriment of business activity, tourist arrivals and domestic travel;

- support infrastructure such as fresh water, sewage treatment, electricity and gas will be supplied and generated at a consistent and reliable level to maintain end-user satisfaction;

- the existing transportation system to, from and within the studied areas will be maintained and improved to meet the accessibility requirements of the cities; and

- the economies of the major trading, investor and tourist generating countries to the PRC, specifically the studied area, will not experience significant and sustained recession in the near future.

Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the DTZ Report which may qualify, contradict or have an impact on the information set out in this section.

OVERVIEW OF THE PRC ECONOMY

Over the past few years, the PRC's economy has been affected by the worldwide economic turmoil. However, under the influence of various macro-economic policies, the PRC's GDP growth has remained strong, with a GDP growth from approximately RMB40,890 billion in 2010 to approximately RMB67,671 billion in 2015, representing a CAGR of approximately 10.6%.

The table below sets out the key economic and demographic indicators for the PRC for the years indicated:

	2010	2011	2012	2013	2014	2015	CAGR (2010-2015)
Nominal GDP (RMB Billion)	40,890.3	48,412.4	53,412.3	58,801.9	63,646.3	67,670.8	10.6%
Real GDP Growth Rate (%)	10.6%	9.5%	7.7%	7.7%	7.4%	6.9%	–
GDP Per Capita	30,567.0	36,018.0	39,544.0	43,320.0	46,531.0	–	–
Fixed Asset Investment (RMB Billion)	25,168.4	31,148.5	37,469.5	44,629.4	51,276.1	55,159.0	17.0%
Urban Disposable Income per capita (RMB)	19,109.4	21,809.8	24,564.7	26,955.0	28,844.0	31,195.0	10.3%
Permanent Population (Million Person)	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,374.6	0.5%

Source: China Statistical Yearbook

OVERVIEW OF THE PROPERTY MARKET IN THE PRC

The PRC government has put in place certain policies that are intended to stabilise real estate prices and control real estate loans in the PRC. These policies primarily relate to, among others, control over purchasing properties for speculation and adjustment of the minimum capital ratio of fixed asset investment projects according to the economic situations and the necessity of macro-economic control.

The official borrowing and saving rates of the PBOC reached the peak in July 2011, and was then adjusted downward twice in 2012, once in November 2014 and in March 2015. As a result of this change in monetary policy, the financing costs to purchase properties are lowered. This is expected to improve the liquidity and stimulate the demand of the property market, and to maintain market growth at a steady rate.

Under the effects of domestic investment, consumption and rapid growth of the PRC economy, the PRC property market has been growing rapidly.

The table below sets out the key residential real estate indicators for the PRC for the years indicated:

	2010	2011	2012	2013	2014	2015	CAGR (2010-2015)
Residential Real Estate Investment (RMB billion)	3,402.6	4,432.0	4,937.4	5,895.1	6,435.2	6,460.9	13.7%
Total GFA of Residential Properties Completed (million sq.m.)	634.4	743.2	790.4	787.4	808.7	737.8	3.1%
Total GFA of Residential Properties Under Construction (million sq.m.)	3,147.6	3,877.1	4,289.6	4,863.5	5,151.0	5,115.7	10.2%
Total GFA of Residential Properties Sold (million sq.m.)	933.8	965.3	984.7	1,157.2	1,051.9	1,124.5	3.8%
Sales Revenue (RMB billion)	4,412.1	4,819.8	5,346.7	6,769.5	6,241.1	7,277.1	10.5%
Average Selling Price of Residential Properties (RMB/per sq.m.)	4,725.0	4,993.2	5,429.9	5,850.0	5,933.0	6,471.4	6.5%

Source: China Statistical Yearbook

OVERVIEW OF THE TOURISM INDUSTRIES OF HAINAN PROVINCE AND SELECTED CITIES

The NDRC officially released the "2010-2020 Hainan International Tourism Island Development Planning Outline" (海南國際旅游島建設發展規劃綱要) in 2010. According to the goals described in the planning outline, Hainan will become a worldwide first-class island leisure resort by 2020. By then, value added from the tourism industry as a percentage of provincial GDP should exceed 12%, while the total contribution of tertiary industries should reach to 60%. Provincial urban and rural GDP, along with citizens' living standards, should reach to national advanced level, while aggregate environmental quality should remain at a leading level nationally. The plan proposes that by 2020, the percentage of "clean energy" as part of primary energy consumption should be in the 50% proportion, while vehicle exhaust emissions will meet national advanced level standards.

Tourism Market

Increase in revenues generated from tourism in Hainan correlates with the increase in number of travelers. The following table sets out the revenues from tourism in Sanya, Haikou and Danzhou for the periods indicated.

	2010	2011	2012	2013	2014	2015	CAGR (2010-2015)
Number of travelers (in millions, except for CAGR)							
Hainan	**25.9**	**30.0**	**33.2**	**36.7**	**47.9**	**53.4**	**15.6%**
– Sanya	8.8	10.2	11.0	12.3	13.5	10.3	3.2%
– Haikou	7.3	8.6	9.5	10.6	11.3	12.3	11.0%
– Danzhou	5.0	5.6	6.4	11.9	13.5	15.8	25.9%
– Others	4.8	5.6	6.3	1.9	9.6	15.0	25.6%
Total tourism revenues (RMB in billions, except for CAGR)							
Hainan	**25.8**	**32.4**	**37.9**	**42.9**	**50.7**	**57.2**	**17.3%**
– Sanya	14.0	16.1	19.2	23.3	27.0	22.1	9.6%
– Haikou	7.2	8.3	10.2	12.0	14.2	16.0	17.3%
– Danzhou	0.4	0.4	0.5	0.9	1.0	1.1	22.4%
– Others	4.2	7.6	8.0	6.7	8.5	18.0	33.8%
As a percentage of GDP							
Hainan	**12.5%**	**12.9%**	**13.3%**	**13.6%**	**14.5%**	**15.5%**	**4.4%**
– Sanya	60.6%	56.7%	58.0%	62.4%	66.7%	72.0%	3.5%
– Haikou	11.7%	11.3%	12.4%	13.3%	14.1%	14.0%	3.7%
– Danzhou	3.1%	2.9%	2.7%	4.5%	4.3%	4.8%	9.1%
– Others	2.0%	3.0%	2.8%	2.1%	2.4%	4.9%	19.6%

Source: China Statistic Bureau

THE PROPERTY MARKETS OF HAINAN PROVINCE AND SELECTED CITIES

Hainan Province

Overview of the economy of Hainan Province

Hainan Province is an island located in the south of China with a total population of approximately 9.1 million by the end of 2015. The nominal GDP in 2015 was approximately RMB370.3 billion, with a real growth rate of 7.8% and a CAGR of 12.4% between 2010 to 2015. The ratio of contribution to the GDP of Hainan Province by the primary, secondary and tertiary industry has adjusted to 23.1:23.6:53.3 in 2015.

Source: DTZ Valuation and Advisory Services (Shanghai)

The table below sets out the key economic and demographic indicators for Hainan Province for the years indicated:

	2010	2011	2012	2013	2014	2015	CAGR (2010-2015)
Nominal GDP (RMB Billion)	206.5	251.5	285.5	314.6	350.1	370.3	12.4%
Real GDP Growth Rate (%)	15.8%	12.0%	9.1%	9.9%	8.5%	7.8%	–
GDP Per Capita	23,831.0	28,797.0	32,374.0	35,317.0	38,924.0	40,818.0	11.4%
Fixed Asset Investment (RMB Billion)	133.1	161.1	214.5	269.8	304.0	336.0	20.3%
Utilised Foreign Direct Investment (USD Million)	1,522.8	1,581.0	1,641.0	1,811.0	1,920.0	2,470.0	10.2%
Urban Disposable Income Per Capita (RMB)	15,581.0	18,396.0	20,918.0	22,929.0	24,487.0	26,356.0	11.1%
Urban Disposable Expenditure Per Capita (RMB)	15,581.1	18,369.0	20,917.7	–	–	–	–
Average Household Income (RMB)	16,929.6	20,094.2	22,809.9	–	–	–	–
Permanent Population (Million Person)	8.7	8.8	8.9	9.0	9.0	9.1	0.9%
Urbanisation (%)	49.8%	50.5%	51.5%	52.7%	53.8%	55.1%	2.0%

Source: Hainan Statistical Bureau

Overview of the property market in Hainan Province

With the rapid growth of the economy and the development of Hainan International Tourism Island, the major demand drivers of the Hainan real estate market are as below:

Upgrade of Provincial Urban Disposable Income Per Capita

It is expected that the per capita disposable income of urban households will increase steadily and smoothly in the near future. This can be attributed to a positive consumer power.

Improvement of Transportation Networks of Hainan Island

The completion of West Ring High-speed Rail will successfully solve the crucial traffic problem of the whole Hainan Island.

The steady, rational development of Hainan Tourism Market

According to the goals described in the "2010-2020 Hainan International Tourism Island Development Planning Outline", Hainan will become a worldwide first-class island leisure resort by 2020.

The demand for residential properties in Hainan is mainly from non-local people. For the buyer characteristic for Hainan residential property market, tourists from the Northern China including Jilin Province, Liaoning Province and Heilongjiang Province and Beijing will still predominate the proportion of buyer groups. In Hainan residential market, lower density housings such as medium-rises and villas account for a large portion. Considering of its advantage on lower set price, high-rise apartments with small unit size was popular for buyers from outside the island. The future development outline of Hainan Province is maintaining to focus on north and south coastal area, especially defining Haikou and Sanya as the focal point of north area and south area respectively.

The table below sets out the key property market indicators for Hainan Province for the years indicated:

	2010	2011	2012	2013	2014	2015	CAGR (2010-2015)
Real estate investment (2010-2015) (RMB billion)	46.8	65.1	88.7	119.7	143.2	170.4	29.5%
Total GFA of commodity properties under construction (million sq.m.)	44.9	62.6	78.1	78.2	95.2	83.2	13.1%
Total GFA of commodity properties completed (million sq.m.)	10.4	11.3	15.9	11.7	18.5	–	–
Total GFA of commodity properties sold (million sq.m.)	8.5	8.7	9.3	11.9	10.0	10.5	4.3%
Sales Revenue (RMB billion)	74.7	77.4	73.6	103.3	93.5	98.3	5.6%
Average selling price of commodity properties (RMB/sq.m.)	8,735.0	8,943.5	7,893.8	8,669.0	9,315.0	9,339.2	1.3%

Source: China Statistical Bureau

Overview of selected cities in Hainan Province

Sanya

Sanya is located at the southernmost part of the Hainan Island. The city's total area is approximately 1,919.58 sq.km. with a total population of approximately 0.7 million by the end of 2015. It is a tropical coastal tourist city. Sanya possesses rich tourism resources, including good weather, beautiful landscapes of sea, beach, forest, hot springs, caves and garden, as well as culture. The economy of Sanya maintained a rapid growth with a CAGR of nominal GDP of approximately 13.5% from 2010 to 2015.

The nominal GDP of Hainan Province in 2015 was approximately RMB370.3 billion, with a real GDP growth rate of 7.8%. Sanya accounted for approximately 11.7% of the GDP of Hainan Province in 2015. The growth in fixed asset investment remained stable from 2010 to 2015. In 2015, Sanya per capita disposable income of urban residents was approximately RMB28,782.0, representing an increase of approximately 7.2% compared with that in 2014.

Land Price Trend

The supply of residential land was limited during the past 5 years in Sanya. Only 4 plots of land for residential use were transacted in 2015, with a total accumulated site area of 209,182 sq.m. However, due to the higher plot ratio, the total residential GFA of the 4 plots were planned to be 384,965 sq.m. The trend of the total transaction price shows fluctuation. The average accommodation value was at RMB3,255 per sq.m. as at 2015.

	2010	2011	2012	2013	2014	2015	CAGR (2010-2015)
No. of transactions	3	5	7	6	6	4	5.9%
Land transfer price (RMB million)	1,723	2,179	2,436	1,537	4,164	1,253	-6.2%
Site area for construction (sq.m.)	176,314	482,048	509,316	193,837	491,589	209,182	3.5%
Planned GFA (sq.m.)	220,862	1,328,224	689,537	378,968	785,416	384,965	11.8%
Average accommodation value (RMB per sq.m.)	7,802	1,640	3,532	4,056	5,301	3,255	-16.0%

Source: CREIS

Residential properties

According to data released by the Sanya Statistics Bureau, based on the total GFA of residential properties already completed, the supply of residential properties increased from 1.1 million sq.m. in 2010 to 1.6 million sq.m. in 2015, representing a CAGR of 7.0%. Based on the total GFA of sold residential properties, the demand for residential properties decreased from approximately 1.41 million sq.m. in 2010 to approximately 1.05 million sq.m. in 2015. Demand kept increasing before 2013 but witnessed a drop in 2014 due to the control policy on residential land supply issued by the Government at the end of 2013. Average selling price of residential properties increased from RMB17,317 per sq.m. in 2010 to RMB17,997 per sq.m. in 2015.

The table below sets out the key residential market indicators for Sanya for the years indicated:

	2010	2011	2012	2013	2014	2015	CAGR (2010-2015)
Stock of properties							
Total GFA of residences completed (000' sq.m.)	1,106.7	746.6	1,422.6	348.1	2,800.5	1,553.0	7.0%
Supply of properties							
Total GFA of residences under construction (000' sq.m.)	5,186.3	5,487.3	7,807.4	9,822.4	11,810.4	10,901.6	16.0%
Demand of properties							
Total GFA of residences sold (000' sq.m.)	1,408.0	1,623.5	1,780.2	1,805.7	991.3	1,051.5	-5.7%
Price level of properties							
Average selling price of residences (RMB per sq.m.)	17,317.0	12,727.0	11,431.0	14,299.0	19,576.0	17,997	0.8%

Source: Sanya Statistical Bureau

Market landscape and competition

Building on its reinforced competitive strength year-over-year, Sanya has become a city that is highly sought after by an increasing number of famous developers. Well-known domestic developers including Vanke (萬科), Luneng Group (魯能集團) and China Railway Group (中鐵集團) have established their footholds in Sanya. Moreover, a couple of local housing enterprises in Hainan such as Luhuitou Group (鹿回頭集團) have been developing at a rapid pace.

Based on the total pre-sales amounts of the residential market in 2014 and 2015, we were the tenth largest property developer in Sanya in terms of sales for the years 2014 and 2015, while Sanya accounted for 21.1% and 20.7% of the market share of the property development industry of the Hainan Province for the relevant periods. The Hainan Province in turn accounted for 1.2% and 1.1%, respectively, of the market share in China's real estate. Major real estate companies in Sanya are ranked as follows:

Corporate sales rankings in 2014 (based on pre-sales amount)

Rank	Name of Enterprise	Sales Amount (RMB million)	Approximate Market Share
1	Luhuitou Group	5,177.6	27.4%
2	Luneng Group	1,270.3	6.7%
3	Vanke	1,148.6	6.1%
4	Hevol Real Estate	842.6	4.5%
5	Hongkun Real Estate	634.0	3.4%
6	Sanya Fenghuang Shuicheng Development	562.0	3.0%
7	China Railway Real Estate Group	512.8	2.7%
8	Runfeng Construction Co., Ltd	353.3	1.9%
9	Poly Group	346.3	1.8%
10	Our Group	330.3	1.7%

Source: CREIS

Corporate sales rankings in 2015 (based on pre-sales amount)

Rank	Name of Enterprise	Sales Amount (RMB million)	Approximate Market Share
1	Luhuitou Group	1,752.2	8.8%
2	Vanke	1,558.1	7.9%
3	Hebei Zhuoda Real Estate	1,118.4	5.6%
4	Luneng Group	957.9	4.8%
5	Raycom Real Estate	804.7	4.1%
6	Greenland	715.9	3.6%
7	China Railway Real Estate Group	685.3	3.5%
8	Hevol Real Estate	575.7	2.9%
9	Jialong Group	573.3	2.9%
10	Our Group	527.6	2.4%

Source: CREIS

Note: Apart from other records disclosed from CREIS, the pre-sales data of Hailan Holdings Limited was provided by the Company. We believe that the sources of this information are appropriate and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false of misleading. The information has not been independently verified by us, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

Hotel market

In Sanya, the hotel market supply has been increasing year after year whereas a steady increase can be witnessed in demand. In addition, resulting from factors such as the recovery of the external economic, the increase of residents' per capita consumption and the increased visibility of Hainan International Tourism Island, the hotel operating environment has entered into a virtuous cycle.

Key Hotel Market Indicators

Year	Occupancy Rate (%)	Average Room Rate (RMB/Room/ Night)	Average Revenue per Room (RMB)
2013	50.5%	579	292
2014	56.9%	570	324
2015	62.0%	575	357
Y-O-Y Growth Rate (2015/2014)	9.0%	0.9%	10.2%
Annual Growth (2013-2015)	10.8%	-0.3%	10.6%

Source: STR Database

Note: 1. Statistics of Sanya's hotel market in 2013-2015 captures data from January to December in 2013-2015 only and does not include CAGR.

Note: 2. The number of available room per night has witnessed a growing trend in Sanya high-end hotel market from 2013 Q1 to 2015 Q4. The increase was primarily due to the construction of large luxury hotels because of the opening of international tourism island. A large number of hotels in Haitang Bay are currently under construction because of tourism planning in that area. This will increase the available rooms per night in the future once again.

**Note:* The data in the above table shows the historical figures of about 15 hotels including the top 7 hotels in the market in Sanya.

Market Outlook

We expect the current investment in real estate and tourism consumption momentum trends in Sanya to broadly continue for much of 2016. In the short time, Sanya residential market will keep on a steady, healthy and reasonable development while the price is foreseeable to increase steadily.

Haikou

Haikou is located in northern Hainan Province. The city's total area is approximately 2,304.8 sq.km. The total population is approximately 2.2 million by the end of 2015. The air pollution index is only 28, and it is superior to the first grade of the country's standard. It ranks the top among all the large-and medium-sized cities in the country in terms of air quality.

In 2015, Haikou achieved a nominal GDP of approximately RMB116.1 billion, which accounted for approximately 31.4% of Hainan Province's total nominal GDP, with a real growth rate of 7.5%. In 2015, Haikou achieved GDP per capita of approximately RMB52,501. Haikou achieved fixed asset investment of approximately RMB101.2 billion in 2015, which increased by approximately 23.1% from 2014. In 2015, Haikou's per capita disposable income of urban residents was approximately RMB28,535, representing an increase of approximately 7.6% from 2014.

Land Price Trend

The supply of residential land has been limited during the past 5 years in Haikou. Only 32 plots of land for residential use were transacted in 2015, with a total accumulated site area of approximately 1.29 million sq.m. However, due to the large scale of the land plot and the higher plot ratio, total residential GFA of the 32 plots was planned to be approximately 2.81 million sq.m. The trend of the total transaction price shows fluctuation. The average accommodation value was at RMB1,401 per sq.m., with an annual premium rate of only 9.6%.

	2010	2011	2012	2013	2014	2015	CAGR (2010-2015)
No. of transactions	10	7	36	10	14	32	26.2%
Land transfer price (RMB million)	2,797	586	4,710	1,677	4,027	3,941	7.1%
Site area for construction (sq.m.)	441,432	131,660	1,792,057	305,475	861,296	1,294,169	24.0%
Planned GFA (sq.m.)	1,294,130	318,916	3,637,921	830,833	2,234,990	2,811,771	16.8%
Average accommodation value (RMB per sq.m.)	2,161	1,838	1,294	2,017	1,801	1,401	-8.3%
Average premium rate	100.2%	0.5%	2.1%	40.7%	0.5%	9.6%	-37.4%

Source: CREIS

Residential properties

According to data released by the Haikou Statistics Bureau, based on the total GFA of residential properties that have already been completed, the supply of residential properties increased from 839,400 sq.m. in 2010 to 2,164,500 sq.m. in 2015, representing a CAGR of 20.9%. Total GFA of residences under construction increased from approximately 6.75 million sq.m. in 2010 to approximately 25.7 million sq.m. in 2015, representing a CAGR of 30.7%. Based on the total GFA of sold residential properties, the demand for residential properties increased from approximately 2.0 million sq.m. in 2010 to approximately 3.73 million sq.m. in 2015 representing a CAGR of 13.3%. The average selling price of residential properties decreased from RMB8,069.0 per sq.m. in 2010 to RMB7,636.0 per sq.m. in 2015 representing a CAGR of -1.1%.

The table below sets out the key residential market indicators for Haikou for the years indicated:

	2010	2011	2012	2013	2014	2015	CAGR (2010-2015)
Supply of properties							
Total GFA of residences completed (thousand sq.m.)	839.4	455.7	2,284.4	1,476.1	3,261.1	2,164.5	20.9%
Total GFA of residences under construction (thousand sq.m.)	6,749.1	9,480.7	12,793.6	14,300.3	15,908.3	25,692.3	30.7%
Demand for properties							
Total GFA of residences sold (thousand sq.m.)	1,997.0	1,931.6	2,514.9	3,190.4	2,975.8	3,733.0	13.3%
Price level of properties							
Average selling price of residences (RMB per sq.m.)	8,069.0	6,641.3	6,512.0	7,341.8	7,472.9	7,636.0	-1.1%

Source: CREIS

Market landscape and competition

Building on its reinforced competitive strength year-over-year, Haikou has become a city that is highly sought after by an increasing number of famous developers. Well-known domestic developers such as Evergrande Group (恒大集團) and Greenland Group (綠地控股集團) have established their footholds in Haikou. Moreover, a couple of local housing enterprises in Hainan such as HNA Group (海航集團) and Hainan Jiayuan (海南佳元) have been developing at a rapid pace.

Based on the total pre-sales amount of the residential market in 2014 and 2015, major real estate companies in Haikou are ranked as follows:

Haikou's corporate sales rankings in 2014 (based on pre-sales amount)

Rank	Name of Enterprise	Sales Amount (RMB million)	Approximate Market Share
1	HNA Group	1,293.6	5.8%
2	Guangwu Real Estate Group	985.7	4.4%
3	Haikou Urban Construction & Investment	698.5	3.1%
4	Greenland Group	495.4	2.2%
5	Hainan Jiayuan Real Estate	440.7	2.0%

Source: CREIS

Haikou's corporate sales rankings in 2015 (based on pre-sales amount)

Rank	Name of Enterprise	Sales Amount (RMB million)	Approximate Market Share
1	HNA Group	1,453.6	5.1%
2	Evergrande Group	1,235.3	4.3%
3	Guangwu Real Estate Group	1,054.0	3.7%
4	R&F Properties	1,036.1	3.6%
5	New World China Land	714.3	2.5%

Source: CREIS

Note: We believe that the sources of this information are appropriate and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false of misleading. The information has not been independently verified by us, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

Hotel Market

Haikou's hotel market supply has been increasing year after year whereas a steady increase has taken place in demand. In addition, resulting from factors such as the recovery of the external economy, the increase of residents' per capita consumption and the increased visibility of Hainan International Tourism Island, the hotel operating environment has entered into a virtuous cycle.

Key Hotel Market Indicators

Year	Occupancy Rate (%)	Average Room Rate (RMB/Room/ Night)	Average Revenue per Room (RMB)
2013	37.9%	653	247
2014	47.6%	703	335
2015	46.6%	607	283
Y-O-Y Growth Rate (2015/2014)	23.0%	-7.0%	14.4%
Annual Growth (2013-2015)	10.9%	-3.6%	7.0%

Source: STR Database

**Note:* Data in above table shows the historical figures of the top 7 hotels in the market in Haikou.

Market Outlook

Along with the rapid growth in Haikou's infrastructural investment, the demand in the near future for residential properties in Haikou is expected to increase speedily as projected from the growth trend of Haikou travellers between 2010 and 2015, and unit sale price of commodity housing has reached RMB15,000 per sq m. From the supply aspect, the developable coastland of Haikou is very restricted, and high-rise buildings are not permitted to be developed along the seashore. The housing price is expected to maintain a stable increase in the short term as the services and improvement are gradually completed and the demand for investment has not been restrained yet.

Danzhou

Danzhou is situated in the northwest part of the Hainan Province. Danzhou is China's excellent tourist city, boasting abundant tourist resources. The total population is approximately 1.0 million in 2014. Danzhou City showed a rapid growth of economy with a CAGR of GDP of approximately 14.9% from 2010 to 2015.

In 2015, Danzhou achieved a nominal GDP of approximately RMB23.0 billion, which contributed approximately 6.2% of Hainan Province's total nominal GDP, with a real GDP growth rate of 7.9%. In 2015, Danzhou achieved GDP per capita of approximately RMB25,813 and fixed asset investment of approximately RMB13.0 billion in 2015. In 2015, Danzhou per capita disposable income of urban residents was approximately RMB24,557.0, representing an increase of approximately 7.6% from 2014.

Land Price Trend

The supply of residential land was limited during the past 5 years in Danzhou. Only 5 plots of land for residential use were transacted during 2010-2015, with a total accumulated site area of 840,124 sq.m.. However, due to the higher plot ratio, the total residential GFA of the 5 plots was planned to be 2,003,900 sq.m.. The trend of the total transaction price shows fluctuation. The average accommodation value was at RMB344 per sq.m..

Residential properties

According to data released by the Danzhou Statistics Bureau, based on the total GFA of sold commodity properties, the demand for residential properties increased from 123.3 thousand sq.m. in 2010 to 640.6 thousand sq.m. in 2014, representing a CAGR of 51.0%. The average price of residential properties increased from RMB3,198 per sq.m. in 2010 to RMB3,419 per sq.m. in 2014, representing a CAGR of 1.7%.

The table below sets out the key real estate indicators for Danzhou City for the years indicated:

	2010	**2011**	**2012**	**2013**	**2014**	**CAGR (2010-2014)**
Real Estate Investment (RMB million)	590.0	1,904.3	2,366.4	3,207.6	4,376.4	65.0%
Total GFA of commodity properties Sold (thousand sq.m.)	146.0	314.0	339.9	620.8	645.8	45.0%
Residential	123.3	288.4	325.8	575.4	640.6	51.0%
Total Sales Amount of commodity housing sold (RMB Million)	492.1	1,568.9	1,648.8	2,727.6	2,232.6	45.9%
Residential	394.4	1,400.0	1,489.8	2,383.6	2,190.4	53.5%
Average Selling Price of commodity properties (RMB/per sq.m.)	3,371.0	4,997.0	4,851.0	4,394.0	3,457.0	0.6%
Residential	3,198.0	4,854.0	4,573.0	4,142.0	3,419.0	1.7%

**Note:* Data for 2015 is not released yet and is therefore not available. As introduced by Danzhou Statistic Bureau, residential generally includes normal residential, villas and apartments. Houses for business use generally include retail shops, shopping malls, and hotels etc.

Source: Danzhou Statistic Bureau

Market landscape and competition

In Danzhou, most residential developments are distributed in two areas, i.e. Yangpu Economic Development Zone (洋浦經濟開發區) and downtown area of Danzhou. In the Yangpu Economic Development Zone (洋浦經濟開發區), many residential areas have begun to build up and more well-recognized property developers built houses along the coastline, such as Zhongnan Group (中南集團) and Evergrande Group (恒大集團). Three residential development projects include West Coast (中南•西海岸), Lanbo Bay (博亞茲•瀾鉑灣) and Jin Bi World (恒大金碧天下), which will be nearly completed in the coming 2016-2017 around the Ocean Flower Island (海南海花島), which is a well-known large complex project scheduled to be completed in 2018. The future supply of residential developments will pose a threat to the fierce price competition.

Market Outlook

According to the latest city planning of Danzhou, residential real estate in the site of the project will be in full flourish. Based on the establishment of the Ocean Flower Island (海南海花島), the whole 12km coastline will attract investors from local buyers and other groups over the country. And as a large number of surrounding well-known residential developments launched, it will bring opportunities and competition to the subject project. What's more, with the planning of Danzhou International Airport (儋州國際機場) to be built, Western Hainan High-speed Railway (西環高鐵) and the highway from Chengmai (澄邁) to Wanning (萬寧) put into operation, it will improve greatly the traffic network of the regional area and also stimulate the price growth.

HISTORICAL PRICE TRENDS OF BUILDING CONSTRUCTION SERVICES COSTS

According to the information on construction costs from the Ministry of Housing and Urban-Rural Development of the PRC, construction costs in 2015 showed an overall rising trend with fluctuations. The average construction cost of high-rise residences was RMB1,758 per sq.m. while medium-rise residences was RMB1,599 sq.m. and that of multi-storey residences was RMB1,366 per sq.m. till the second half of 2015.

Trend of the PRC construction and installation costs (2010-2015)

	2010 H1	2010 H2	2011 H1	2011 H2	2012 H1	2012 H2	2013 H1	2013 H2	2014 H1	2014 H2	2015 H1	2015 H2
High-rise (RMB/sq.m.) . . .	1,547	1,595	1,633	1,700	1,730	1,774	1,811	1,835	1,839	1,817	1,791	1,758
Medium-rise (RMB/sq.m.) .	1,377	1,411	1,461	1,520	1,576	1,570	1,591	1,639	1,637	1,654	1,629	1,599
Multi-storey (RMB/sq.m.) .	1,053	1,096	1,177	1,233	1,256	1,284	1,281	1,339	1,350	1,362	1,354	1,366

Source: China Construction Engineering Costs Information Website

COMPETITION IN THE PROPERTY MARKET IN THE PRC

The property market in Hainan Provinces and elsewhere in the PRC is fragmented and competitive notwithstanding high entry barrier such as large financial commitment. Our existing and potential competitors include both major national and regional property developers with extensive operations in the cities or markets in which we operate as well as local property developers. We believe that the major competitive factors in the residential and commercial property development industry include land acquisition, geographic location, management expertise, financial resources, access to transportation infrastructure, size of land reserves, product quality, brand recognition by customers, customer services and support, pricing and design quality. In recent years, the PRC Government has also issued policies to reduce the number of property development projects that involve redevelopment or relocation of existing occupants. These policies increase competition among property developers as the amount of land available for property development is reduced.

We believe that, with our established position in the property market in Hainan Province, our large scale quality properties, our effective cost control measures together with our experience and well-establish brand name, we are able to react quickly to challenges in the PRC property market. We will continue to enhance our brand recognition in Hainan Province and across the PRC, and plan to explore new property projects in Hainan. For details, please refer to the section headed "Business – Competition" in this prospectus.

This section sets forth a summary of the most significant PRC laws and regulations that affect our business and the industry in which we operate.

LEGAL SUPERVISION RELATING TO THE REAL ESTATE SECTOR IN THE PRC

I. ESTABLISHMENT OF A REAL ESTATE DEVELOPMENT ENTERPRISE

In accordance with the *Urban Real Estate Law* promulgated by Standing Committee of NPC on 5 July 1994, enforced on 1 January 1995, revised and enforced on 30 August 2007 and amended and enforced on 27 August 2009), real estate development enterprises are defined as the enterprises that engage in real estate development and operation for the purpose of seeking profits. In accordance with the *Development Ordinance* (promulgated and implemented on 20 July 1998, and amended and enforced on 8 January 2011 by the State Council), the establishment of a real estate development enterprise shall, in addition to the conditions for the enterprise establishment prescribed by relevant laws and administrative regulations, fulfill the following conditions:

(1) The registered capital shall be more than RMB1 million, and

(2) The enterprise shall have more than 4 full-time technical personnel with certificates of qualifications of real estate specialty, construction engineering specialty and more than 2 full-time accounting personnel with certificates of qualifications.

People's governments of the provinces, autonomous regions and municipalities directly under the State Council may, in the light of the actual local conditions, formulate more stringent provisions for the conditions of registered capital and specialised technical personnel for the establishment of a real estate development enterprise than those in the preceding paragraph.

Pursuant to *the Hainan Notice on Adjusting Real Estate Development Enterprises Qualifications* promulgated and enforced by the People's Government of Hainan Province on 1 November 2013, relevant adjustments are made to the qualifications of real estate developers of class 3 or lower; the registered capital of a real estate developer of class 3 shall not be less than RMB15 million; the registered capital of a real estate developer of class 4 shall not be less than RMB10 million and real estate developers of class 3 or lower shall accord to their respective requirements of professional technicians.

Under the *Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries* (《國務院關於調整部分行業固定資產投資項目資本金比例的通知》) (Guo Fa[2004]No. 13) issued and enforced by the State Council on 26 April 2004, minimum capital ratio of real estate development projects (excluding affordable housing projects) has been increased from 20% to 35%.

Pursuant to the *Development Ordinance*, to establish a real estate development enterprise, the developer must apply for registration with the administrative organs for industry and commerce of the people's government at or above the county level, which should, in examining the application for the registration, seek the views of the administrative departments responsible for real estate development at the same level. The developer must also report its establishment to the responsible administrative organs for real estate development of the region of its registration within 30 days upon receipt of its business license.

II. FOREIGN-INVESTED REAL ESTATE DEVELOPMENT ENTERPRISES

Under the *Foreign Investment Industrial Guidance Catalogue (Amended in 2015)* (《外商投資產業指導目錄(2015年修訂)》) first promulgated by the State Planning Committee, State Economic and Trade Commission and Ministry of Foreign Trade and Economic Cooperation on 11 March 2002, amended by MOFCOM and NDRC on 30 November 2004 and newly amended on 10 March 2015 and effective on 10 April 2015, construction and operation of large theme parks fall within the category of industries in which foreign investment is subject to restrictions and the construction of villas falls within the industry that foreign investment is prohibited.

On 11 July 2006, Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly promulgated and enforced the *Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market* (《關於規範房地產市場外資准入和管理的意見》) (Jian Zhu Fang[2006]No. 171) ("Circular 171"). Under the Circular, there are certain restrictive measures on the investment by foreign investors in the property market in China, including that foreign institutions or individuals who buy properties not for their own use in China should follow the principle of "commerce existence" and apply for the establishment of foreign-invested enterprises pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then carry on their business pursuant to their approved business scope. Provided that, on 19 August 2015, the MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE above jointly issued the *Notice on adjusting policies on Market Access and Administration of Foreign Investment in the Real Estate Market* (《住房城鄉建設部等部門關於調整房地產市場外資准入和管理有關政策的通知》) (Jian Fang [2015] No.122), pursuant to which, the Circular 171 is amended accordingly to loosen the relevant requirements on investment in the real estate market by foreign investors.

On 23 May 2007, MOFCOM and SAFE jointly issued and enforced the *Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector* (《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》) (Shang Zi Han[2007]No. 50) which made the following requirements for approval and supervision of foreign investment in real estate:

(1) foreign investment in the real estate sector in the PRC relating to high-grade properties should be strictly controlled;

(2) before obtaining approval for the setup of FIREEs, (i) both the land use rights certificates and building ownership certificates should be obtained or, (ii) contracts for obtaining land use rights or housing ownership rights should be entered into;

(3) existing foreign invested enterprises need to obtain approval before they expand their business operations into the real estate sector and existing FIREEs need to obtain new approval in case they expand their real estate business operations;

(4) acquisitions of domestic real estate enterprises and foreign investment in real estate sector in a way of round trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;

(5) parties to real estate enterprises with foreign investment should not be in any way guaranteed a fixed investment return;

(6) registration shall immediately be effective according to applicable laws with MOFCOM regarding to the setup of FIREEs approved by local governmental authorities;

(7) foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those which fail to file with MOFCOM or fail to pass the annual reviews; and

(8) for those FIREEs, which are wrongfully approved by local authorities for their setups, (i) MOFCOM should carry out investigation, order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out for them foreign exchange registrations.

MOFCOM issued on 18 June 2008 and enforced on 1 July 2008 the *Notice on Properly Handling the Filings for Foreign Investment in Real Estate Sector* (《關於做好外商投資房地產業備案工作的通知》) (Shang Zi Han[2008]No. 23). According to the notice, since 1 July 2008, MOFCOM entrusts its provincial level branches to review the filing materials with respect to FIREEs and check and confirm the legality, authenticity and accuracy of the materials. MOFCOM will archive the filing after receiving the archival form duly completed and submitted by the provincial level branches. The notice also requires that the establishment (including the increase of registered capital) of a FIREE shall comply with the project company principle of engaging in one approved real estate project only.

In accordance with the *M&A Rules* announced by six PRC ministries and commissions (see Definitions: "M&A Rules") on 8 August 2006, effective on 8 September 2006 and promulgated and enforced on 22 June 2009, if a foreign investor takes over the equities of the shareholders of a domestic non-foreign-funded enterprise and thus changes the domestic company into a foreign-funded enterprise, the foreign investor shall satisfy the requirements of the laws, administrative regulations, and rules of China concerning the qualifications of investors, and shall comply with the policies on the industry, land, environmental protection, etc. For the industries where solely foreign-owned operation is not permitted by the "Foreign Investment Industrial Guidance Catalogue", the takeover shall not lead to the consequence of a foreign investor's holding all the equity rights of the enterprise; for the industries where it is required for a Chinese party to control or relatively control the shares, the Chinese party shall, after an enterprise in such industries is taken over, still control or relatively control the shares of the enterprise; for the industries where foreign investors are prohibited from operation, no foreign investor shall take over any enterprise in such industries.

On 6 April 2010, the State Council issued and enforced the *Certain Opinions on Further Enhancing the Utilization of Foreign Investment* (《國務院關於進一步做好利用外資工作的若干意見》) (Guo Fa[2010]No. 9), which provides that projects with a total investment (including capital increase) of less than US$300 million in an industry in which foreign investment is encouraged or permitted as listed in the "Foreign Investment Industrial Guidance Catalogue", may be approved by local governments, except for those that need to be approved by relevant departments of the State Council, as specified in the "Catalogue of Investment Projects Approved by the Government" (《政府核准的投資項目目錄》).

MOFCOM and SAFE jointly issued the *Notice 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》) (Shang Zi Han[2014]No. 340) on 24 June 2014 and enforced on 1 August 2014, which adopts an electronic registration system to simplify the registration process and emphasises the post-registration governance.

III. REINVESTMENT OF FOREIGN-FUNDED ENTERPRISES

Under the *Interim Provisions on the Domestic Investment of Foreign-funded Enterprises* (《關於外商投資企業境內投資的暫行規定》) promulgated by the Ministry of Foreign Trade and Economic Cooperation and SAIC on 25 July 2000 and implemented on 1 September 2000, the phrase "investment within China by foreign investment enterprises" means an act whereby a Sino-foreign equity joint venture, a Sino-foreign cooperative joint venture or a wholly foreign-owned enterprise legally established in China in the form of a limited liability company, or a company limited by shares with foreign investment, invests in and establishes an enterprise in China or purchases the interest of one or more investors in another enterprise ("Investee Company") in China in its own name. The joint domestic investment by a foreign investor and a foreign-funded enterprise shall be handled in accordance with the laws and regulations of the PRC on foreign investment. The capital contribution of the foreign investor in such a joint investment shall generally account for not less than 25% of the registered capital of the Investee Company.

To invest in and establish a company in the encouraged or permitted category, a foreign-funded enterprise shall file an application with the company registration authority of the place where the Investee Company is to be located, and submit relevant materials. To invest in and establish a company in the restricted category, a foreign-funded enterprise shall submit an application to the provincial level authority for foreign trade and economic cooperation of the place where the Investee Company is to be located and submit relevant materials.

In accordance with the *Provisions on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《商務部實施外國投資者併購境內企業安全審查制度的規定》) promulgated by MOFCOM on 25 August 2011 and enforced on 1 September 2011, with regard to the merger and acquisition of domestic enterprises undertaken by foreign investors, the authorities should judge whether such transaction is subject to the security review based on the essential content and actual impact of the transaction. Foreign investors shall not avoid merger and acquisition security review through any means, including without limitation commissioned shareholdings, trusts, multi-level investments, leases, loans, contractual control, overseas transactions, etc.

Pursuant to the *Notice on the Reform of the Administration of Foreign Exchange Registered Capital Settlement for Foreign-Invested Enterprises* (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (Hui Fa[2015]No. 19), issued by SAFE on 30 March 2015 and implemented on 1 June 2015, a reform on the administration of foreign exchange capital settlement for foreign-invested enterprises is carried out in China and foreign-invested enterprises may make equity investments within China by utilizing the RMB funds converted from their foreign exchange registered capital. Besides the remittance of equity transfer payments in the original foreign currency, foreign-invested enterprises mainly engaged in investment business (including foreign investment companies, foreign-invested venture capital enterprises and foreign-invested equity investment enterprises) are permitted to directly convert foreign capital funds into RMB funds or transfer the RMB funds converted from the foreign capital account to the bank account of the investee enterprise based on the actual investment scale on the premise that the domestic investment projects are authentic and in compliance. Equity investments within China by remitting the equity transfer payments in the original foreign currency by general foreign-invested enterprises other than the above enterprises shall be governed by the current domestic reinvestment laws and regulations. If such foreign-invested enterprises make equity investments in China by using converted RMB funds, the investee enterprise shall first register this domestic reinvestment activity with the administration of foreign exchange (bank) of its incorporation place and open a corresponding RMB account for depositing the converted RMB funds, and the foreign-invested enterprises shall then transfer the converted RMB funds into the above RMB account of the investee enterprise based on the actual investment scale. If the investee enterprise continues to make equity investments in China, the above principles shall apply.

IV. QUALIFICATIONS OF A REAL ESTATE DEVELOPER

1. Classification of Qualification, Approval and Business Scope of a Real Estate Developer

In accordance with the *Development Ordinance*, a real estate development enterprise shall, within 30 days starting from the date of obtainment of the business license, file the relevant documents with the competent department of real estate development of the place where the registration authority is located. The competent department of real estate development shall, on the basis of the assets, specialised technical personnel and development and management achievements, verify the level of qualification of the real estate development enterprise in question. The real estate development enterprise shall, in accordance with the verified level of qualification, undertake corresponding real estate development projects. Relevant specific rules is formulated by the competent administrative department of construction of the State Council.

Under the *Provisions on Administration of Qualifications* promulgated and enforced by the Ministry of Construction on 29 March 2000, revised and enforced on 4 May 2015, a real estate developer must apply for registration of its qualifications according to such *Provisions on Administration of Qualifications*. An enterprise may not engage in property development without a qualification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversees the qualifications of local real estate developers.

In accordance with the *Provisions on Administration of Qualifications*, real estate developers are classified into four classes:

(1) Class 1 qualifications are subject to preliminary examination by the provincial construction authorities and final approval of the Ministry of Construction. A Class 1 real estate developer is not restricted as to the scale of its real estate projects and can undertake a real estate developments anywhere in the country.

(2) Class 2 and lower qualifications are regulated by the provincial construction authorities. A real estate developer of Class 2 or lower can undertake projects with gross floor area of less than 250,000 square meters but it has to be confirmed by the provincial construction authorities.

Under the relevant PRC laws and regulations, 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 with any qualification classification can only engage in the development and sale of real estate within its approved scope of business and cannot engage in business which is limited to developers with qualification certificates of higher classes.

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

Pursuant to the *Management Measures on Sanya Real Estate Development and Operation* (《三亞市房地產開發經營管理辦法》) (San Fu[2015]No. 39) enacted and enforced by the People's Government of Sanya City, Hainan Province on 21 March 2015, enterprises engaging in real estate development activities shall obtain relevant qualification certificate in accordance with the *Provisions On Administration Of Qualifications* and *Hainan Notice on Adjusting Real Estate Development Enterprises Qualifications* (《海南省關於調整房地產開發企業資質條件等有關問題的通知》). The Management Measures also stipulates that real estate developers shall undertake the real estate development projects with corresponding scale based on the approved classification qualification: A Class 1 real estate developer is not restricted as to the scale of its real estate projects; A real estate developer of Class 2 or Class 3 may undertake a single project with a gross floor area of less than 250,000 square meters; A real estate developer of Class 4 may undertake a single project with a gross floor area of less than 100,000 square meters. In addition, a real estate developer with a provisional qualification certificate may undertake a single project with less than 50,000 square meters.

The qualification held by Sanya Feng Huang Xin Cheng is Class 3 and its limitation on the scale of single project under the *Hainan Notice on Adjusting Real Estate Development Enterprises Qualifications* is 250,000 square meters. The qualifications held by Sanya Feng Huang Shui Yun and Danzhou Shuang Lian are provisional qualifications and their limitation on the scale of a single project under the *Hainan Notice on Adjusting Real Estate Development Enterprises Qualifications* is 50,000 square meters. The qualification held by Hainan Nanhai Xiang Long is Class 4 which its limitation on the scale of a single project under the *Hainan Notice on Adjusting Real Estate Development Enterprises Qualifications* is 100,000 square meters.

2. Annual Inspection of a Real Estate Developer's Qualification

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

Pursuant to the *Hainan Notice on Adjusting Real Estate Development Enterprises Qualifications* (《海南省關於調整房地產開發企業資質條件的通知》), the qualification of real estate developers of a class 2 to class 4 is subject to approval of the provincial real estate development authority. Provisional qualification of real estate developers is subject to the approval of the real estate development authority at the city or county level.

V. DEVELOPMENT OF A REAL ESTATE PROJECT

1. Land for Property Development and Construction Use

On 12 April 1988, NPC amended and enforced the *Constitution Law of the People's Republic of China* (《中華人民共和國憲法》) to permit the transfer of land use rights for value. On 29 December 1988, NPC amended and enforced the *Land Administration Law* (《土地管理法》) to permit the transfer of land use rights for value.

Under *Interim Regulations on Grant and Assignment* promulgated and enforced by the State Council on 19 May 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights against payment of a grant premium.

Under the *Interim Regulations on Grant and Assignment*, there are different maximum periods of grant for different uses of land. They are generally as follows:

Use of Land	Maximum Period in Years
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Educational, scientific, cultural, public health and physical educational	50
Comprehensive and others	50

Under the *Interim Regulations on Grant and Assignment*, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State cannot reclaim lawfully granted land use rights from the land grantee prior to expiration of the term of grant unless demanded by public interest, in which case relevant compensation will be paid by the State. A land grantee can lawfully transfer, mortgage or lease its land use rights to a third party for the remainder of the term of grant.

Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings erected on the land will be reverted to the State without compensation.

Under the *Rules on the Grant of State-owned Land Use Rights Through Public Tender, Auction and Listing-for-Sale* (《招標拍賣掛牌出讓國有建設用地使用權規定》) promulgated by MLR on 9 May 2002 and enforced on 1 July 2002, amended on 28 September 2007 and enforced on 1 November 2007, land for industrial use, commercial use, tourism, entertainment, commodity housing development and other operational use must be granted by public tender, auction or listing-for-sale. Under these regulations, the relevant land administration authority at city or county level, or the grantor, is responsible for preparing the public tender, auction or listing documents and must make an announcement 20 days prior to the day of public tender, auction or listing with respect to the particulars of the land parcel and the time and venue of the public tender, auction or listing. The grantor must also conduct a qualification verification of the bidding, auction and listing applicants, accept an open public auction to determine the winning tender or hold an auction to ascertain a winning bidder. The grantor and the winning tender or bidder will then enter into a confirmation followed by the execution of a contract for assignment of State-owned land use rights. Only after the grantee has paid the land premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use rights certificate.

MLR promulgated the *Regulation on Grant of State-owned Land Use Rights by Agreements* (《協議出讓國有土地使用權規定》) on 11 June 2003 and enforced on 1 August 2003, which provided that, the method of agreement can be applied only when the methods of bid invitation, auction or quotation are not required by the laws, regulations and rules in the assignment of State-owned land use rights, and the land premium for the transfer agreements of the State-owned land use right shall not be lower than the benchmark land price.

On 4 September 2003 and 24 September 2003, MLR promulgated and enforced the *Notice of MLR on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction* (《國土資源部關於加強城市建設用地審查報批工作有關問題的通知》) (Guo Tu Zi Fa[2003]No. 345) and *Notice on Strengthening the Land Supply Management and Promoting the Sustainable Sound Development of 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》) (Guo Tu Zi Fa[2003]No. 356) respectively which strictly controls land supply for luxury commodity housing.

On 18 March 2004, MLR and the Ministry of Supervision issued and enforced the *Notice Regarding Supervision Work of Legal Enforcement Situation of Granting Business Land Use Rights Through Tender, Auction or Listing-for-Sale* (《關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知》) (Guo Tu Zi Fa[2004]No. 71), which requires that commencing on 31 August 2004, the operational land such as commercial land, tourist sites, entertainment land and residential land, etc. shall be granted through tender, auction or listing-for-sale and may not be granted pursuant to the bilateral agreements entered into directly with the local land authority for any historical reasons.

On 29 April 2004, the General Office of the State Council issued and enforced the *Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land* (《關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》) (Guo Ban Fa Ming Dian[2004]No. 20), which restated the principle of farmland protection and the strict administration of the approval process for construction land.

On 30 May 2006, MLR issued and enforced the *Urgent Notice on ulteriorly Strengthening the Administration of Land* (《關於當前進一步從嚴土地管理的緊急通知》) (Guo Tu Zi Dian Fa[2006]No. 17). The notice stated, amongst other things, that (i) land for property development must be assigned by competitive bidding, public auction or listing-for-sale and (ii) the supervision and examination of the performance of land use contract should be strengthened, and the defaulting parties be prosecuted.

On 16 March 2007, NPC passed and issued the *Property Rights Law*, which became effective on 1 October 2007. The *Property Rights Law* stipulates that the construction land use rights can be obtained through grant or allocation. With respect to the land used for operational purposes, including industry, business, entertainment or residential commodity properties purposes, the grant of land use rights shall be conducted through public tender, auction or listing for sale. There are stringent restrictions imposed upon obtaining construction land use rights through allocation. According to the *Property Rights Law*, when the term of the right to use construction land for residential (but not other) purposes expires, it will be renewed automatically. Unless it is otherwise prescribed by any law, the owners of construction land use rights have the right to transfer, exchange, inject-capitalised or impawn such land rights. If the state reclaims the properties owned by entities or individuals, it must compensate the property owner in accordance with laws and regulations and protect the lawful rights and interests of the owners.

In order to regulate the land market operations and promote reasonable land utility, MLR, MOF and PBOC jointly promulgated and enforced the *Administration Measures on Land Reserve* (《土地儲備管理辦法》) (Guo Tu Zi Fa[2007]No. 277) on 19 November 2007, which regulates the land development and land reserve by land reserve administrative entities, affiliates of the land and resources authorities at city or county level, before the land and resources authorities grant land use rights according to relevant laws and regulations. The enterprises shall be elected through public tender to conduct the preliminary land development involving road development, supply of water, power and gas, telecommunications, lighting, landscaping and land leveling etc. according to applicable laws and regulations.

Pursuant to the *Notice on Issues Regarding Further Increasing Land Supply and Strengthening Control of Lands for Property Development* (《關於加強房地產用地供應和監管有關問題的通知》) (Guo Tu Zi Fa[2010]No. 34) promulgated and enforced by MLR on 8 March 2010, at least 70% of total land supply must be reserved for government-funded housing, redevelopment of shanty towns and small to medium-sized self-resided residential units while land supply for large residential units will be strictly controlled and no land shall be provided for villa projects. The land premium must be not less than 70% of the standard land premium of the applicable category of land and the bid deposit paid by the property developer must be not less than 20% of the minimum land premium. The land grant contract must be executed within 10 working days after the transaction is confirmed. The minimum down payment will be 50% of the land premium and must be paid within one month after the execution of the land grant contract. The remainder of the land premium must be paid in accordance with the agreement within one year. If the land grant contract is not executed within the prescribed period given, the land will not be handed over and the deposit will not be returned. If no land premium is paid after the execution of the land grant contract, the land must be withdrawn.

Pursuant to the *Notice on Further Strengthening the Control and Regulation of Land and Construction Project of Property Development* (《關於進一步加強房地產用地和建設管理調控的通知》) (Guo Tu Zi Fa[2010]No. 151) promulgated and enforced jointly by MLR and MOHURD on 21 September 2010, standard average construction area of ordinary small to medium sized residential housing development projects shall be expressly specified. The notice also strictly limits the development and construction of low-density and large-sized residential housing projects, and requires that the plot ratio of residential projects shall be more than one. MLR requires that other than providing valid identity documentations and deposits for bidding, bidders shall provide a commitment letter pledging that such deposit is not funded by means of a bank loan, shareholder loan, re-lending or raised funds, as well as a credit certificate issued by a commercial bank.

On 23 May 2012, MLR and NDRC promulgated and enforced the *Notice on Promulgation and Implementation of the Catalogue of Restricted Land Use Projects (2012 Version)* and the *Catalogue of Prohibited Land Use Projects (2012 Version)* (Guo Tu Zi Fa[2012]No.98). Pursuant to the *Catalogue of Restricted Land Use Projects (2012 Version)* (《關於發佈實施〈限制用地項目目錄(2012年本)〉和〈禁止用地項目目錄(2012年本)〉的通知》), the plot area transferred for residential housing projects shall not exceed the following standards: 7 hectares for small cities and organic towns, 14 hectares for medium-sized cities, 20 hectares for large cities; the plot ratio of residential housing projects shall be not be lower than 1.0 (including 1.0).

2. Development of a Real Estate Project

(1) Commencement of a Real Estate Project and the Idle Land

According to the *Interim Measures for the Administration of Examining and Approving Foreign Investment Projects* (《外商投資項目核准暫行管理辦法》) promulgated and enforced by NDRC on 9 October 2004, approval of NDRC is required for foreign investment projects with total investment of US$100 million or more within the category of encouraged or permitted foreign investments and those with total investment of US$50 million or more within the category of restricted foreign investments. Other foreign investments in China is subject to local authorities' approval. Specifically, the local authorities may examine and approve foreign investment projects with total investment less than US$100 million within the category of encouraged or permitted foreign investments and those with total investment less than US$50 million within the category of restricted foreign investments.

Under the *Measures for the Administration of the Approval and Record Filing of Foreign Investment Projects* (《外商投資項目核准和備案管理辦法》) promulgated by NDRC on 17 May 2014 and enforced on 17 June 2014, and revised and enforced on 27 December 2014, which abolished the above *Interim Measures for the Administration of Examining and Approving Foreign Investment Projects*, NDRC is responsible for the approval of encouraged projects with a total investment (including capital increase) of USD$300 million and above which is required to be controlled (including relatively controlled) by a Chinese shareholder under the *Foreign Investment Industrial Guidance Catalogue*, and restricted projects (excluding real estate projects) with a total investment (including capital increase) of USD$50 million and above. Provincial government is responsible for the approval of the real estate projects within the restricted category under the *Foreign Investment Industrial Guidance Catalogue* and other restricted projects with a total investment (including capital increase) of not more than USD$50 million. Local government is responsible for the approval of encouraged projects with a total investment (including capital increase) of not more than USD$300 million which is required to be controlled (including relatively controlled) by a Chinese shareholder under the "Foreign Investment Industrial Guidance Catalogue".

Under the *Interim Regulations on Grant and Assignment*, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the *Urban Real Estate Law* and the *Interim Regulations on Grant and Assignment*, the land administrative authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land use rights grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The *Urban Real Estate Law* and the *Development Ordinance* provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. The right of government allocated land use is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

When carrying out the feasibility study for a construction project, the builder or the developer must make a preliminary application for construction on the relevant site to the relevant land administrative authority in accordance with the *Measures for Administration of Examination and Approval for Construction land* (《建設用地審查報批管理辦法》) (promulgated and enforced by MLR on 2 March 1999, and revised and enforced on 30 November 2010) 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 and enforced by MLR on 25 July 2001, amended on 1 November 2004 and enforced on 1 December 2004 and revised on 29 November 2008 and enforced on 1 January 2009). After receiving the preliminary application, the land administrative authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government.

Under the Urban Real Estate Law, property developers who have obtained the land use rights by assignment must develop the land in accordance with the use and period of commencement as prescribed by the contract for the land-use right assignment. According to the *Measures on the Disposal of Idle Land* (《閒置土地處置辦法》) promulgated and enforced by MLR on 28 April 1999, amended on 1 June 2012 and enforced on 1 July 2012, idle land refers to state-owned construction land on which the development and construction work has not yet started by the expiration of one year from the prescribed commencement date of construction as stipulated in contract for the use of state-owned land or the approval letter on construction land. Idle land also refers to land that development and construction work has begun, but the area developed and constructed is less than one third of the total area to be developed, or the invested amount is less than 25% of the total amount of investment, and development and construction work has been continuously suspended for one year.

The municipality or county-level municipality administrative authority shall, with regard to an identified piece of idle land, give notice to the land user and draft a proposal on disposing the idle land, including, but not limited to, extending the time period for development and construction (provided that it shall be no longer than one year), changing the use of the land, arranging for temporary use and ascertaining the new land user by competitive bidding, public auction or listing-for-sale. The administrative department of land under the people's government of municipality or county level shall, after the people's government that originally approved the use of the land approves the proposal on disposal, arrange for the implementation of the proposal. With respect to land which is obtained by assignment and is within the scope of city planning, if the construction work has not yet started after one year from the granting of the relevant approvals, since prescribed period for construction work has elapsed, a fine which is equivalent to 20% of the assignment price of the idle land can be imposed on the land user. If the construction work has not begun after two years from the prescribed commencement date, the land use rights can be taken back by the State without any compensation. However, the above sanctions shall not apply when the delay in commencement of construction is caused by force majeure or acts of government or indispensable preliminary work before commencement of construction.

On 3 January 2008, the State Council issued and enforced the *Notice on Promoting Economical and Intensive Use of Land* (《關於促進節約集約用地的通知》) (Guo Fa[2008]No. 3) with respect to the collection of additional land premium, establishment of a land utilization priority planning scheme and formulation of a system for assessing the optimal use of land and other measures. The notice proposes making full use of existing construction land and the preservation of farm land. The notice also emphasizes the enforcement of the current rules on assessing idle land fees at a rate equal to 20% of the assignment price for any land left idle for over one year but less than two years. The notice also establishes an additional land premium surcharges on idle land and authorizes MLR to formulate regulations to implement such surcharges. The notice further urges financial institutions to exercise caution when they process loan applications from property developers that have failed to commence construction, or to complete development of at least one-third of the land area or to invest at least 25% of the total investment within one year of the prescribed construction commencement date provided in the land grant contract. The notice indicates that the relevant governmental authorities will formulate and issue additional rules and regulations on these matters.

MLR issued and implemented the *Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land* (《關於嚴格建設用地管理促進批而未用土地利用的通知》) (Guo Tu Zi Fa[2009]No. 106) on 11 August 2009, which reiterates the above rules on idle land.

On 23 September 2013, the People's Government of Hainan Province announced the *Provision on the Identification and Disposal of Idle Land in Hainan Province* 《海南省閒置土地認定和處置規定》 (Provincial Government Order No. 247), which has been implemented starting from 1 November 2013. Pursuant to the provision, if the idle land is caused by the Government, the owner of the land use right can negotiate with the land administrative department for the reapplication of relevant land use procedures, auditing and returning of the land premium according to the adjusted land use and planning conditions.

On 25 March 2015, MLR and MOHURD jointly promulgated and enforced the *Circular on Optimising the Land Provision and Using Structure and Promoting the Sound and Steady Growth of the Real Estate Development Industry* (《關於優化2015年住房及用地供應結構促進房地產市場平穩健康發展的通知》) (Guo Tu Zi Fa[2015]No. 37), which is aimed at enhancing the optimisation of the domicile housing model and facilitating the adjustment of the land use structure. The circular stipulates that for commercial housing projects under development, the real estate development companies will be allowed to change the housing model to respond to market conditions and meet housing requirements without changing the nature of the land use right or the mandated planning conditions (including the volume ratio).

As at the Latest Practicable Date, our PRC Legal Advisers advised that, based on the confirmations provided by the relevant authorities and our lands do not fall under "idle land" as defined under and subject to *the Provision on the Identification and Disposal of Idle Land in Hainan Province*, our Group has no idle land issue.

(2) Planning of a Real Estate Project

The *City Planning Law* was promulgated by Standing Committee of NPC on 26 December 1989 and implemented on 1 April 1990.

Subsequently, on 28 October 2007, the Standing Committee of NPC promulgated the *Urban and Suburban Planning Law of the People's Republic of China* (《中華人民共和國城鄉規劃法》), effective as of 1 January 2008, which abolished the *City Planning Law*. According to the *Urban and Suburban Planning Law of the People's Republic of China*, construction projects other than those which need to be approved or permitted by relevant government authorities according to relevant laws and regulations and the land use rights is offered by allocation, need not apply for a "Position Paper of Construction Project's Site Selection". With regards to construction projects of which the land use rights is offered by assignment, the construction entity shall, after the entering into the contract for grant of land use rights, apply to the planning administrative authorities at the municipality or county level for a construction land planning permit. Before the construction of buildings, structures, roads, pipelines and other construction projects, the construction entity or person shall apply to the planning administrative authorities at the municipality or county level for a construction works planning permit.

In addition, to apply for a construction works planning permit, the relevant documentary evidence on land use, the engineering design plan of the project as well as other related documents shall be submitted. If the project requires a site detailed planning, such planning shall also be submitted. If the project satisfies the regulatory detailed planning and the planning requirements, the competent department of urban and rural planning under the people's government of the city or county or the town people's government specified by the people's government of the province, autonomous region or municipality directly under the PRC government shall issue a construction works planning permit. If a construction project begins without obtaining the construction works planning permit or by violating the provisions of the construction works planning permit, the competent department of urban and rural planning of the local people's government at or above the county level shall order it to stop construction. If it is still possible for the construction entity or individual to take measures to eliminate the impact on the implementation of urban and rural planning, the department shall order it or him to correct within a certain time limit and impose a fine of not less than 5% of the construction cost but not more than 10% the cost; if it is impossible to take measures to eliminate the impact, the department shall order the construction entity or individual to dismantle the building or structure within a certain time limit and confiscate the real objects or the illegal gain, and may also impose a fine not more than 10% of the construction cost.

In accordance with the *Notice of Further Enhancing and Improving the Administration Work of Urban and Rural Planning* (《關於進一步加強和改進城鄉規劃管理工作的通知》) (Qiong Fu[2009]No. 36) promulgated and enforced by the People's Government of Hainan Province on 12 April 2009, as for the construction land which has obtained the certificate of land before the issuance of the *Notice of Further Enhancing and Improving the Administration Work of Urban and Rural Planning*, the construction works planning permit shall not be required and planning conditions shall be requested by the competent urban and rural planning department according to the detailed regulatory plan. The planning conditions and key points of planning design shall be provided by competent urban and rural planning department simultaneously and shall not be overlapped to avoid repetitive work.

(3) Demolishment, Removal and Compensation

The *Regulations On Demolition* was promulgated on 13 June 2001 and effective on 1 November 2001 by the State Council. Subsequently, the State Council promulgated and implemented the *Expropriation Rules* on 21 January 2011, and repealed the *Regulations On Demolition*. The *Expropriation Rules* provides that, buildings on state-owned land can be expropriated for public interest reasons, and the owners of expropriated buildings, which are located on state-owned land, are entitled to fair indemnification. Where a building is expropriated according to law, the corresponding right to use the state-owned land shall be retracted at the same time. Compensation agreements regarding the compensation methods, compensation amount, payment terms and other relevant issues shall be entered into between those owners whose land is expropriated and the relevant PRC governmental authorities responsible for house expropriation. The compensation for the value of the expropriated building shall not be less than the market price of a property similar to the expropriated building on the date of announcement of the decision to expropriate the building. In the event that no compensation agreement was reached within the time limit, the city or county government may make an administrative decision on the indemnification according to the application of the relevant PRC governmental authorities responsible for house expropriation and publish a government notice within the area of the expropriation. No enterprise or individual may compel the expropriated owners to relocate by means of violence, threat or other illegal methods. Property developers are prohibited from participating in relocation arrangement.

(4) Construction of a Property Project

According to the *Notice Regarding Strengthening and Regulating the Administration of Newly Commenced Projects* (《國務院辦公廳關於加強和規範新開工項目管理的通知》) (Guo Ban Fa[2007]No. 64) issued and implemented by the General Office of the State Council on 17 November 2007, before the construction works of the project commences, it shall have satisfied certain conditions including, among others, complying with national industrial policy, development plan, land supply policy and market access standard, complying with and obtaining all approvals and procedures, complying with zoning plans, completing proper land use procedures and obtaining proper environmental valuation approvals and construction works commencement permit or report.

When the construction site has been properly prepared and is ready for the commencement of construction works, the property developer shall apply for a construction works commencement permit from the construction authority under the local people's government at the county level or above according to the *Measures for the Administration of Construction Permits for Construction Projects* (《建築工程施工許可管理辦法》) promulgated by MOHURD on 25 June 2014 and implemented on 25 October 2014.

(5) Completion of a Property Project

Construction projects shall be delivered for use only after passing the inspection and acceptance test under the *PRC Construction Law* (《中華人民共和國建築法》), which was promulgated by the Standing Committee of NPC on 1 November 1997, newly amended on 22 April 2011 and enforced on 1 July 2011.

A real estate development project must comply with various laws and legal requirements concerning planning, construction quality, safety and environment and technical guidance on architecture, design and construction work, as well as provisions contained in the relevant contracts. On 30 January 2000, the State Council promulgated and implemented the *Regulation on the Quality Management of Construction Projects* (《建設工程質量管理條例》), which sets out the related quality responsibilities and liabilities for developers, construction companies, exploration companies, design companies, construction companies and construction supervision companies. The real estate developer shall submit records for filing to the departments in charge of project construction of the relevant local governmental authorities above the county level in the area where the projects are constructed within 15 days after the projects having successfully passed the completion acceptance inspection, pursuant to the *Measures for the Administration on the Filing of Inspection Upon Completion of buildings and Municipal Infrastructure* (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》), promulgated by the Ministry of Construction on 4 April 2000 and amended and enforced by MOHURD on 19 October 2009.

According to the *Measures on the Warranty and Maintenance of Building Construction Projects* (《房屋建築工程質量保修辦法》) which was promulgated implemented by the Ministry of Construction on 30 June 2000, in normal circumstances, the warranty and maintenance period for a construction project should not be shorter than the following: (i) the reasonable useful life as stipulated by the project design documents for the groundwork foundation and main body structure project; (ii) five years for anti-leakage project of the roofs, toilets, rooms and the outer walls; (iii) two heating periods/cooling periods for the heating and cooling system; (iv) two years for power grid and sewage pipelines; and (v) two years for decoration projects.

VI. REAL ESTATE TRANSACTIONS

1. Transfer of Real Estate

Pursuant to *Property Rights Law*, except as otherwise provided for by law, the owners of the construction land use rights shall have the right to transfer, exchange, inject-capitalised, donate or impawn such land rights. Where the owners of the construction land use rights transfer, exchange, inject-capitalised, donate to others, the parties concerned shall enter into relevant written contract and applications for modification registration shall be filed with the registration department. Where the construction land use rights are transferred, exchanged, injected as capital or donated, the buildings, structures and their accessory facilities affiliated with such land shall be disposed of accordingly. Where the buildings, structures and their accessory facilities affiliated with the construction land is transferred, exchanged, injected as capital or donated, the construction land use rights as being occupied by such buildings, structure and their accessory facilities shall be disposed of accordingly.

According to the *Provisions on Administration of Transfer of Urban Real Estate* (《城市房地產轉讓管理規定》) promulgated by the Ministry of Construction on 7 August 1995 and enforced on 1 September 1995, and amended and enforced on 15 August 2001, a property owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring a property, the ownership of the property and the land use rights to the site on which the property is situated are transferred together. The parties involved must enter into a written real estate transfer contract and register the transfer with the real estate administrative authority which has jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the property may only be transferred on the condition that:

(1) the land premium has been paid in full for the grant of the land use rights as required by the land grant contract and a land use rights certificate has been properly obtained; and

(2) in the case of a project in which buildings are being developed, more than 25% of the total investment has been completed; or in case of a whole land lot development project, construction works are carried out as planned, and water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities are made available, and the site has been leveled and made ready for industrial or other construction purposes.

(3) in case of where construction work of the property is completed, the building ownership certificate shall be obtained.

If the land use rights were originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term in the land grant contract. In the event that the assignee intends to change the use of the land provided in the land grant contract, consent must first be obtained from the original land use rights grantor and the planning administrative authority at the relevant city or county and an agreement for amending the land grant contract or a new land grant contract must be signed in order to, inter alia, (including but not limited to) change the use of the land and adjust the land premium accordingly.

If the land use rights are originally obtained by allocation, such allocation may be changed to land use rights grant if approved by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant laws and regulations. Land for industrial use, commercial use, tourism, entertainment and commodity housing development must be assigned by public tender, auction or listing-for-sale under the current PRC laws and regulations.

2. Sale of Commodity Properties

In accordance with the *Implementation Regulation of Residence Quality Guarantee and Residence Manual System on Commercial Housing* (《商品住宅實行住宅質量保證書和住宅使用說明書制度的規定》) issued on 12 May 1998 and implemented on 1 September 1998 by the Ministry of Construction, real estate developers shall provide the house quality warranty letter and the house users' manuals when delivering newly built commodity properties for sales to users. The house quality warranty Letter can be a supplemental agreement to the commodity properties sales contract.

Under the *Regulatory Measures on the Sale of Commodity Properties* (《商品房銷售管理辦法》) enacted by the Ministry of Construction on 4 April 2001 and enforced on 1 June 2001, sale of commodity properties includes both pre-completion and post-completion sales. The real estate developers cannot sell uncompleted commercial properties by the after-sale lease guarantee or by any such means in disguised forms.

In accordance with the *Regulation of the Release of Real Estate Advertisement* (《房地產廣告發布規定》) promulgated on 24 December 2015 and enforced on 1 February 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 regulations, 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.

In accordance with the *Law of the People's Republic of China on the Protection of Consumers' Rights and Interests* (《中華人民共和國消費者權益保護法》) promulgated on 31 October 1993, implemented on 1 January 1994, amended on 25 October 2013 and enforced on 15 March 2014 by the Standing Committee of NPC, business operators engaged in fraudulent activities in supplying commodities or services shall, on the demand of the consumers, increase the compensations for their losses; the increased amount of the compensations shall be three times the payments made for the commodities purchased or services received. If the increased compensation amount is less than RMB500, the compensation amount shall be RMB500. If relevant laws stipulate otherwise, the relevant laws shall prevail.

In accordance with the *Advertising Law of the People's Republic of China* (《中華人民共和國廣告法》) promulgated on 27 October 1994 and implemented on 1 February 1995, and amended on 24 April 2015 and implemented on 1 September 2015 by the Standing Committee of NPC, an advertisement on real estate shall contain true information on the source of real estate, with the area thereof clarified as the gross floor area or the gross internal floor area, and shall not contain: (1) any commitment on appreciation or investment return; (2) any indication of the location of the project by the time needed from the project to a specific object of reference; (3) any violation of the provisions of the state on price management; or (4) any misleading publicity on transport, commerce, cultural and educational, and other municipal facilities in planning or under construction.

According to the *Interim Measures for the Administration of Property Hotel of Haikou City* (《海口市產權式酒店管理暫行辦法》) promulgated by the Government of Haikou City on 12 December 2011 and enforced on 1 February 2012, a property hotel means that the developer will sell each of the guest rooms by dividing their property rights after completion of the hotel works, the supporting operating rooms and facilities of the hotel will be owned by the developer or hotel property owners who will manage and operate the hotel. Property hotel owners mean the companies or individuals who obtain, by ways of land development and construction or conveyance etc., the property rights of the remaining unsold guest rooms, supporting rooms and facilities of the hotel other than the sold guest rooms with divided property rights. Within the administrative area of Haikou City, the planning, construction, sales, registration, operation and other administrations of property hotels shall be governed by the *Interim Measures for the Administration of Property Hotel of Haikou City* (《海口市產權式酒店管理暫行辦法》). The Housing and Urban-rural Development Administrative Department of Haikou City is responsible for the sale, property right registration of the property hotels. The Land Administrative Department of Haikou City is responsible for the land conveyance and land registration of property hotels. The Planning Administrative Department of Haikou City is responsible for reviewing and approving the application for planning of property hotels.

Property hotels shall be constructed in the tourist resort areas, landscape areas, cultural landscape areas and areas with convenient traffic and established supporting facilities, and the land for construction shall be accord with the overall planning, city planning and certain regional planning for the land utilization.

(1) Permit of Pre-Completion Sale of Commodity Properties

Any pre-sale of commodity properties must be conducted in accordance with the *Pre-completion Sale Measures* promulgated by the Ministry of Construction on 15 November 1994 and enforced on 1 January 1995, and amended and enforced respectively on 15 August 2001 and 20 July 2004, and the 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 pre-sale permit must be in place before a commodity property may be put to pre-sale. Specifically, a developer intending to sell a commodity property before its completion must apply to the real estate development authorities for a pre-sale permit. The pre-sale proceeds of commodity properties must be used to develop the relevant project so pre-sold. A commodity property can be sold before completion only if:

(1) the purchase price is paid in full for the grant of the land use rights and a land use rights certificate is properly obtained;

(2) a construction works planning permit and a construction works commencement permit are properly obtained;

(3) the funds invested in the development of the commodity properties 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

(4) a pre-sale permit is obtained through pre-sale registration.

Pursuant to the *Notice on Strengthening Supervision and Regulation of Real Estate Market Order* (《關於加強房地產市場監管規範市場秩序的通知》) (Qiong Jian Fang[2012]No. 103) promulgated by the Housing and Urban-Rural Development Department of Hainan Province on 30 May 2012, within 10 days after obtaining the pre-sale permit of the commercial buildings, developers shall announce all the houses approved for sale and state the selling price for each house, and strictly declare the selling price based on the pre-sale proposal, conduct pre-sale at the marked selling price. They shall not conduct pre-sale in several batches or several times. The developers shall adopt several means to announce "one price for one house" and clearly identify the sold houses. If purchasers fail to sign the sales and purchase agreement within the specified time after they order the commercial houses, the order shall be cancelled and the houses with cancelled purchase order shall be promptly made available for sale. Developers shall not make their own reserve houses available for public sale prior to the initial registration of the house ownership. They shall not sell commercial houses by ways of payback or leaseback, and not conduct false transactions.

(2) Management of Pre-completion Sale Proceeds of Commodity Properties

According to the *Pre-completion Sale Measures*, the proceeds obtained by the real estate developer from the pre-sale of commercial properties must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the pre-sale of commodity properties shall be formulated by the real estate administrative departments.

Pursuant to the *Interim Measures for Supervision of Pre-completion Sale Proceeds of Commodity Properties of Hainan Province* (《海南省商品房預售資金監管暫行辦法》) (Qiong Jian Fang[2013]No. 237) promulgated on 5 November 2013 and implemented on 1 January 2014 by the Housing and Urban-Rural Development Department of Hainan Province, the pre-completion sale proceeds shall be deposited in an account opened for supervision purpose, and the supervising bank shall supervise the key supervision funds of the project during the whole process, and such proceeds shall be used for purchasing construction materials, equipment required for the project, paying construction process payments and statutory taxes and duties for the project and repaying the loan for project development. On the premise that the funds required for delivery the whole project are secured, supervising bank may allow the developer to allot the extra money in excess of the key supervision funds.

The key supervision funds of the project mainly include expenses (tax-included) used for construction and installation of the project and supporting facilities establishment within the project area as well as 5% unpredictable expenses.

The development enterprises shall prepare the pre-completion fund allotment plan based on project construction proposal and construction progress. Fund allotment plan shall set forth fund allotment schedule based on the three stages including acceptance of quality of the completed works, record filing for acceptance of completed works and completion of initial registration, and reasonably clarify the fund allotment quota for each stage.

The development enterprises may apply for use of pre-completion sale funds prior to each fund allotment stage, but the amount shall not exceed the fund allotment quota for relevant stage. After the completion of initial registration and before the conditions that purchasers may unilaterally handle the property transfer registration are satisfied, the fund under the supervision account shall not less than 5% of the total construction expense (tax-inclusive) for the project.

(3) Conditions of the Sale of Post-completion Commodity Properties

Under the *Measures for Administration of Sale of Commodity Properties*, commodity properties may be put to post-completion sale only when the following pre-conditions have been satisfied: (a) The real estate development enterprise offering to sell the completed commodity properties shall have a enterprise legal person business license and a qualification certificate of a real estate developer; (b) The enterprise has obtained a land use rights certificate or other approval files of land use; (c) The enterprise has the construction works commencement permit and construction works planning permit; (d) The commodity properties have been completed and been qualified after inspection; (e) The relocation of the original residents has been well settled; (f) The supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date have been specified; (g) The property management plan has been completed.

Before the post-completion sale of a commodity building, a real estate developer shall submit the real estate development project manual and other documents showing that the pre-conditions for post-completion sale have been fulfilled to the real estate development authorities for making a record.

(4) Regulations on Sale of Commodity Properties

According to the *Development Ordinance* and the *Pre-completion Sale Measures*, for the pre-sale of a commodity building, the developer shall sign a contract on the pre-sale of the commodity building with the purchaser. The developer shall, within 30 days of signing the contract, apply for registration and record of contract for pre-sale commodity building to the relevant property administrative department and land administrative department of the municipality or county governments. Property administrative departments shall take the initiative to apply network information technology to gradually implement web-based registration of pre-sale contracts.

On 9 May 2005, the General Office of the State Council issued the *Circular on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of Stabilizing House Prices* (《關於做好穩定住房價格工作的意見》) (Guo Ban Fa[2005]No. 26), which provided the following with respect to commodity property pre-sales and sales:

- The purchaser of a pre-sold commodity property is prohibited from transferring such property that is still under construction. Before a pre-sold commodity property is completed and delivered and the purchaser obtains the building ownership certificate, the property administrative department shall not give effect to any transfer of the commodity property. If there is discrepancy between the name of the applicant for property ownership and the name of the purchaser in the sales contract, the property ownership registration administration shall not record the application of property ownership; and

- A real name identification system shall be applied to property purchase and an immediate record filing network system for pre-sale contracts of commodity buildings shall be established.

3. Mortgages of Real Estate

Under the *Urban Real Estate Law, the PRC Security Law* (《中華人民共和國擔保法》) promulgated by NPC on 30 June 1995 and enforced on 1 October 1995, and the *Measures for Administration of Mortgages of Urban Real Estate* (《城市房地產抵押管理辦法》) promulgated by the Ministry of Construction on 9 May 1997 and enforced on 1 June 1997, and amended and enforced on 15 August 2001, when a mortgage is created on the ownership of a building legally obtained, a mortgage must be simultaneously created on the land use rights of the land on which the building is situated. When a mortgage is created on land obtained by way of grant, a mortgage must be simultaneously created on the ownership of the building which is on the land. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. Within 30 days after a real estate mortgage contract is signed, the parties involved must register the mortgage with the real estate administration authority at the location where the real estate is situated. A real estate mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a building ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under "third party rights" on the original building ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity property put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the property after issuance of the certificates evidencing the rights and ownership to the real estate.

4. Lease of Buildings

The *Interim Regulations on Grant and Assignment* permit the leasing of granted land use rights and of buildings or homes. On 1 December 2010, MOHURD promulgated *New Lease Measures*, which became effective on 1 February 2011 and replaced the *Measures for the Administration of Leases of Buildings in Urban Areas* (《城市房屋租賃管理辦法》), which was promulgated by the Ministry of Construction on 9 May 1995 and enforced on 1 June 1995. Pursuant to the *New Lease Measures*, within 30 days after a lease contract is executed, the related parties thereto shall file with the local property administrative authority. Any failure to comply with the above filing provision shall lead to a fine.

Pursuant to the *PRC Contract Law* (《中華人民共和國合同法》) announced on 15 March 1999 and implemented on 1 October 1999 by NPC, the duration of a lease contract shall not exceed 20 years.

The Opinions on Accelerating the Cultivation and Development of Leasing Market (《國務院辦公廳關於加快培育和發展住房租賃市場的若干意見》) (Guo Ban Fa [2016] No 39) issued and implemented on 3 June 2016 by the General Office of the State Council encourages real estate developers to carry out house leasing business. The said opinions support real estate developers to explore business scope, utilize built residential properties or newly built residential properties to carry out leasing business; encourage real estate developers to put the residential properties for rent; guide real estate developers to cooperate with residential property leasing enterprises and develop rental properties.

5. Real Estate Registration

According to the *Interim Regulations on Real Estate Registration ("Interim Regulations")* (《不動產登記暫行條例》) promulgated by the State Council on 24 November 2014 and enforced on 1 March 2015, a uniform real estate registration system will be implemented by the State pursuant to which ownership of buildings and land use right shall be registered in accordance with the provisions of *Interim Regulations*. Registration of sale and purchase or settlement of mortgage, the application shall be made jointly by the parties involved. However, for real estate yet to be first registered under the system, application can be made by either party involved. Any stakeholder can conduct search or request for copies of the real estate registration materials in accordance with law, and the competent authorities shall provide the information registered. Furthermore, the *Interim Regulation* confirmed that various real estate ownership certificates issued prior to the implementation of the *Interim Regulation* shall remain valid.

The *Implementing Rules of the Interim Regulations on Real Estate Registration* (《不動產登記暫行條例實施細則》), which took effect on 1 January 2016, authorises the real estate registration authority to perform site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management.

VII. REAL ESTATE FINANCING

PBOC issued and implemented the *Circular on Further Strengthening the Management of Loans for Property Business* (《關於進一步加強房地產信貸業務管理的通知》) (Yin Fa[2003]No. 121) on 5 June 2003 to specify the requirements for banks to provide loans for the purposes of real estate developing loans, individual home mortgage and individual commodity property mortgage as follows:

(1) Loan to property enterprises by commercial banks shall be granted only for property development, cash flow loan or any other loans are strictly prohibited. Any kind of loan for the projects which do not have any land use rights certificates, construction land planning permits, construction works planning permits and construction works commencement permits cannot be granted;

(2) Property loans can be granted to property enterprises who are qualified for property development, ranked high in credibility and have no overdue payment for construction. Such loans shall be given in full support of residential housing projects which conform to the purchasing capacity of families with medium-to-low income, and shall be restricted to projects involving building properties of large size and/or cover large area, luxurious commodity houses and villas, etc. For property enterprises with commodity houses of high vacancy rate and debt ratio, strict approval procedures must be applied for their new property development loans and their activities must also be subject to close monitoring;

(3) Commercial banks shall not grant loans to property developers to pay off land premium;

(4) Commercial banks can only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down payment percentage remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the down payment shall be increased; and

(5) When a borrower applies for a mortgage loan for an individual commercial use building, the mortgage ratio may not be more than 60%. In addition, the term of loan cannot be more than 10 years and the commodity building must be duly completed and accepted after the relevant governmental inspection.

The down payment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area of 90 square meters or more, became effective on 1 June 2006.

Pursuant to the *Guidance on Risk Management of Property Loans Granted by Commercial Banks* (《商業銀行房地產貸款風險管理指引》) (Yin Jian Fa[2004]No. 57) issued and implemented by CBRC in 30 August 2004, commercial banks may not provide loans in any form for a property development project without the State-owned land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit. Any property developer applying for property development loans must have invested at least 35% of capital required for the development and a commercial bank should maintain a strict loan evaluation system for processing applications for property development loans.

On 24 May 2006, Ministry of Construction, NDRC, PBOC and other relevant government authorities jointly issued and implemented the *Opinions of the 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》) (Guo Ban Fa[2006]No. 37), pursuant to which credit conditions on property development was strictly imposed, including (among others): In order to suppress property development enterprises from storing up land and 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 properties.

On 11 July 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly promulgated and enforced the *Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market* (《關於規範房地產市場外資准入和管理的意見》) (Jian Zhu Fang[2005]No. 171), FIREEs which have not paid up their registered capital, or failed to obtain a land use rights certificate, or with less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE shall not approve the registration of foreign loans for such enterprises.

On 27 September 2007, PBOC and CBRC promulgated and enforced the *Circular on Strengthening the Administration of Commercial Real-estate Credit Loans* (《關於加強商業性房地產信貸管理的通知》) (Yin Fa[2007]No. 359). The circular aims to tighten the control over real-estate loans from commercial banks to prevent excessive credit granting. The measures adopted include: prohibiting commercial banks from providing loans to real-estate developers who have been found by relevant government authorities to be hoarding land and properties; prohibiting commercial banks from lending to property developers solely for the payment of land premiums; and commercial properties purchase by loans shall have been completed and passed completion acceptance inspection.

According to the requirement under a notice issued and implemented by PBOC and CBRC 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》) (Yin Fa[2008]No. 214) on 29 July 2008, with respect to loans provided for land reservation in the form of mortgage, a legal land use rights certificate must be obtained. In addition, the maximum amount of the mortgage offered by the financial institutions should not be more than 70% of the assessed value of the collateral and the loan term should not exceed two years in principle.

According to the *Notice on Adjusting the Portion of Capital for Fixed Assets Investment* (《國務院關於調整固定資產投資項目資本金比例的通知》) (Guo Fa[2009]No. 27) issued and implemented by the State Council on 25 May 2009, the capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the capital ratio for other property is adjusted from 35% to 30%. Financial institutions shall decide based on the capital ratio adjustments whether or not to issue loans to property developers.

According to the *Notice on Adjusting and Improving the System of Capital for Fixed Assets Investment (《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》) (Guo Fa[2015]No. 51)* issued and implemented by the State Council on 14 September 2015, the capital ratio for other property is adjusted from 30% to 25%.

VIII. TRUST FINANCING

The *Trust Law of the People's Republic of China* (《中華人民共和國信託法》) (the "Trust Law") promulgated by the Standing Committee of NPC on 28 April 2001 and implemented on 1 October 2001, settlers, trustees and beneficiaries that engage in civil, business or public welfare trust activities within the PRC. For purposes of the Trust Law, a trust exists when a settler, based on his faith in the trustee, entrusts his property rights to the trustee and allows the trustee to, according to the will of the settler and in the name of the trustee, administer or dispose of such property in the interest of a beneficiary or for any other intended purpose. The trust property shall be segregated from the property owned by the trustee. If the trustee dies or the trustee as a corporate body is dissolved, removed or is declared bankrupt according to applicable law, and the trusteeship is accordingly terminated, the trust property shall not form part of his estate or liquidation property.

According to the *Management Measures for Trust Companies* (《信託公司管理辦法》) promulgated by CBRC on 23 January 2007 and implemented on 1 March 2007, "trust financing company" shall mean any financial institution established pursuant to the *PRC Company Law* (《中華人民共和國公司法》) and these Measures, and that primarily engages in trust activities; and the term "trust activities" shall mean any activities of a trust financing company through which it accepts a trust and handles trust affairs as a trustee and obtains remuneration. A trust financing company engaging in trust activities shall comply with the law, administrative regulations and with the trust document, and may not harm the interests of the State or the public, or the legal rights and interests of third parties. To become a trust financing company, a financial institution shall be approved by CBRC and shall obtain a financial business license. A trust financing company may apply to engage in cash trusts, movable property trusts, real estate property trusts or any other business regulated by PRC laws and regulations or approved by CBRC. When a trust financing company manages or disposes of trust property, it must be honest, credible, prudent and efficient in carrying out its responsibilities. Meanwhile, trust property is not part of the trust financing company's own property and does not constitute a liability of the trust financing company toward the beneficiary. When a trust financing company is terminated by way of dissolution, trust property shall not be part of its property subject to liquidation.

The *Measures for the Administration of Trust Companies' Trust Plans of Assembled Funds* (《信託公司集合資金信託計劃管理辦法》), promulgated by CBRC on 23 January 2007 and enforced on 1 March 2007, revised and enforced on 4 February 2009, is applicable to the establishment of trust plans of assembled funds ("Trust Plan") in the PRC. Trust Plans must be established according to relevant industry policies, laws and regulations, and shall have an explicit investment target and strategy. For the purposes of this regulation, "Trust Plan" includes any trust activity in which the trust financing company acts as a trustee, according to the will of the settler, or administers or disposes of the settler's property in the interest of a beneficiary. The property in a Trust Plan is segregated from property owned by the trust financing company. A trust financing company is prohibited from mixing the property in a Trust Plan with its own property. When a trust financing company is dissolved, deregistered or declared bankrupt according to the law, property in Trust Plans shall not form part of the liquidation property.

From October 2008 to November 2010, CBRC issued several regulatory notices in relation to real estate activities conducted by trust financing companies, including the *Circular on Relevant Matters Regarding Strengthening the Supervision of the Real Estate and Securities Businesses of Trust Companies* (《關於加強信託公司房地產、證券業務監管有關問題的通知》) (Yin Jian Fa Ban[2008]No.265), promulgated and enforced by CBRC on 28

October 2008, pursuant to which trust financing companies are restricted from providing trust loans, in form or in nature, to (i) property projects that have not obtained the requisite state-owned land use rights certificates, construction land planning permits, construction works planning permits and construction works commencement permits; (ii) property developers that have not been issued Class 2 (or higher class) qualification certificates by the relevant competent construction authorities; (iii) property projects of which less than 35% of the total investment is funded by the property developers' own capital (the 35% requirement was changed to 20% for affordable housing and ordinary commodity apartments, and to 30% for other property projects as provided by the *Notice on Adjusting the Capital Ratio of Fixed Assets 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》) (Guo Fa[2009]No.27) issued and implemented by the State Council on 25 May 2009; and (iv) property developers for paying land premiums or for working capital purposes.

IX. INSURANCE OF A REAL ESTATE PROJECT

There are no mandatory provision in the PRC laws, regulations and government rules which requires a real estate developer to take out insurance policies for its real estate projects.

According to the *Construction Law of the People's Republic of China* (《中華人民共和國建築法》) enacted by the Standing Committee of NPC on 1 November 1997 and enforced on 1 March 1998, subsequently revised on 22 April 2011 and enforced on 1 July 2011, enterprises that carry out construction works must take out accident and casualty insurance for workers engaged in dangerous operations and pay insurance premium. In the *Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in the Construction Work* (《建設部關於加強建築意外傷害保險工作的指導意見》) (Jian Zhi[2003]No. 107) issued and implemented by the Ministry of Construction on 23 May 2003, the Ministry of Construction further emphasizes the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance.

X. MAJOR TAXES APPLICABLE TO PROPERTY DEVELOPERS

1. Enterprise Income Tax

According to the *EIT Law* (《中華人民共和國企業所得稅法》) enacted by NPC on 16 March 2007 and enforced since 1 January 2008, a uniform income tax rate of 25% should be applied to foreign invested enterprises and foreign enterprises which have set up institutions or facilities in the PRC as well as domestic enterprises. This new tax law supersedes the *Income Tax Law of the PRC for Foreign Invested Enterprises* and its detailed rules for implementation as promulgated and enforced by NPC in 1991 and 1993 respectively.

The *EIT Law* provides that a withholding tax rate of 20% will normally be applicable to dividends payable to non-PRC resident enterprise which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC resident enterprise shareholders reside whereupon the relevant tax may be reduced or exempted. In accordance with the EIT Law and the *Implementation Rules of the People's Republic of China on the EIT Law* (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on 6 December 2007 and became effective on 1 January 2008, a reduced withholding tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors from foreign invested enterprises. Pursuant to the *Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income* (《內地和香港特別行政區

關於對所得避免雙重徵稅和防止偷漏稅的安排》) (Guo Shui Han[2007]No. 403) signed on 21 August 2006, which in Hong Kong, applies to income derived in any year of assessment commencing on or after 1 April 2007; and in the PRC, in any year commencing on or after 1 January 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary.

In addition, under the *EIT Law*, enterprises established under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and therefore subject to EIT at the rate of 25% on their worldwide income.

The "EIT Law" also provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of such tax law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. The income tax rate of such enterprises will gradually transit to the uniform tax rate within the transition period in accordance with implementing rules issued by the State Council. On 26 December 2007, the State Council issued the *Circular on Implementing the Transitional Preferential Policies for the Enterprise Income Tax* (《關於實施企業所得稅過渡優惠政策的通知》) (Guo Fa[2007]No. 39) with this respect. Such five-year transition period ended on 31 December 2012.

Pursuant to the *Notice of the State Administration of Taxation on the Prepayment of Enterprise Income Tax of the Real Estate Development Enterprises* (《國家稅務總局關於房地產開發企業所得稅預繳問題的通知》) (Guo Shui Han[2008]No. 299) issued by SAT on 7 April 2008 and enforced on 1 January 2008, revised and enforced on 4 January 2011 (as the case may be), where a real estate development enterprise withholds the EIT on a quarter (or month) basis according to the current actual profit, for the proceeds generated from the pre-completion sale of such development products as the dwelling houses, commercial houses and other buildings, fixtures, supporting facilities etc., which are developed and built by the real estate development enterprise, the estimated profit amount for proceeds obtained by pre-completion sale prior to the completion of works shall be calculated on a quarter (or month) basis based on the specified estimated profit rate and be included into the total withholding profit amount. Re-adjustment shall be made according to the actual profit after the development products are completed and the tax-inclusive costs are settled.

Pursuant to the *Confirmation of Completion Conditions for Development of Products by Property Developers* (《關於房地產開發企業開發產品完工條件確認問題的通知》) (Guo Shui Han[2010]No. 201) promulgated and enforced by the SAT on 12 May 2010, a property is deemed completed when its delivery procedures (including move-in procedures) have commenced or when the property is in fact put in use. Property developers should settle and calculate the amount of EIT for the current year in a timely manner.

2. Business Tax

Pursuant to the *Interim Regulations of the People's Republic of China on Business Tax* (《中華人民共和國營業稅暫行條例》) promulgated by the State Council on 13 December 1993, implemented on 1 January 1994, revised on 10 November 2008 and implemented on 1 January 2009, the tax rate of the transfer of properties, their superstructures and attachments is 5%.

In accordance with the *Reply to Relevant Tax Issues concerning Property Hotel Owners* issued and implemented by State Administration of Taxation" (《國家稅務總局關於酒店產權式經營業主稅收問題的批覆》) (Guo Shui Han[2006]No. 478) on 22 May 2006, operation owners of property hotels shall offer the house use right and conduct cooperative operation with the hotel within the agreed time. If the property right has not been transferred to a new economic entity, the agreed fixed income and dividends obtained by the owner shall be regarded as rental income, subject to business tax under "service industry-leasing industry" and subject to individual income tax according to property leases project.

Pursuant to the *Notice on Adjustment of Transforming Business Tax to Appreciation Tax* (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui[2016]No. 36) issued on 23 March 2016 and implemented on 1 May 2016 by the MOF and the SAT, the sale of self developed old real estate projects (refers to real estate projects launched time before 30 April 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%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving the advance payment.

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徵收管理暫行辦法》) issued on 31 March 2016 and implemented on 1 May 2016 by SAT, "self-development" means infrastructure facilities and buildings erected on the land with land use rights which are developed by a real estate development company ("taxpayer"). These measures are also applicable to a development completed by a taxpayer after such project is taken over.

VAT is payable by taxpayers in the calendar month immediately following receipt of the presale proceeds of real estates self-development in accordance with the following formula:

$$\text{Prepaid VAT} = \frac{\text{Presale proceeds}}{(1 + \text{applicable rate or simplified rate})} \text{ X } 3\%$$

The applicable rate is 11%. Nevertheless, for taxpayers conducting old real estate projects and have chosen simplified tax method, the simplified rate of 5% will be applied in calculating the Prepaid VAT. Once simplified tax method is chosen, it will be applicable for 36 months.

Old real estate projects refers to (1) real estate projects with commencement dates of construction stated in the Construction Permits prior to 30 April 2016, and (2) construction projects which commencement dates of construction are not stated in the Construction Permits, or construction projects with commencement dates of construction stated in the construction contracts prior to 30 April 2016 but has yet to receive Construction Permits.

3. Land Appreciation Tax

According to the requirements of the *Land Appreciation Tax Provisional Regulations* which was promulgated by the State Council on 13 December 1993 and became effective on 1 January 1994, and revised and enforced on 8 January 2011, and the *Land Appreciation Tax Detailed Implementation Rules* which was promulgated by the MOF and came into effect on 27 January 1995, any appreciation gain from a transfer of property shall be subject to LAT. LAT shall be charged at four levels of progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

(1) amount paid for obtaining the land use rights;

(2) costs and expenses for development of land;

(3) costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;

(4) related tax payable for transfer of property;

(5) other deductible items as specified by the MOF.

According to the requirements of the *Land Appreciation Tax Provisional Regulations* and the *Land Appreciation Tax Detailed Implementation Rules*, LAT shall be exempted under any of the following circumstances:

(1) taxpayers construct ordinary standard residences for sale (i.e. the residences built in accordance with the local standard for general civilian used residential properties. Deluxe apartments, villas, resorts etc. are not under the category of ordinary standard residences) and the appreciation amount does not exceed 20% of the sum of deductible items;

(2) property is taken back and repossessed according to laws due to the construction requirements of the State;

(3) due to redeployment of work or improvement of living standard, individuals transfer self-used residential property, in which they have been living for 5 years or more, subject to tax authorities' approval.

On 2 March 2006, the MOF and the SAT issued and implemented the *Notice on Several Points on Land Appreciation Tax* (《關於土地增值稅若干問題的通知》) (Cai Shui[2006]No. 21) to clarify the relevant issues regarding LAT, pursuant to which, where any developers build ordinary residential properties as well as other commercial properties, the appreciation amount of land shall be verified respectively. All regions shall decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value addition level of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up. As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more of the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred property according to the matching principles regarding the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region or municipality directly under the Central Government, or a city under separate state planning.

On 28 December 2006, the SAT issued the LAT Notice which was implemented on 1 February 2007. Pursuant to the Notice, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (i) the property development project has been completed and fully sold; (ii) the property developer transfers the whole incomplete development project; or (iii) the land use right is directly transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if either of the following criteria is met: (i) for completed property development projects, the transferred GFA represents more than 85% of total saleable GFA, or the proportion represented is less than 85%, but the remaining saleable GFA has been leased out or used by the developer; (ii) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (iii) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (iv) other conditions stipulated by the tax authorities. The Notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; or (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

On 12 May 2009, the SAT issued the *Administrative Rules for the Settlement of Land Appreciation Tax* (《土地增值稅清算管理規程》) (Guo Shui Fa[2009]No. 91), which became effective on 1 June 2009. The rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the Notice. The rules further stipulate detailed procedures for the examination and verification of settlement of LAT to be carried out by relevant tax authorities.

The SAT promulgated and implemented the *Notice on Issues Relevant to the Settlement of Land Appreciation Tax* (《關於土地增值税清算有關問題的通知》) (Guo Shui Han[2010]No. 220) on 19 May, 2010, relevant to the determination of incomes for the settlement of LAT and the deduction of real estate development expenses:

(1) At the time of settlement of LAT, if invoices have already been issued for the sale of commercial properties in full amount, the amount as indicated on the invoices shall be determined as the income. If no invoice is issued or if the invoices issued fail to cover the full amount, the income shall be determined on the basis of the amount of the properties as indicated in the sales contract concluded between the buyer and seller as well as other proceeds. If the area of the commercial property as indicated in the sales contract is not the same as that actually measured by the relevant department and if any amount of money is made up or refunded for the property prior to settlement, adjustment shall be made when the LAT is calculated.

(2) For the interest expense in the financial expenses, if it is possible to calculate and amortize it under the item of "transfer of the real estate project" and a certificate of the financial institution is provided for it, the actual amount of the said interest expense may be deducted to the extent of not exceeding the amount calculated at the interest rate of the commercial bank for the same type of loan during the same period. Other real estate development expenses shall be calculated and deducted within 5% of the summation of "the amount paid for obtaining the land use right" and "the amount of real estate development costs".

(3) If it is not possible to calculate and amortize the interest expense in the financial expenses under the item of "transfer of the real estate project" and a certificate of the financial institution cannot be provided for the interest expense, the real estate development expenses shall be calculated and deducted within 10% of the summation of "the amount paid for obtaining the land use right" and "the amount of real estate development costs".

According to the *Notice on Strengthening the Collection of Land Appreciation Tax* (《關於加強土地增值税徵管工作的通知》) (Guo Shui Fa[2010]No. 53) promulgated and enforced by the SAT on 25 May 2010, local taxation bureaus shall adjust the pre-levy rate. Except for government-supported housing, the pre-levy rate of eastern provinces shall not be under 2%, middle and northeastern provinces shall not be under 1.5%, and western provinces shall not be under 1%.Each area shall determine a proper pre-levy rate according to different types of real estate (the division of area shall be executed according to relevant documents of the State Council). For areas that are not subject to pre-levy or have postponed pre-levy, pre-levy shall be carried out strictly in accordance with tax laws and regulations, in order to ensure that the adjusting function of LAT is fully exercised during pre-levy period.

In accordance with the *Announcement on the Pre-levy Rate of Land Appreciation Tax* (《海南省地方税務局關於土地增值税預徵率的公告》) (Hainan Local Taxation Bureau Announcement[2014]No. 21) promulgated by Hainan local taxation bureau on 24 December 2014 and enforced on 25 December, 2014, the pre-levy rate of real estate development projects in Hainan shall be adjusted. Among others, the pre-levy rate of ordinary residential real estate development projects in Haikou and Sanya shall be 3%; the pre-levy rate of non-ordinary residents and non-residential real estate shall be 5%; for taxpayers who obtain a whole land lot, develop the land by stages and in batches, then divide and transfer the land use right, the pre-levy rate shall be 5%.

In accordance with the *Notice of the Hainan Local Taxation Bureau on Forwarding the Notice of the State Taxation Administration on Issues Relevant to the Settlement of Land Appreciation Tax* (《海南省地方稅務局轉發國家稅務總局關於土地增值稅清算有關問題的通知》)(Qiong Di Shui Han[2010]No. 250)promulgated and enforced by the Hainan Local Taxation Bureau on 13 June, 2011, the deduction of real estate development expenses are as follows:

(1) If a real estate development enterprise only borrows money from financial institutions, calculates and amortizes the interest expense in the financial expenses under the item of "transfer of the real estate project" and provide a certificate of the financial institution for the interest expense, with interest expenses calculated within the same period and type of loan interest rate of commercial banks, exceeding 5% of the summation of "the amount paid for obtaining the land use right" and "the amount of real estate development costs", the interest expense shall be deducted according to the facts and other real estate development expenses shall be deducted at 5%.

(2) Subject to the following conditions, the real estate development expenses shall be deducted at 10%: i. The interest expenses under section (1) are within 5% of the summation of "the amount paid for obtaining the land use right" and "the amount of real estate development costs" ii. Real estate development enterprises cannot calculate and amortize the interest expense in the financial expenses under the item of "transfer of the real estate project" and a certificate of the financial institution cannot be provided for the interest expense, (3) Real estate development enterprises use its own funds, without interest expense.

(3) If a real estate development enterprise not only borrows from financial institutions, but also from other resources, the real estate development expenses shall be calculated according to section (1) or (2), and both sections shall not be applied at the same time.

4. Deed Tax

Pursuant to the *Interim Regulations of the People's Republic of China on Deed Tax* (《中華人民共和國契稅暫行條例》) promulgated by the State Council on 7 July 1997 and implemented on 1 October 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be the obliged taxpayer for deed tax. The rate of deed tax is 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the MOF and the SAT for the record.

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稅、營業稅優惠政策的通知》) promulgated by MOF, SAT and MOHURD on 17 February 2016 and implemented on 22 February 2016, the rate of deed tax payable for real estate transactions is adjusted downward as follows:

(1) 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

(2) 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 of 90 sq.m. or less and to 2% for a property of more than 90 sq.m.

If a taxpayer applies for tax preferential treatments, the competent real estate authority at the location of the property will issue written search results on the housing status of the taxpayer's household pursuant to his/her application or authorization and promptly provide the search results and the relevant housing status information to the tax authority. Detailed operation measures will be collectively formulated by the competent financial, tax and real estate departments of various provinces, autonomous region and municipalities.

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

5. Urban Land Use Tax

Pursuant to the *Provisional Regulations of the People's Republic of China Governing Land-Use Tax in Cities and Towns* (《中華人民共和國城鎮土地使用稅暫行條例》) enacted by the State Council on 27 September 1988, effective as of 1 November 1988, revised on 31 December 2006 and enforced on 1 January 2007, land-use taxes in respect of urban land is to be levied according to the area of relevant land. According to the *Approval on Land-Use Tax Exemption of Foreign Investment Enterprises* (《關於外商投資企業徵免土地使用稅問題的批覆》) (Guo Shui Han[1997]No. 162) issued and implemented by the SAT on 27 March 1997, land-use fees instead of land-use taxes were to be collected from foreign-invested enterprises. However, the *Provisional Regulations of the People's Republic of China Governing Land-Use Tax in Cities and Towns* was revised by the State Council on 31 December 2006 and stipulates that as of 1 January 2007, land-use taxes are to be collected from foreign-invested enterprise. The annual tax is between RMB0.6 and RMB30.0 per square meter of urban land. On 1 June 2007, the SAT promulgated and enforced the *Approval on Levy of Urban Land-Use Tax of Foreign Investment Enterprises and Foreign Enterprise* (《關於外商投資企業和外國企業徵收城鎮土地使用稅問題的批覆》) (Guo Shui Han[2007]No. 596) and restated the above points.

Pursuant to the *Measures of Hainan Province for Implementing the Interim Regulations of the People's Republic of China on the Tax for Use of Land in Urban Area* (《海南省實施〈中華人民共和國城鎮土地使用稅暫行條例〉辦法》) promulgated and enforced by the people's government of Hainan on 3 October 2007, and revised and enforced on 20 February 2009, the range for tax for use of land of Haikou, Sanya, all kinds of development areas and tourist resorts shall be from RMB1.5 to RMB24 per square meter; the range for tax for use of land of other tax areas shall be from RMB0.6 to RMB12 per square meter.

As advised by our PRC Legal Advisers, according to the relevant PRC laws and regulations entities and individuals using parcels of state-owned land are obliged to pay land use tax according to the area of the land (whether the land is actually occupied or vacant). However, vacant land should be distinguished from idle land. For further information of idle land, please refer to the section headed "Regulatory Overview – V. Development Of A Real Estate Project – 2. Development of a Real Estate Project – (1) Commencement of a Real Estate Project and the Idle Land" in this prospectus.

6. Buildings Tax

Under the *Interim Regulations of the People's Republic of China on Building Tax* (《中華人民共和國房產稅暫行條例》) (Guo Fa[1986]No. 90) promulgated by the State Council on 15 September 1986 and implemented on 1 October 1986, and revised and implemented on 8 January 2011, building tax shall be 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

7. Stamp Duty

Under the *Interim Regulations of the People's Republic of China on Stamp Duty* (《中華人民共和國印花稅暫行條例》) promulgated by the State Council on 6 August 1988 and implemented on 1 October 1988 and revised and implemented on 8 January 2011, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

8. Municipal Maintenance Tax

Under the *Interim Regulations of the People's Republic of China on Municipal Maintenance Tax* (《中華人民共和國城市維護建設稅暫行條例》) promulgated and implemented by the State Council on 8 February 1985, and revised and implemented on 8 January 2011, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Pursuant to the *Notice of 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稅和教育費附加制度的通知》) (Guo Fa[2010]No. 35) promulgated by the State Council on 18 October 2010 and implemented on 1 December 2010, regulations, rules and policies regarding urban maintenance and construction tax shall be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals from December 1, 2010. Regulations, rules and policies in respect of urban maintenance and construction tax and education surcharge issued by the State Council as well as finance and tax department of State Council since 1985 and 1986 shall also be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals.

9. 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 28 April 1986 and implemented on 1 July 1986, revised on 7 June 1990 and implemented on 1 August 1990, amended on 20 August 2005 and implemented on 1 October 2005, and amended and enforced on 8 January 2011, a taxpayer, whether an individual or otherwise, of consumption tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the *Notice of the State Council on Raising Funds for Schools in Rural Areas* (《國務院關於籌措農村學校辦學經費的通知》). Education surcharge shall be calculated and levied at a rate of 3% on the actual amount of consumption tax, value-added tax and business tax paid by the taxpayer.

10. Tax Collection for Share Transfer by Non-PRC Resident Enterprises

Pursuant to Notice 698 issued by the SAT on 10 December 2009 with retroactive effect from 1 January 2008, where a foreign investor (actual controller) indirectly transfers its equity interest in a PRC resident enterprise, subject to special conditions, the PRC tax authority has the right to levy a tax on such counterparty with respect to such transaction. The Notice 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 transfer price in violation of independent transaction principle which reduces the taxable amount, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

Pursuant to the Circular 601 issued by the SAT and became effective on 27 October 2009, the term "beneficial owner" in relevant provisions of the agreements on the avoidance of double taxation signed by the PRC government with foreign countries (including the arrangements on the avoidance of double taxation signed with Hong Kong and Macau) refers to a person who has the right to own and dispose of the income and the rights or properties generated from said income. The "beneficial owner" may be an individual, a company or any other organization which is usually engaged in substantial business operations. An agent or a conduit company is not a "beneficial owner." The term "conduit company" refers to a company which is usually established for purposes of avoiding or reducing taxes, and transferring or accumulating profits. Such a company is only registered in the country of domicile to satisfy the organizational form as required by law, but it does not engage in such substantial business operations as manufacturing, distribution and management.

On 3 February 2015, the SAT promulgated and enforced Announcement No. 7 which further regulates and reinforces the management of EIT indirect transfer of equity interest in PRC resident enterprises by non-resident enterprises, and states that the indirect transfer of proceeds shall be subject to EIT, and according to relevant laws and regulations or contract, the payer, who is responsible for the payment of share transfer to the transferor, shall be the tax withholding agent. If the tax withholding agent fails to withhold or inadequately withhold the payable tax, the transferor shall apply for tax declaration and pay the local tax authority corresponding tax within seven days as of the date of occurrence of tax obligation, and shall submit relevant material about the calculation of the proceeds and tax of hare transfer. The tax authority shall file to the SAT 30 days after the tax is in storage. If the tax withholding agent fails to withhold tax, and the transferor also fails to pay the payable tax, the tax withholding agent may be held liable by the tax authority in accordance with tax administration law and corresponding implementing rules. However, if the withholding agent has submitted material within 30 days from the date of signing share transfer contract or agreement according to Article 9 of this announcement, its responsibility can be mitigated or exonerated. Announcement No. 7 repealed the relevant requirements in the Notice 698.

XI. MEASURES ON ADJUSTING THE STRUCTURE OF HOUSING SUPPLY AND STABILIZING HOUSING PRICE

The property market in China revealed different growth patterns in different periods of time. In the recent decade, it has also experienced a number of highs and lows. Relevant government departments have introduced policies and measures from time to time to exercise or encourage or restrict control over housing supply and housing prices.

From 2003 to 2005, due to the rapid increase in general housing prices, the State Council issued a number of documents including the *Circular on Stabilizing Housing Price* (《關於切實穩定住房價格的通知》) (Guo Ban Fa Min Dian[2005]No. 8) in 2005 to impose measures to curb the soaring of housing prices. On 24 May 2006, the Ministry of Construction and other government authorities jointly issued the *Opinions 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》) (Guo Ban Fa[2006]No. 37) to encourage the development of low-to medium priced and small-to medium-size housing and economically affordable housing where at least 70% of the total construction area must be used in the construction of building with unit floor area of 90 sq.m. or below.

In early 2008, the commodity housing transaction nationwide saw a shrinkage. Pursuant to the *Opinion 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》) (Guo Ban Fa[2006]No. 131) promulgated by the General Office of the State Council, the business tax levied on property transfer is significantly reduced to support the purchase of ordinary housing. The property market picked up again in 2009.

By the end of 2009, the property market experienced rapid growth. Since the beginning of 2010, the State Council has issued documents including the *Notice on Resolutely Curbing the Soaring of Property Price in Certain Cites* (《關於堅決遏制部分城市房價過快上漲的通知》) (Guo Fa[2010]No. 10) and the General Office of the State Council also issued the notices including *Notice on Issues Relating to Further Regulating the Control of Property Market* (《關於進一步做好房地產市場調控工作有關問題的通知》) (Guo Ban Fa[2011]No. 1) to curb the soaring of property price in certain cities through increasing the minimum amount of down-payment and controlling banking credit lines. For example, for loan application for a second residential house, the down-payment of loans shall be no less than 60% and the lending rate shall be no less than 110% of the benchmark rate, and the "purchase restriction" measure is implemented. Based on the requirements of these documents, tens of cities in China have implemented the "purchase restriction" measure. On 4 August 2010, Hainan Provincial Government promulgated and enforced Opinion on Implementation of the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities by the State Council (《海南省人民政府貫徹落實國務院關於堅決遏制部分城市房價過快上漲通知》) to implement the above required regulations.

In 2014, the property market began to hit its trough. To boost the property market, in March 2015, the *Notice on Issues concerning the Policies for Individual Housing Provident Loans* (《關於個人住房貸款政策有關問題的通知》) was jointly issued by the PBOC, MOHURD and CBRC and the *Circular on Adjusting Policies of Business Tax on Individual Transfer of Residential Properties* (《關於調整個人住房轉讓營業税政策的通知》) (Cai Shui[2015]No. 39) was also issued by the SAT and MOF to reduce the down-payment for second home purchase to no less than 40% and the business tax holiday for disposal of ordinary housing by individuals is shortened from five years to two years.

In accordance with the *Notice on the Adjustment of the Rate of the Minimum Down Payment for Personal Housing Loans from Housing Provident Fund* (《關於調整住房公積金個人住房貸款購房最低首付款比例的通知》) (Jian Jin[2015]No. 128) promulgated by MOHURD, the MOF and PBOC,in order to further improve the policies on the personal housing loans from housing provident fund, and support the needs of depositing workers, with regard to families which have already owned one house and settled the housing payment, when applying for loans from the housing provident fund for a second housing so as to improve living conditions, the lowest down payment rate will be reduced from 30% to 20%.

On 1 February 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 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 which 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% which is lower than the previous requirement of not less than 40%.

XII. LABOUR PROTECTION

Employers in China are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. These payments are made to local administrative authorities and an employer who fails to contribute may be fined and ordered to make-up for the missed contributions. The various laws and regulations that govern the employers' obligations to contribute to the social security funds include the *PRC Social Insurance Law* (《中華人民共和國社會保險法》) promulgated by the Standing Committee of NPC on 28 October 2010 and became effective 1 July 2011; the *Interim Regulations on the Collection and Payment of Social Security Funds* (《社會保險費徵繳暫行條例》), which were promulgated by the State Council and became effective on 22 January 1999; the *Interim Measures concerning the Maternity Insurance* (《企業職工生育保險試行辦法》), which were promulgated by the Ministry of Labour on 14 December 1994 and became effective on 1 January 1995; the *Regulations on Occupational Injury Insurance* (《工傷保險條例》), which were promulgated by the State Council on 27 April 2003 and enforced on 1 January 2004, and then amended on 20 December 2010 and enforced on 1 January 2011; and the *Regulations on Management of the Housing Provident Fund* (《住房公積金管理條例》), which were promulgated and enforced on 3 April 1999 and then amended and enforced on 24 March 2002.

The *Law of the People's Republic of China on Labour Contracts* (《中華人民共和國勞動合同法》) (the *Labour Contracts Law*) stipulates that labour contract employment is a basic employment form of enterprises in PRC. The worker dispatch services are complementary, and shall only be used for temporary, auxiliary, or substituting positions. In accordance with the *Interim Provisions on Labour Dispatch* (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security on 24 January 2014 and enforced on 1 March 2014, employers shall strictly control the number of dispatched workers employed which shall not exceed 10% of the total number of its workers. An employer shall, in accordance with the Labour Contracts Law, provide dispatched workers with welfare and benefits relating to the work positions and shall not discriminate against any dispatched worker.

The *Labour Contracts Law* promulgated by the Standing Committee of NPC on 29 June 2007 and taken effect on 1 January 2008, which subsequently was amended on 28 December 2012 and implemented on 1 July 2013, establishes the provisions of the conclusion, execution, modification, dissolution or termination of labour contracts. An employer unit's labour relationship with an employee shall be established on the date the employee is put to work. If an employer unit fails to conclude a written labour contract with an employee more than a month but less than a year after the date on which the employee is put to work, it shall pay the employee twice his or her wages each month. Where an employee has been working at an employer unit continuously for not less than 10 years, or where a labour contract is renewed with a fixed-term labour contract having been concluded on two consecutive occasions earlier, the employer unit and the employee shall conclude an open-ended labour contract. Where the labour contract is a fixed-term contract that is terminated due to expiration, unless the employee does not agree to renew the contract even though the conditions offered by the employer unit for renewal are the same as or better than those stipulated in the current labour contract, or where the employer unit fails to pay social insurance premiums for the employee in accordance with the law, or where any other circumstance formulated by the *Labour Contracts Law* occurs, the employer unit shall pay the employee financial compensation based upon the number of years worked at the employer unit, at the rate of one month's wages for each full year worked.

XIII. ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental requirements for real estate development in the PRC include the *Environmental Protection Law* (《中華人民共和國環境保護法》), promulgated by the Standing Committee of NPC and effective on 26 December 1989, revised on 24 April 2014 and enforced on 1 January 2015; the *Prevention and Control of Noise Pollution Law* (《中華人民共和國環境噪聲污染防治法》), promulgated by the Standing Committee of NPC on 29 October 1996 and effective on 1 March 1997; the *Environmental Impact Assessment Law* (《中華人民共和國環境影響評價法》), promulgated by the Standing Committee of NPC on 28 October 2002 and effective on 1 September 2003; the *Administrative Regulations on Environmental Protection for Development Projects* (《建設項目環境保護管理條例》), promulgated and implemented by the State Council on 29 November 1998; and the *Administrative Regulations on Environmental Protection for Acceptance Examinations Upon the Completion of Buildings* (《建設項目竣工環境保護驗收管理辦法》), etc. promulgated by the State Environment Bureau on 27 December 2001 and enforced on 1 February 2002, and amended with effect on 22 December 2010. Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table, or an environmental impact registration form must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to verify compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

XIV. CIVIL AIR DEFENSE AND CIVIL AIR DEFENSE PROPERTY

The *PRC Law on National Defense* (《中華人民共和國國防法》) was promulgated by NPC and became effective on 14 March 1997, as amended and enforced on 27 August 2009, stipulates that national defense assets are owned by the State. Pursuant to the *PRC Law on Civil Air Defense* (《中華人民共和國防空法》) promulgated by the Standing Committee of NPC on 29 October 1996, as amended and enforced on 27 August 2009, civil air defense is a part of the national defense and the State encourages, supports the enterprises, institutions, social communities and individuals, via multiple means, to invest in construction of civil air defense property. The design, construction and quality of the civil air defense properties must conform to the protection and quality standards established by the State. The State encourages civil air defense to be used during peacetime for serving economic development and human life. However, such use shall not impair their functions as air defense property.

Furthermore, on 1 November 2001, the National Civil Air Defense Office issued and implemented 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 specifies the development, use and maintenance of civil air defense property.

XV. FOREIGN EXCHANGE CONTROLS

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Regulations, promulgated by the State Council on 29 January 1996 and enforced on 1 April 1996, amended and enforced on 14 January 1997 and 5 August 2008 respectively. Under such regulation, Renminbi are freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but are not freely convertible for capital expenditure such as direct investment, loans or investments in securities outside the PRC unless the approval of SAFE is obtained in advance.

Pursuant to the Provisions on the *Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors*, Foreign investors which need to remit relevant funds into China, such as front-end expenses, for the establishment of foreign-funded enterprises shall register with the foreign exchange authorities. After foreign-funded enterprises are legally established, they shall register with the foreign exchange authorities. Where foreign investors make capital contributions to foreign-funded enterprises in forms such as money funds, equity, physical assets, and intangible assets (including lawful domestic income) or pay consideration for acquisition of equity held by Chinese parties in domestic enterprises, foreign-funded enterprises shall register with the foreign exchange authorities with regard to capital contributions made by foreign investors and equity held by foreign investors. In case of any subsequent capital modification, such as capital increase or decrease or equity transfer, foreign-funded enterprises shall undergo modification registration with the foreign exchange authorities. The foreign exchange authorities shall supervise and administer the registration, opening and modification of accounts, capital receipts and payments, and foreign exchange settlement and sale, among others, relating to domestic direct investment.

On 13 February 2015, SAFE promulgated the *Notice on Further Streamlining and Improving the Foreign Exchange Administration of Direct Investment* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa[2015]No. 13), which shall come into force on 1 June 2015. The Notice cancelled the review of the foreign exchange registration in direct investment projects by the branches of SAFE and foreign-invested enterprises could directly apply to banks for foreign exchange registration. The Notice also cancelled the registration procedures for the confirmation of acquisition by foreign investors of shares, and the annual inspection of foreign exchange of direct investments.

Pursuant to the *Notice on the Reform of the Administration of Foreign Exchange Registered Capital Settlement for Foreign-Invested Enterprises* (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (Hui Fa[2015]No. 19) promulgated by SAFE on 30 March 2015 and enforced on 1 June 2015, foreign-invested enterprises may convert its capital funds into Renminbi at its own discretion. Discretionary conversion means the capital funds in the capital account of a foreign-invested enterprise, after being confirmed as paid-in capital in cash by the local counterpart of SAFE(or after being registered as paid-in capital in cash by the bank) can be converted into Renminbi at bank pursuant to the foreign-invested enterprise's actual operation needs.

XVI. HOTEL SECTOR

1. Foreign-invested Hotel Project

The *Foreign Investment Industrial Guidance Catalogue (amended in 2015)* has canceled the relevant regulations of limitation on the construction and operation of high-end hotels.

2. Hotel Management

(1) Hotel Sector Management

Pursuant to the *Tourism Law of the People's Republic of China* (《中華人民共和國旅遊法》) issued on 25 April 2013 and implemented on 1 October 2013 by the Standing Committee of NPC, tourism operators providing transport, accommodation, catering and entertainment services for tourists shall strictly abide by the laws, regulations, national and industrial standards on safety production and fire safety management, meet corresponding safety production requirements, and develop tourist safety protection systems and emergency plans.

(2) Security Control Regulations

According to the Hotel Security Control Measures, promulgated and enforced by the Ministry of Public Security on 10 November 1987 and amended and enforced on 8 January 2011, and the *Decisions of the State Council to Implement Administrative Licenses on Items Necessarily to be Retained for Administrative Examination* (《國務院對確需保留的行政審批項目設定行政許可的決定》), promulgated by the State Council on 29 June 2004 and enforced on 1 July 2004, and amended and enforced on 29 January 2009, an application to operate a hotel in the PRC must be examined and approved by a local public security authority and a Special Industry License must be obtained from the local public security authority prior to the operations of the hotel. The Hotel Security Control Measures further imposes certain security control obligations on the hotel operators, such as the obligation to examine the identification cards of customers, the obligation to keep customers' deposited properties safe, and the obligation to report to the public security authorities of any criminal activities.

Pursuant to the *Regulations on Administration of Hotel Industry in Hainan Economic Zone* (《海南經濟特區旅館業管理規定》) by the Standing Committee of the People's Congress of Hainan Province on 30 March 2012 and enforced on 1 June 2012, development and reform, planning and other relevant departments of people's government above the county level shall in writing seek the opinion of the competent tourism department of the people's government of the city, county or autonomous county where the hotel is located before approving the construction, reconstruction or expansion of hotels. The competent tourism department shall raise written opinion within five days after receipt of the letter seeking opinion.

(3) Fire Control Regulations

According to the *Fire Protection Law* was promulgated by the Standing Committee of NPC on 29 April 1998 and enforced on 1 September 1998, and subsequently revised on 28 October 2008 and enforced on 1 May 2009, as well as the *Fire Safety Provisions*, promulgated by the Ministry of Public Security on 14 November 2001, and enforced on 1 May 2002, public gathering places, such as hotels, are classified as one of the key administrative units for fire control purposes and are required to pass a fire safety inspection conducted by the local public security fire services department before the commencement of business operations.

OUR CORPORATE HISTORY

Our major operating subsidiaries, including Sanya Fenghuang Xincheng, Sanya Fenghuang Shuiyun, Hainan Nanhai Xiang Long and Danzhou Shuang Lian, mainly engage in residential property development in the Hainan Province. Our corporate history can be traced back to the acquisition of an indirect 60% equity interest in Sanya Fenghuang Xincheng by Mr. Yeung, our founder and one of our Controlling Shareholders, Chairman and our executive Director, in 2008.

Mr. Yeung has over 21 years of experience in residential and commercial property development industry in the PRC. For further background and relevant industry experience of Mr. Yeung, please refer to the section headed "Directors and Senior Management" in this prospectus.

MAJOR DEVELOPMENTS AND MILESTONE

The following table sets out the major developments and milestones of our Group since establishment:

Years	Key Events
January 2008	Acquisition of Sanya Fenghuang Xincheng and our entry into the property development market in Sanya
June 2009	Commencement of the sale of our Sanya Phoenix Aqua City South Shore Phase I
August 2009	Acquisition of Haikou Phoenix Aqua City Phase I and Haikou Phoenix Aqua City Phase II, marking our first property development in Haikou City, the provincial capital of the Hainan Province
May 2010	Acquisition of Sanya Fenghuang Shuiyun which enabled to obtain 139,797.7 sq.m. of site area for our Sanya Phoenix Aqua City Left Shore
November 2013	Capital injection into Danzhou Shuang Lian and expansion of our Group's development to the west coast of the Hainan Province

Our Company

For the purpose of the Listing, our Company was incorporated on 31 August 2015 in the Cayman Islands as an exempted company with limited liability, which became the ultimate holding company of our Group as a result of the Reorganisation. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section. We are a property developer, primarily focusing on residential property development in the Hainan Province.

Our Company has a number of direct and indirect subsidiaries incorporated in the BVI, Hong Kong and the PRC. The corporate history of each of the subsidiaries is set out below.

Our major operating subsidiaries

Sanya Fenghuang Xincheng

Establishment of Sanya Fenghuang Xincheng and acquisition of the entire equity interest in Sanya Fenghuang Xincheng by Mr. Yeung

Sanya Fenghuang Xincheng was established as a company with limited liability in the PRC on 11 July 2007 by an Independent Third Party, with an initial registered capital of RMB1 million which was settled on 6 July 2007 and the registered capital was subsequently increased to RMB10 million in July 2007. Sanya Fenghuang Xincheng commenced its business in November 2007. It is principally engaged in real estate development and operation.

In view of the appreciation potential and development prospect of Sanya Fenghuang Xincheng, on 16 January 2008, Mr. Yeung acquired from an Independent Third Party, via Verdure International, the then entire issued shares in Perfect Win at the total consideration of RMB1,011 million which was determined after arm's length negotiations between the parties and was settled on 4 January 2012. Upon completion of the transaction, Prefect Win indirectly wholly-owned Hainan Henghua which in turn, indirectly held 60% equity interest in Sanya Fenghuang Xincheng. The remaining 40% equity interest in Sanya Fenghuang Xincheng was indirectly held by two Independent Third Parties.

Subsequently, through a capital injection, the registered capital of Sanya Fenghuang Xincheng was increased from RMB10 million to RMB200 million on 7 July 2008. On 8 January 2009, upon negotiation among Mr. Yeung and the aforesaid Independent Third Parties, Mr. Yeung via Hainan Henghua, acquired the entire equity interest in Sanya Fenghuang Xincheng at a consideration of RMB200 million which was determined with reference to the then registered paid-up capital of Sanya Fenghuang Xincheng and was settled on 23 March 2009. As at completion of the above transfer, Verdure International was owned as to 87.5% by Chung Wai Holding which was in turn owned as to 90% by Mr. Yeung and 10% by Paau Sze Fong. 12.5% of Verdure International was owned by an Independent Third Party.

Sanya Fenghuang Xincheng held among others, a land bank of an aggregate of 819.8 mu (including education land of 15.7 mu) in Sanya, being the site developed as Sanya Phoenix Aqua City South Shore Phase II.

Increase in registered capital in July 2009

On 19 July 2009, the registered capital of Sanya Fenghuang Xincheng was increased from RMB200 million to RMB300 million. The additional registered capital of RMB100 million was contributed by Hainan Henghua and was settled on 1 July 2009.

Increase in registered capital in November 2009

On 24 November 2009, the registered capital of Sanya Fenghuang Xincheng was increased from RMB300 million to RMB700 million. The additional registered capital of RMB400 million was contributed by Chongqing Trust, and was settled on 3 November 2009. After such increase in registered capital, Sanya Fenghuang Xincheng was held as to approximately 57.14% by Chongqing Trust and approximately 42.86% by Hainan Henghua. According to the confirmation made by Sanya Fenghuang Xincheng dated 13 April 2016 and as advised by our PRC Legal Advisers, the nature of the capital injection by Chongqing Trust to Sanya Fenghuang Xincheng was in substance a provision of loan and Sanya Fenghuang Xincheng remained controlled by Mr. Yeung upon the completion of the increase in registered capital by Chongqing Trust.

Transfer of equity interest from Chongqing Trust to Zhong Hui Nanjing

At the expiration of the investment term of Chongqing Trust, Chongqing Trust and Zhong Hui Nanjing, a company controlled by Mr. Yeung, entered into an equity transfer agreement on 27 May 2010, pursuant to which Chongqing Trust transferred the aforesaid 57.14% equity interest in Sanya Fenghuang Xincheng to Zhong Hui Nanjing at a consideration of RMB422,818,739.73 which was determined with reference to the investment premium term agreed amongst Chongqing Trust, Sanya Fenghuang Xincheng, Hainan Henghua and Zhong Hui Nanjing. The consideration was settled on 13 May 2010. After the aforesaid transfer, Sanya Fenghuang Xincheng was held as to approximately 57.14% and approximately 42.86% by Zhong Hui Nanjing and Hainan Henghua, respectively and ultimately controlled by Mr. Yeung.

Transfer of equity interest from Hainan Henghua to Xi'an Trust and increase in registered capital in July 2010

Hainan Henghua and Xi'an Trust, an Independent Third Party, entered into an equity transfer agreement on 9 June 2010, pursuant to which Hainan Henghua transferred its approximately 42.86% equity interest in Sanya Fenghuang Xincheng to Xi'an Trust at a consideration of RMB300 million which was determined with reference to the then registered capital of Sanya Fenghuang Xincheng. The consideration was settled on 23 June 2010.

In order to support the business development of Sanya Fenghuang Xincheng, on 23 August 2010, the registered capital of Sanya Fenghuang Xincheng was increased from RMB700 million to RMB1,200 million. The additional capital of RMB500 million was contributed by Xi'an Trust and was settled on 17 June 2010. After such increase in registered capital, Sanya Fenghuang Xincheng was held as to approximately 33.33% and approximately 66.67% by Zhong Hui Nanjing and Xi'an Trust, respectively.

According to the statement made by Zhong Hui Nanjing, Xi'an Trust and Sanya Fenghuang Xincheng dated 23 January 2014 and as advised by our PRC Legal Advisers, the transfer and the capital injection by Xi'an Trust to Sanya Fenghuang Xincheng were in substance provision of loans of RMB800 million. Xi'an Trust held the equity interest in Sanya Fenghuang Xincheng as nominee shareholder and Sanya Fenghuang Xincheng remained controlled by Mr. Yeung upon the completion of the transfer and the increase in registered capital by Xi'an Trust.

Reduction of registered capital in August 2013

After the payment of interest for the loans by Zhong Hui Nanjing to Xi'an Trust, Xi'an Trust withdrew its investment in Sanya Fenghuang Xincheng and the registered capital of Sanya Fenghuang Xincheng was then reduced from RMB1,200 million to RMB400 million which was approved by its shareholders on 20 August 2013.

Transfer of equity interest from Zhong Hui Nanjing to Lian Yun Gang Long Ji Properties

Due to Reorganisation, pursuant to an equity acquisition reorganisation agreement dated 16 June 2015 and an equity transfer agreement dated 7 July 2015, Zhong Hui Nanjing transferred its 100% equity interest in Sanya Fenghuang Xincheng to Lian Yun Gang Long Ji Properties while Lian Yun Gang Long Ji Properties transferred its 100% equity interest in Nanjing Si Yue to Zhong Hui Nanjing as a consideration. The value of the equity interest in Sanya Fenghuang Xincheng as at 30 June 2015 was RMB471,727,465.18, which is the same as the valuation of the equity interest in Nanjing Si Yue as at 30 June 2015. The transfer of the equity interests of Sanya Fenghuang Xincheng was completed on 27 July 2015 and the transfer of equity interest of Nanjing Si Yue was completed on 22 July 2015.

Our PRC Legal Advisers confirmed that the payments of registered capital had been verified by certified public accountants in the PRC as being fully paid up and the equity transfers, increase in and reduction of registered capital as described above had been approved by relevant competent authorities and were legally valid and effective.

Sanya Fenghuang Shuiyun

Establishment of Sanya Fenghuang Shuiyun and the acquisition of the entire equity interest in Sanya Fenghuang Shuiyun by Lian Yun Gang Long Ji Properties and Sanya Fenghuang Xincheng

Sanya Fenghuang Shuiyun was established as a company with limited liability in the PRC on 21 October 2009 by two Independent Third Parties, holding 70% and 30% of its equity interest, respectively, with an initial registered capital of RMB160 million which was paid up by cash and the injection of a parcel of land of approximately 140,000 sq.m. in Sanya being the site to be later developed as Sanya Phoenix Aqua City Left Shore. Sanya Fenghuang Shuiyun commenced its business in December 2009. It is principally engaged in real estate development.

In order to acquire the aforesaid site, on 18 May 2010 and 8 June 2010, each of New Fortress and Perfect Win, both being companies controlled by Mr. Yeung, entered into equity transfer agreements with an Independent Third Party for the acquisition of 51% and 49% of equity interest in Peak Well, respectively, for an aggregate consideration of RMB563.4 million which was settled on 4 January 2012. As part of the terms of these equity transfer agreements, Lian Yun Gang Long Ji Properties, a then indirectly wholly-owned subsidiary of Peak Well, should acquire 70% equity interest in Sanya Fenghuang Shuiyun from one of its then Independent Third Party shareholder. On 24 August 2010, Lian Yun Gang Long Ji Properties acquired such 70% equity interest at a consideration of RMB112 million determined with reference to the then registered paid-up capital of Sanya Fenghuang Shuiyun and the consideration was settled by Lian Yun Gang Long Ji Properties on 30 June 2013.

On 2 November 2010, Sanya Fenghuang Xincheng acquired the remaining 30% equity interest in Sanya Fenghuang Shuiyun, being the registered capital of RMB48 million, from an Independent Third Party at a consideration of RMB48 million which was determined with reference to the then registered paid-up capital of Sanya Fenghuang Shuiyun and was settled by Sanya Fenghuang Xincheng on 19 June 2015.

After the aforesaid transfers, Sanya Fenghuang Shuiyun was held as to 70% and 30% by Lian Yun Gang Long Ji Properties and Sanya Fenghuang Xincheng, respectively and was ultimately controlled by Mr. Yeung.

Transfer of equity interest from Sanya Fenghuang Xincheng to Sanya Hui Xin Trading

As part of the Pre-IPO Equity Interest Incentive Scheme to motivate certain of our senior management and to provide them a direct economic interest in attaining our long-term business objectives, on 12 January 2011, Sanya Fenghuang Xincheng transferred its interest in the registered capital of RMB48 million of Sanya Fenghuang Shuiyun to Sanya Hui Xin Trading, which was at the material time a wholly-owned subsidiary of Sanya Fenghuang Xincheng at a consideration of RMB48 million. The said consideration was determined with reference to the then registered paid-up capital of Sanya Fenghuang Shuiyun and was settled on 28 January 2014. For details of the Pre-IPO Equity Interest Incentive Scheme, please refer to the section headed "Statutory and General Information – D. Pre-IPO Equity Interest Incentive Scheme" in Appendix V to this prospectus.

After the aforesaid transfer, Sanya Fenghuang Shuiyun was held as to 70% and 30% by Lian Yun Gang Long Ji Properties and Sanya Hui Xin Trading, respectively and was ultimately controlled by Mr. Yeung.

Increase in registered capital

Due to the development of Sanya Phoenix Aqua City Left Shore, the registered capital of Sanya Fenghuang Shuiyun was increased from RMB160 million to RMB280 million on 6 September 2011. The additional amount of registered capital of RMB120 million was contributed by Sanya Fenghuang Xincheng and was settled on 11 July 2011.

Set out below was the equity holding structure of Sanya Fenghuang Shuiyun after the above increase in registered capital and immediately before the Reorganisation:

Name of equity holders	Registered capital	Approximate percentage
	RMB	
Lian Yun Gang Long Ji Properties	112,000,000	40.00%
Sanya Hui Xin Trading	48,000,000	17.14%
Sanya Fenghuang Xincheng	120,000,000	42.86%
Total	280,000,000	100.00%

Our PRC Legal Advisers confirmed that the registered capital of Sanya Fenghuang Shuiyun had been verified by certified public accountants in the PRC as being fully paid up and the equity transfers as described above had been approved by relevant competent authorities and were legally valid and effective.

Hainan Nanhai Xiang Long

Establishment of Hainan Nanhai Xiang Long

Hainan Nanhai Xiang Long was established as a company with limited liability in the PRC with an initial registered capital of RMB50 million on 18 April 2002 under the name of Beijing Zhongmu Property Development Company Limited (北京中牧房地產開發有限公司) by two PRC companies, being Independent Third Parties and its company name was changed to "Hainan Nanhai Xiang Long" on 25 December 2007. Hainan Nanhai Xiang Long commenced its business in June 2002. It is principally engaged in real estate development.

Acquisition of the entire equity interest in Hainan Nanhai Xiang Long

Immediately before the acquisition of the entire equity interest by us in August 2009, Hainan Nanhai Xiang Long was owned by three Independent Third Parties shareholders. Hainan Nanhai Xiang Long possessed land use rights with an aggregate site area of approximately 127,011.16 sq.m. in Haikou.

As Mr. Yeung was optimistic about the development prospect of the land parcels owned by Hainan Nanhai Xiang Long, Suzhou Zhuo Cheng, being a nominee of Mr. Yeung, entered into an equity transfer agreement with the three Independent Third Parties shareholders of Hainan Nanhai Xiang Long on 24 August 2009, pursuant to which they transferred the entire equity interest in Hainan Nanhai Xiang Long to Suzhou Zhuo Cheng at a total consideration of RMB157,200,000. The said consideration was determined based on arm's length negotiation between the parties. The consideration was contributed and settled by Chung Wai (Hainan) on 6 November 2009.

Increase in registered capital in February 2010 and Transfer of equity interest from Sanya Fenghuang Xincheng to Nanjing Jia Pei

Pursuant to the shareholders' resolution passed on 8 February 2010, the registered capital of Hainan Nanhai Xiang Long was increased from RMB50 million to RMB300 million by Suzhou Zhuo Cheng on behalf of Mr. Yeung through Zhonghui (China) Investment, an indirect wholly-owned subsidiary of Mr. Yeung at the material time. The increase in capital was contributed and settled by Zhonghui (China) Investment on 3 March 2010. Subsequent to a series of equity transfers between inter-group companies and companies controlled by Mr. Yeung during the period from 8 February 2010 to 1 April 2014. Hainan Nanhai Xiang Long became a wholly-owned subsidiary of Nanjing Jia Pei, a company indirectly wholly-owned by Mr. Yeung.

Our PRC Legal Advisers confirmed that the registered capital of Hainan Nanhai Xiang Long had been verified by certified public accountants in the PRC as being fully paid up and the equity transfers as described above had been approved by relevant competent authorities and were legally valid and effective.

Danzhou Shuang Lian

Establishment of Danzhou Shuang Lian

Danzhou Shuang Lian was established as a company with limited liability in the PRC with an initial registered capital of RMB50 million on 3 December 2009 by a PRC company and two individuals, all being Independent Third Parties. Danzhou Shuang Lian commenced its business in January 2010. It is principally engaged in real estate development.

Capital injection into Danzhou Shuang Lian by Sanya Fenghuang Xincheng

Immediately before 6 August 2012, Danzhou Shuang Lian was held by Nanjing San Long, being one of the existing equity holders of Danzhou Shuang Lian and two individuals both being Independent Third Parties, with a registered capital of RMB200 million and possessed land use rights with an aggregate site area of approximately 468,553.5 sq.m. in Danzhou, Hainan. To participate in the development of site, Sanya Fenghuang Xincheng agreed to make a capital injection of RMB10,550,000, which was fully settled by it on 13 August 2012. After the capital injection, the registered capital of Danzhou Shuang Lian was increased to RMB210,550,000 and Sanya Fenghuang Xincheng held approximately 5.01% equity interest in Danzhou Shuang Lian.

Reduction in registered capital in August 2013 and capital injection by Sanya Zhong Ze Kai in November 2013 and January 2014

We were invited by Nanjing San Long to invest further in Danzhou Shuang Lian. As we intended to obtain controlling stake over the development of Danzhou Phoenix Aqua City without involving other minority interest holders other than Nanjing San Long, we decided to withdraw our investment in Danzhou Shuang Lian through Sanya Fenghuang Xincheng and only invest in Danzhou Shuang Lian again when Nanjing San Long became its only equity interest holder.

- Sanya Fenghuang Xincheng withdrew its investment of RMB10,550,000 in Danzhou Shuang Lian and the registered capital of Danzhou Shuang Lian was reduced from RMB210,550,000 to RMB165 million pursuant to the resolution of the shareholders of Danzhou Shuang Lian of 16 August 2013. Apart from Sanya Fenghuang Xincheng, the other two individual equity holders also reduced their investment in Danzhou Shuang Lian by an aggregate of RMB35 million. After such reduction in registered capital, Danzhou Shuang Lian was wholly-owned by Nanjing San Long with a registered capital of RMB165 million.

- On 21 August 2013 and 20 January 2014, Sanya Zhong Ze Kai,which was at the material time wholly-owned by Zhong Ze (Hong Kong), entered into an agreement and a supplemental agreement with Danzhou Shuang Lian and Nanjing San Long pursuant to which Sanya Zhong Ze Kai made two capital injections to Danzhou Shuang Lian totalled RMB247,500,000 for an aggregate 60% equity interest in the enlarged registered capital of Danzhou Shuang Lian. The capital was injected to Danzhou Shuang Lian in November 2013 and January 2014. It was also a term of the agreements that notwithstanding Sanya Zhong Ze Kai's 60% equity interests in Danzhou Shuang Lian, it would not be entitled to any economic interests or be responsible for any loss in respect of Danzhou Phase I.

Please refer to Note 3 to "Accountants Report" in Appendix I to this prospectus on the acquisition of Danzhou Shuang Lian.

After the aforesaid capital injections, Danzhou Shuang Lian was held as to 60% and 40% by Sanya Zhong Ze Kai and Nanjing San Long, respectively. Please refer to the section headed "Financial Information – 2. Danzhou Phoenix Aqua City" in this prospectus for details of excluding Danzhou Phase I.

Our PRC Legal Advisers confirmed that the registered capital of Danzhou Shuang Lian had been verified by certified public accountants in the PRC as being fully paid up and the increase in and the reduction of registered capital of Danzhou Shuang Lian as described above had been approved by relevant competent authorities and were legally valid and effective.

Our other subsidiaries

Lian Yun Gang Tai Sheng Development

Lian Yun Gang Tai Sheng Development was established as a wholly foreign owned enterprise in the PRC on 18 November 2009 by Time Being with an initial registered capital of RMB10 million which was settled on 10 February 2010. It was indirectly acquired by us when we acquired Peak Well for the interests in Sanya Fenghuang Shuiyun. It is principally engaged in investment holding.

Immediately before the Reorganisation, Lian Yun Gang Tai Sheng Development was wholly-owned by Time Being which was in turn wholly-owned by Peak Well.

Nanjing Jia Pei

Nanjing Jia Pei was established as a wholly foreign owned enterprise in the PRC on 11 September 2013 by Zhong Jia (Hong Kong) with an initial registered capital of USD500,000 which was settled on 29 September 2013. It is an investment holding company.

Immediately before the Reorganisation, Nanjing Jia Pei was wholly-owned by Zhong Jia (Hong Kong) which was in turn indirectly wholly-owned by Mr. Yeung.

Lian Yun Gang Long Ji Properties

Establishment of Lian Yun Gang Long Ji Properties

Lian Yun Gang Long Ji Properties was established in the PRC on 7 February 2007 as a company with limited liability by Lian Yun Gang Jia Tai, an Independent Third Party, with an initial registered capital of RMB10 million which was settled on 1 February 2007. It was indirectly acquired by us when we acquired Peak Well for the interests in Sanya Fenghuang Shuiyun. Lian Yun Gang Long Ji Properties is principally engaged in investment holding.

Transfer of equity interest from Lian Yun Gang Jia Tai to Lian Yun Gang Tai Sheng Development

To facilitate the transfer of interests in Sanya Fenghuang Shuiyun as set out above, Lian Yun Gang Jia Tai and Lian Yun Gang Tai Sheng Development entered into an equity transfer agreement on 16 April 2010, pursuant to which Lian Yun Gang Jia Tai transferred its 100% equity interest in Lian Yun Gang Long Ji Properties to Lian Yun Gang Tai Sheng Development, at a consideration of RMB10 million which was determined with reference to the then registered paid up capital of Lian Yun Gang Long Ji Properties and was settled on 28 May 2010. At the time of transfer, Lian Yun Gang Tai Sheng Development was wholly-owned by Time Being.

Immediately before the Reorganisation, Lian Yun Gang Long Ji Properties was wholly-owned by Lian Yun Gang Tai Sheng Development.

Our PRC Legal Advisers confirmed that the equity transfer as described above had been approved by relevant competent authorities and were legally valid and effective.

Zhong Jia (Hong Kong)

Zhong Jia (Hong Kong) was incorporated in Hong Kong on 18 December 2012 with limited liability with an issued share capital of HK$10,000 divided into 10,000 shares issued to Zhong Jia (International), being a company wholly-owned by Mr. Yeung, at a consideration of HK$10,000. It is principally engaged in investment holding.

Immediately before the Reorganisation, Zhong Jia (Hong Kong) was wholly-owned by Zhong Jia (International).

Zhong Ze (Hong Kong)

Zhong Ze (Hong Kong) was incorporated in Hong Kong on 20 September 2011 with limited liability with an issued share capital of HK$10,000 divided into 10,000 shares issued to Zhong Ze (International), being a company directly held as to 100% by Mr. Yeung, at a consideration of HK$10,000. It is principally engaged in investment holding.

Immediately before the Reorganisation, Zhong Ze (Hong Kong) was wholly-owned by Zhong Ze (International).

Time Being

Incorporation of Time Being

Time Being was incorporated in Hong Kong on 8 October 2009 with limited liability. On 8 October 2009, 10,000 shares of Time Being was issued to an Independent Third Party at a consideration of HK$10,000. It is principally engaged in investment holding.

Transfer of shares to Peak Well

On 22 January 2010, Peak Well, being a company wholly-owned by the Independent Third Party at the material time, acquired 100% of the shareholding in Time Being at a consideration of HK$10,000. It was indirectly acquired by us when we acquired Peak Well for the interests in Sanya Fenghuang Shuiyun.

Immediately before the Reorganisation, Time Being was wholly-owned by Peak Well.

The above transfer has been properly and legally completed and settled.

Peak Well

Incorporation of Peak Well and acquisition of the entire equity interest in Peak Well by Perfect Win

Peak Well was incorporated in the BVI with limited liability on 5 January 2010 by an Independent Third Party with an issued share capital of US$50,000. It is principally engaged in investment holding.

The Group acquired the site to be developed as Sanya Phoenix Aqua City left Shore through a series of transfers, including the acquisition of 51% equity interest in Peak Well by New Fortress and the acquisition of 49% equity interest in Peak Well by Perfect Win in October 2010 for an aggregate consideration of RMB563,408,300 which were determined based on arm's length negotiation between the parties. The said considerations of the above transfers were settled on 4 January 2012.

At the time of the above transfers, New Fortress was owned as to 100% by Mr. Yeung and Perfect Win was owned as to 100% by Verdure International, which was owned as to 87.5% by Chung Wai Holding. Chung Wai Holding was in turn indirectly owned as to 90% by Mr. Yeung and 10% by Paau Sze Fong respectively. The remaining 12.5% equity interest in Verdure International was held by an Independent Third Party.

The above transfer has been properly and legally completed and settled.

Nanjing Bai Rui Ze

Nanjing Bai Rui Ze was established in the PRC on 16 January 2013 as a company with limited liability by Zhong Hui Nanjing and Nanjing Jia Xie with an initial registered capital of RMB10 million which was settled on 25 December 2012. Its is principally engaged in investment holding.

At its establishment, Nanjing Bai Rui Ze was held as to 51% and 49% by Zhong Hui Nanjing and Nanjing Jia Xie, respectively and ultimately controlled by Mr. Yeung.

Transfer of equity interest from Zhong Hui Nanjing and Nanjing Jia Xie to Nanjing Jia Pei

Due to our Group's reorganisation, Nanjing Jia Pei entered into equity transfer agreements with Zhong Hui Nanjing and Nanjing Jia Xie on 8 October 2013 respectively, pursuant to which Zhong Hui Nanjing transferred its 51% equity interest in Nanjing Bai Rui Ze and Nanjing Jia Xie transferred its 49% equity interest in Nanjing Bai Rui Ze to Nanjing Jia Pei at a consideration of RMB5,100,000 and RMB4,900,000 respectively. The said consideration was determined with reference to the then registered paid-up capital of Nanjing Bai Rui Ze and was settled on 9 March 2016 .

Increase in registered capital in October 2013 and November 2013

Due to business development needs, on 4 November 2013 and 11 November 2013, the registered capital of Nanjing Bai Rui Ze was increased from RMB10 million to RMB110 million and then to RMB210 million. The additional capital of RMB100 million and RMB100 million were contributed by Nanjing Jia Pei and was settled on 28 October 2013 and 1 November 2013, respectively.

Transfer of equity interest from Nanjing Jia Pei to Sanya Fenghuang Xincheng

To integrate our resources, Nanjing Jia Pei entered into equity transfer agreement with Sanya Fenghuang Xincheng on 19 March 2014 for the transfer of Nanjing Bai Rui Ze to Sanya Fenghuang Xincheng. For details, please refer to the paragraph headed "Hainan Nanhai Xiang Long - Transfer of equity interest from Sanya Fenghuang Xincheng to Nanjing Jia Pei" in this section above.

Immediately before the Reorganisation, Nanjing Bai Rui Ze was wholly-owned by Sanya Fenghuang Xincheng.

Our PRC Legal Advisers confirmed that the payments of registered capital had been verified by certified public accountants in the PRC as being fully paid up and the equity transfers and the increase in registered capital as described above had been approved by relevant competent authorities and were legally valid and effective.

Sanya Hui Xin Trading

Establishment of Sanya Hui Xin Trading

Sanya Hui Xin Trading was established as a company with limited liability in the PRC on 29 December 2010 by Sanya Fenghuang Xincheng with an initial registered capital of RMB10 million which was settled on 20 December 2010. At the time of the establishment of Sanya Hui Xin Trading, Sanya Fenghuang Xincheng was owned as to approximately 33.33% by Zhong Hui Nanjing and approximately 66.67% by Xi'an Trust. It is principally engaged in investment holding.

Transfer of equity interest from Sanya Fenghuang Xincheng to two individuals

For the purpose of setting up the Pre-IPO Equity Interest Incentive Scheme for our senior management to motivate and provide them a direct economic interest in attaining our long-term business objectives, on 15 November 2011, Sanya Fenghuang Xincheng entered into equity transfer agreements with Mr. Yang Jinhe, the then management staff of our Group, and Mr. Fang Jing, currently a management staff of several subsidiaries of our Group, pursuant to which Sanya Fenghuang Xincheng transferred 50% equity interest in Sanya Hui Xin Trading at a total consideration of RMB10 million to each of Mr. Yang Jinhe and Mr. Fang Jing, both of whom held such interest in Sanya Hui Xin Trading on trust for Zhonghui (China) Investment, an indirect wholly-owned subsidiary of Mr. Yeung. The aggregate consideration of RMB10 million was settled by Mr. Yeung on 2 March 2016.

Increase in registered capital in July 2015

Lian Yun Gang Long Ji Properties increased its capital contribution in Sanya Hui Xin Trading by RMB47,142,857.14 resulting in the equity holding of each of Mr. Fang Jing and Mr. Yang Jinhe in Sanya Hui Xin Trading reduced to 8.75%. On 25 September 2015, the registered capital of Sanya Hui Xin Trading was increased from RMB10 million to RMB57,142,857.14. The additional capital of RMB47,142,857.14 was contributed by Lian Yun Gang Long Ji Properties and was settled on 25 August 2015.

Set out below was the equity holding structure of Sanya Hui Xin Trading after the above increase in registered capital and immediately before the Reorganisation:

Name of equity holders	Registered capital	Percentage
	RMB	
Mr. Yang Jinhe *(Note 1)*	5,000,000.00	8.75%
Mr. Fang Jing *(Note 1)*	5,000,000.00	8.75%
Lian Yun Gang Long Ji Properties	47,142,857.14	82.5%
Total	57,142,857.14	100%

Note 1: Mr. Yang Jinhe and Mr. Fang Jing hold the equity interest in Sanya Hui Xin Trading on trust for Mr. Yeung through Zhonghui (China) Investment.

Our PRC Legal Advisers confirmed that the payments of registered capital had been verified by certified public accountants in the PRC as being fully paid up and the equity transfer and the increase in registered capital as described above had been approved by relevant competent authorities and were legally valid and effective.

Sanya Zhong Ze Kai

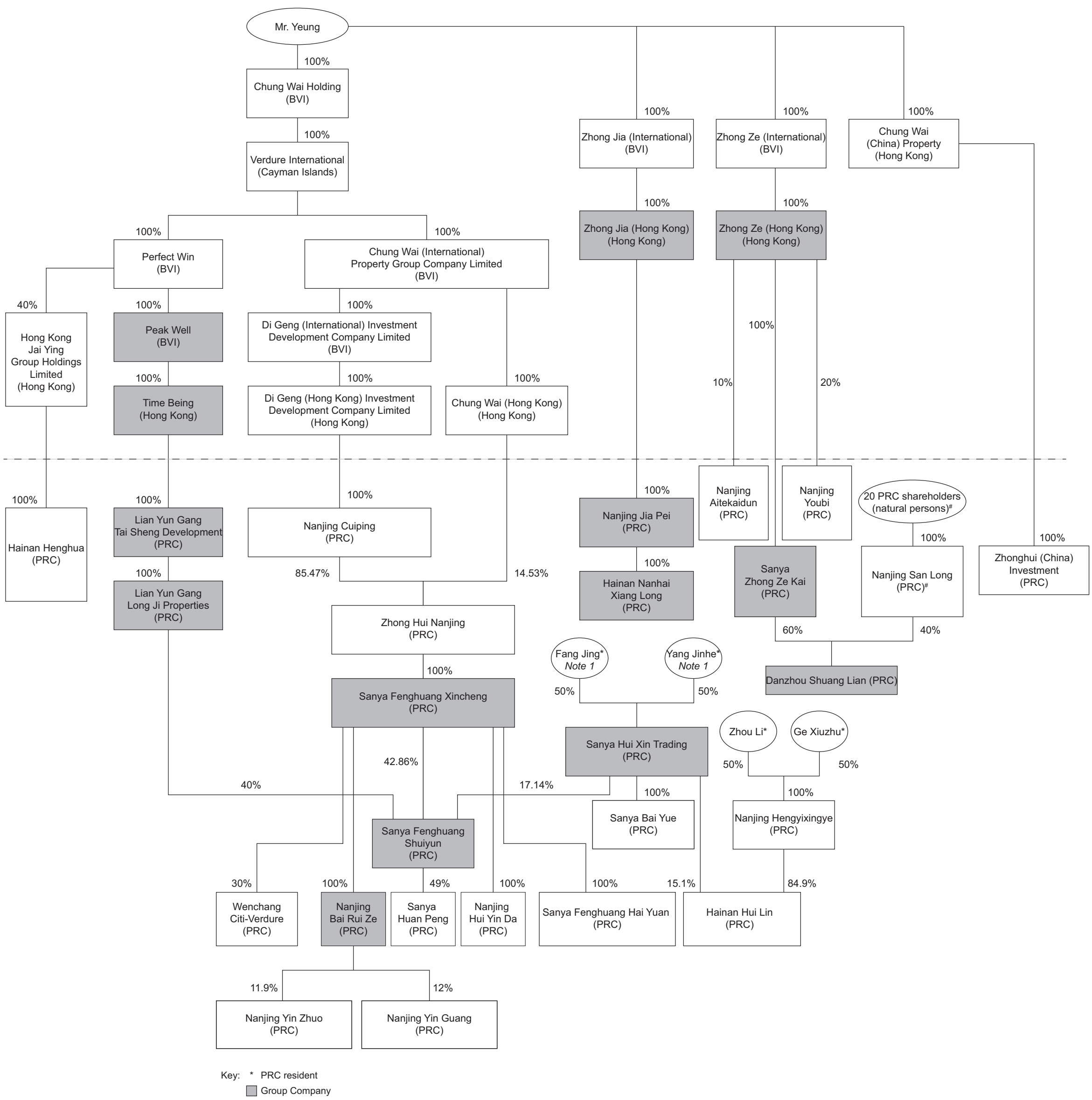
Sanya Zhong Ze Kai was established as a wholly foreign owned enterprise in the PRC on 1 April 2012 by Zhong Ze (Hong Kong), being a company indirectly wholly-owned by Mr. Yeung, with an initial registered capital of US$4,800,000 which was fully settled on 20 April 2012. Sanya Zhong Ze Kai is principally engaged in investment holding.

Immediately before the Reorganisation, Sanya Zhong Ze Kai was wholly-owned by Zhong Ze (Hong Kong) which was indirectly wholly-owned by Mr. Yeung.

REORGANISATION

Prior to the Reorganisation, our subsidiaries were owned by Mr. Yeung through companies controlled by him. Mr. Yeung engages in real estate development through our Group and the Private Group. The Private Group includes the Excluded Business and the Non-Target Cities Projects. For details of the Excluded Businesses and the Non-Target Cities Projects and reasons for such exclusion, please refer to the section headed "Relationship with the Controlling Shareholders – Excluded businesses" in this prospectus.

We set out below the simplified corporate structure of our Group immediately before the Reorganisation:



Note 1: Mr. Yang Jinhe and Mr. Fang Jing hold the equity interest in Sanya Hui Xin Trading on trust for Mr. Yeung through Zhonghui (China) Investment. Mr. Yang Jinhe was a management staff of a company wholly-owned by Mr. Yeung. Mr. Fang Jing is currently a management staff of several subsidiaries of our Group.

In preparation of the Global Offering, our Company was incorporated in the Cayman Islands on 31 August 2015 and became the indirect holding company of all the PRC Operating Subsidiaries following the Reorganisation.

Our PRC Legal Advisers has advised that our Group has complied with all the relevant PRC laws and regulations and all relevant approvals from the PRC Government have been obtained in relation to the Reorganisation and the Listing.

The Reorganisation which was effected in preparation for the Listing, whereby our company became the holding company of our Group, included the following major steps:

(1) Establishment of Nanjing Si Yue and Acquisition of Sanya Fenghuang Xincheng by Lian Yun Gang Long Ji Properties

Nanjing Si Yue was established by Lian Yun Gang Long Ji Properties as a company with limited liability in the PRC on 29 April 2015 with an initial registered capital of RMB50 million. The initial registered capital was settled on 28 May 2015. After the capital injection in Nanjing Si Yue by Lian Yun Gang Long Ji Properties, the value of the audited total assets in Nanjing Si Yue as at 30 June 2015 was RMB471,727,465.18.

In order to acquire Sanya Fenhuang Xincheng, Zhong Hui Nanjing entered into an equity transfer agreement with Lian Yun Gang Long Ji Properties on 7 July 2015, pursuant to which Zhong Hui Nanjing transferred its 100% equity interest in Sanya Fenghuang Xincheng to Lian Yun Gang Long Ji Properties while Lian Yun Gang Long Ji Properties transferred its 100% equity interest in Nanjing Si Yue to Zhong Hui Nanjing as consideration thereof. The value of the equity interest in Sanya Fenghuang Xincheng as at 30 June 2015 was RMB471,727,465.18, which is the same as the valuation of the audited total assets in Nanjing Si Yue as at 30 June 2015. The transfer was completed on 27 July 2015. After the aforesaid transfer, Sanya Fenghuang Xincheng became a wholly-owned subsidiary of Lian Yun Gang Long Ji Properties.

(2) (i) Disposal of equity interest in Sanya Huan Peng, Sanya Bai Yue, Nanjing Hui Yin Da, Nanjing Yin Zhuo and Nanjing Yin Guang; (ii) Deregistration of Hainan Hui Lin; (iii) Disposal of Wenchang Citi-Verdure; (iv) Deregistration of Sanya Fenghuang Hai Yuan; (v) Disposal of Nanjing Aitekaidun; and (vi) Disposal of Nanjing Youbi

(i) Disposal of Sanya Huan Peng

Since we did not have the relevant experience in hotel management, in July 2015, Sanya Fenghuang Shuiyun entered into an equity transfer agreement with Nanjing Hui Yin Da pursuant to which Sanya Fenghuang Shuiyun transferred its 49% equity interest in Sanya Huan Peng to Nanjing Hui Yin Da at a consideration of RMB2,450,000 which was determined with reference to the registered paid-up capital of Sanya Huan Peng and was settled on 26 August 2015. After the aforesaid transfer, Sanya Huan Peng ceased to be a member of our Group.

Disposal of Sanya Bai Yue

Since we did not have the relevant experience in serviced apartment management, Sanya Bai Yue recorded loss since its establishment. On 14 July 2015, Sanya Hui Xin Trading entered into an equity transfer agreement with Nanjing Hui Yin Da pursuant to which Sanya Hui Xin Trading transferred its entire equity interest in Sanya Bai Yue to Nanjing Hui Yin Da at nil consideration which was determined with reference to the valuation of the equity interest of Sanya Bai Yue as at 31 May 2015 which was negative. After the aforesaid transfer, Sanya Bai Yue ceased to be a member of our Group.

Disposal of Nanjing Hui Yin Da

On 28 July 2015, given that Nanjing Hui Yin Da had no operating business since its establishment, Sanya Fenghuang Xincheng entered into an equity transfer agreement with Mr. Ma Weimin (an Independent Third Party), pursuant to which Sanya Fenghuang Xincheng transferred its 100% equity interest in Nanjing Hui Yin Da to Mr. Ma Weimin (an Independent Third Party) at a consideration of RMB5 million. The consideration was determined with reference to the value of the equity interest of Nanjing Hui Yin Da as at 10 July 2015 as indicated in the valuation report dated 25 July 2015 and was settled on 6 August 2015. After the aforesaid transfer, Nanjing Hui Yin Da ceased to be a member of our Group.

Disposal of Nanjing Yin Zhuo and Nanjing Yin Guang

Nanjing Yin Zhuo and Nanjing Yin Guang had limited activities other than holding plots of land for development in Nanjing. Since Nanjing is not our Group's target city for property development, Nanjing Bai Rui Ze entered into equity transfer agreements with Yincheng Real Estate Group Co., Ltd, a company indirectly owned as to approximately 14.97% by Mr. Yeung at the time of transfer in August 2015, pursuant to which Nanjing Bai Rui Ze transferred to Yincheng Real Estate Group Co., Ltd (i) its approximately 12% equity interest in Nanjing Yin Zhuo at a consideration of RMB25 million; and (ii) its 12% equity interest in Nanjing Yin Guang at a consideration of RMB18 million. The aforesaid consideration was determined with reference to the registered capital and net asset value of Nanjing Yin Zhuo and Nanjing Yin Guang and was settled on 25 June 2015 pursuant to the memorandum of understanding entered into between Nanjing Bai Rui Ze and Yincheng Real Estate Group Co., Ltd on 19 June 2015. After the aforesaid transfers, each of Nanjing Yin Zhuo and Nanjing Yin Guang ceased to be a member of our Group.

(ii) Deregistration of Hainan Hui Lin

Hainan Hui Lin has completed the process of deregistration which was approved by Hainan AIC on 17 September 2015.

(iii) Disposal of Wenchang Citi-Verdure

(a) Nanjing Yu Ming Hang was established by Sanya Fenghuang Xincheng on 14 October 2015 with an initial registered capital of RMB4,860,000 which was contributed by Sanya Fenghuang Xincheng's transfer of its 30% equity interest in Wenchang Citi-Verdure to Nanjing Yu Ming Hang on 30 October 2015 pursuant to an equity transfer agreement entered into with Nanjing Yu Ming Hang on 29 October 2015. The consideration was determined with reference to the net asset value of Wenchang Citi-Verdure according to the valuation report dated 15 July 2015. After the aforesaid transfer, Wenchang Citi-Verdure was directly held as to 30% by Nanjing Yu Ming Hang which was held as to 100% by Sanya Fenghuang Xincheng.

(b) Since our Directors considered that Wenchang Citi-Verdure was unlikely to obtain the land use right in Wenchang, on 9 November 2015, Sanya Fenghuang Xincheng entered into an equity transfer agreement with Nanjing Rui Ke, being a company indirectly held as to 100% by Mr. Yeung pursuant to which Sanya Fenghuang Xincheng transferred its entire equity interest in Nanjing Yu Ming Hang to Nanjing Rui Ke at a consideration of RMB4,860,000 which was determined with reference to the registered paid-up capital of Nanjing Yu Ming Hang and was settled on 25 November 2015. After the aforesaid transfer, Wenchang Citi-Verdure ceased to be a member of our Group.

(iv) Deregistration of Sanya Fenghuang Hai Yuan

Sanya Fenghuang Hai Yuan has completed the process of deregistration which was approved by Sanya AIC on 1 December 2015.

(v) Disposal of Nanjing Aitekaidun

As Nanjing Aitekaidun is principally engaged in landscape design which is different from our core business, on 31 December 2015, Zhong Ze (Hong Kong) entered into equity transfer agreement with the other shareholder of Nanjing Aitekaidun, being an Independent Third Party, pursuant to which Zhong Ze (Hong Kong) transferred its 10% equity interest in Nanjing Aitekaidun to the aforesaid Independent Third Party at a consideration of RMB50,000 which was determined with reference to the original investment amount injected into Nanjing Aitekaidun by Zhong Ze (Hong Kong). The aforesaid transfer was approved by Nanjing Investment Promotion Committee (南京投資促進委員會) on 28 December 2015 and was approved by the Industry and Commerce Bureau of Nanjing Gaochun (南京市高淳區市場監督管理局) on 20 January 2016, and Nanjing Aitekaidun ceased to be a member of our Group.

(vi) Disposal of Nanjing Youbi

As Nanjing Youbi is principally engaged in environmental design which is different from our core business, on 31 March 2016, Zhong Ze (Hong Kong) entered into an equity transfer agreement with an Independent Third Party, pursuant to which Zhong Ze (Hong Kong) transferred its 20% equity interest in Nanjing Youbi to the aforesaid Independent Third Party at a consideration of RMB15,000 which was determined with reference to the original investment amount injected into Nanjing Youbi by Zhong Ze (Hong Kong). The aforesaid transfer was approved by Nanjing Gaochun Bureau of Commerce (南京市高淳區商務局) on 31 March 2016 and was approved by the Industry and Commerce Bureau of Nanjing Gaochun (南京市高淳區市場監督管理局) on 31 March 2016, and Nanjing Youbi ceased to be a member of our Group.

(3) Incorporation of Zhong Jia (International) Holding and our Company

(i) Zhong Jia (International) Holding was incorporated on 12 August 2015 in the BVI with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 12 August 2015, 50,000 fully paid ordinary shares of Zhong Jia (International) Holding, representing its then entire issued share capital, were issued and allotted to Zhong Jia (International) at a consideration of US$50,000.

(ii) Our Company was incorporated on 31 August 2015 in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 shares with a par value of HK$0.01 each. One nil-paid Share was allotted and issued to Zhong Jia (International).

(4) Capital injection in Sanya Hui Xin Trading

On 25 September 2015, Lian Yun Gang Long Ji Properties injected a sum of RMB47,142,857.14 to Sanya Hui Xin Trading. After the aforesaid capital injection, the registered capital of Sanya Hui Xin Trading was increased from RMB10 million to RMB57,142,857.14 and Sanya Hui Xin Trading was then owned as to 8.75%, 8.75% and 82.5% by Mr. Yang Jinhe, Mr. Fang Jing and Lian Yun Gang Long Ji Properties respectively. Mr. Yang Jinhe and Mr. Fang Jing hold the equity interest in Sanya Hui Xin Trading on trust for Mr. Yeung through Zhonghui (China) Investment.

(5) Acquisition of Peak Well by Zhong Jia (International)

Zhong Jia (International) entered into a sale and purchase agreement with Perfect Win on 23 March 2016, pursuant to which Perfect Win transferred its 100% equity interest in Peak Well to Zhong Jia (International), the consideration was satisfied by Zhong Jia (International) transferring its 100% equity interest in Zhong Jia (International) Holding to Perfect Win and was settled on 23 March 2016. The consideration was determined with reference to the share capital of Zhong Jia (International) Holding.

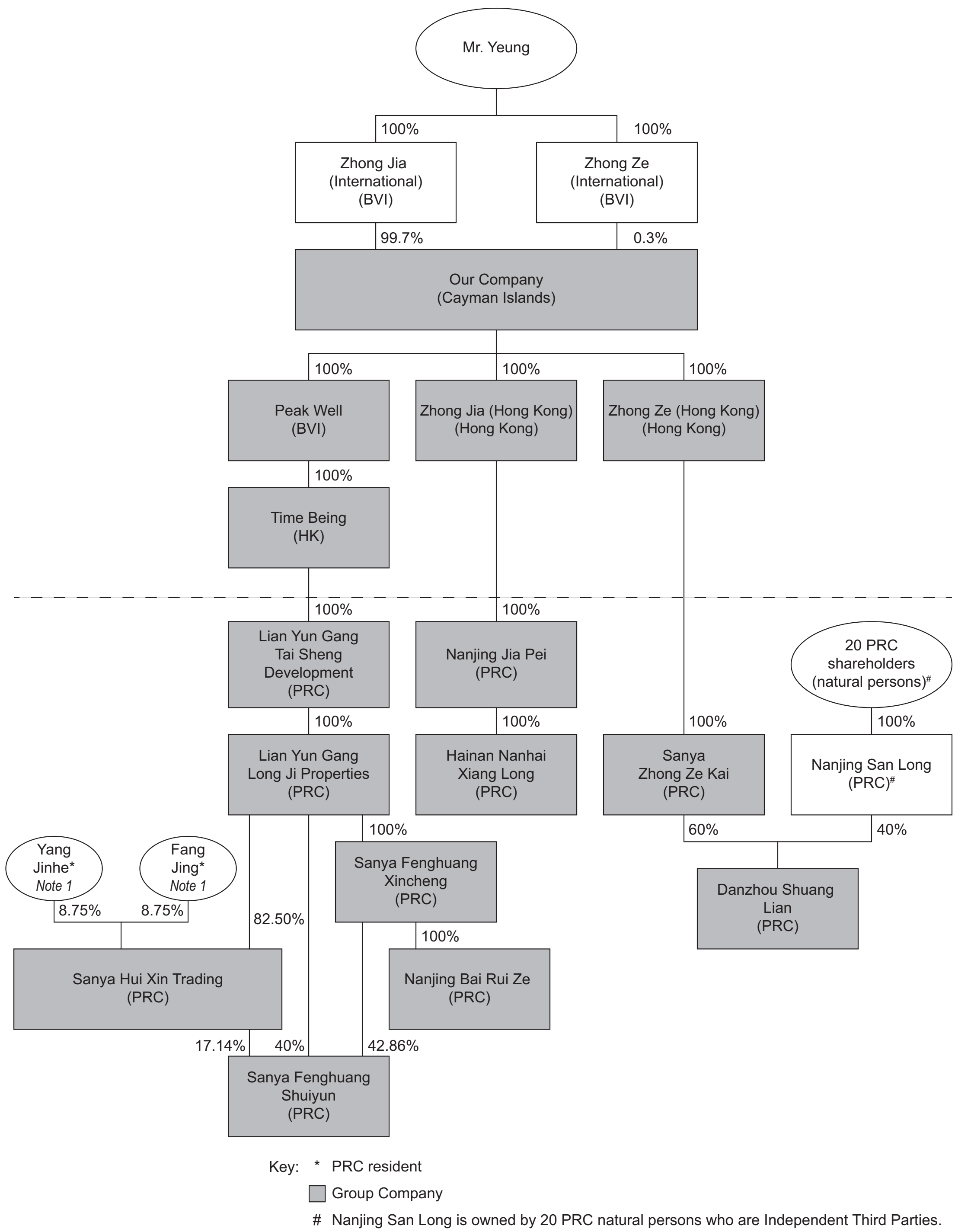
(6) Acquisition of Peak Well, Zhong Jia (Hong Kong) and Zhong Ze (Hong Kong)

(i) On 24 March 2016, a sale and purchase agreement was entered into between Zhong Jia (International) and our Company, pursuant to which Zhong Jia (International) transferred 50,000 shares in Peak Well, representing its then entire issued share capital, to our Company and in consideration of which (i) the one nil-paid Share held by Zhong Jia (International) was credited as fully-paid; and (ii) our Company allotted and issued 972 Shares, credited as fully paid, to Zhong Jia (International). The transfer was completed on 24 March 2016 . After the aforesaid transfer, Peak Well became our indirectly wholly-owned subsidiary.

(ii) On 24 March 2016, a sale and purchase agreement was entered into between Zhong Jia (International) and our Company, pursuant to which Zhong Jia (International) transferred 10,000 shares in Zhong Jia (Hong Kong), representing its then entire issued share capital, to our Company and in consideration of which our Company allotted and issued 24 Shares, credited as fully paid, to Zhong Jia (International). The transfer was completed on 8 April 2016. After the aforesaid transfer, Zhong Jia (Hong Kong) became our direct wholly-owned subsidiary.

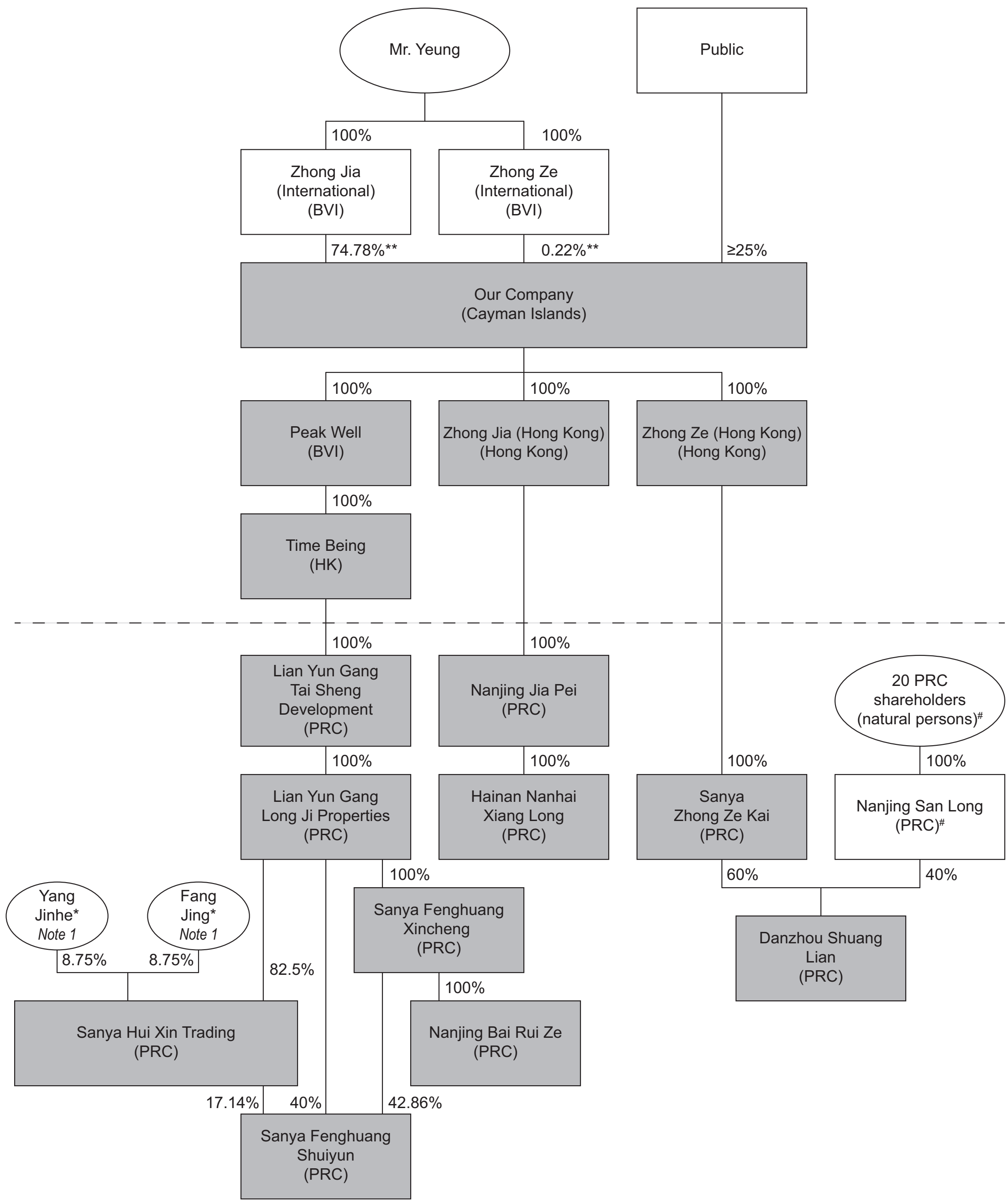
(iii) On 24 March 2016, a sale and purchase agreement was entered into between Zhong Ze (International) and our Company, pursuant to which Zhong Ze (International) transferred 10,000 shares in Zhong Ze (Hong Kong), representing its then entire issued share capital, to our Company and in consideration of which our Company allotted and issued 3 Shares, credited as fully paid, to Zhong Ze (International). The transfer was completed on 8 April 2016. After the aforesaid transfer, Zhong Ze (Hong Kong) became our direct wholly-owned subsidiary.

We set out below the corporate structure of our Group after completion of the Reorganisation but immediately before completion of the Capitalisation Issue and the Global Offering:



Note 1: Mr. Yang Jinhe and Mr. Fang Jing hold the equity interest in Sanya Hui Xin Trading on trust for Mr. Yeung. Mr. Yang Jinhe was a management staff of a company wholly-owned by Mr. Yeung. Mr. Fang Jing is currently a management staff of several subsidiaries of our Group.

We set out below the corporate structure of our Group after completion of the Reorganisation and immediately upon completion of the Capitalisation Issue and Global Offering:



Key: * PRC resident

** approximate percentage

Group Company

\# Nanjing San Long is owned by 20 PRC natural persons who are Independent Third Parties.

Note 1: Mr. Yang Jinhe and Mr. Fang Jing hold the equity interest in Sanya Hui Xin Trading on trust for Mr. Yeung. Mr. Yang Jinhe was a management staff of a company wholly-owned by Mr. Yeung. Mr. Fang Jing is currently a management staff of several subsidiaries of our Group.

PRC REGULATORY ISSUES RELATING TO THE REORGANISATION AND THE LISTING

M&A Rules

Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic company thereby converting it into a foreign invested enterprise, or subscribes for new equity via an increase in registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign invested enterprise. The M&A Rules also provide that an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading securities of such offshore special purpose vehicle on an overseas stock exchange.

Our PRC Legal Advisers have advised us that, as our ultimate beneficial Controlling Shareholder, Mr. Yeung is permanent resident of Hong Kong, the domestic subsidiaries within the scope of the proposed listed group are enterprises established by foreign invested enterprises established by Mr. Yeung via foreign investors, or enterprises established with the investment made by such foreign invested enterprises, or enterprises obtained via acquisition, pursuant to which, the reorganisation carried out by the proposed listed company in connection with this initial public offering do not fall into the definition of foreign investor M&A domestic enterprises under the M&A Rules. Accordingly, the Reorganisation and Listing are not subject to the M&A Rules.

Notice 37

On 14 July 2014, SAFE issued the Notice 37 which came into force on the same day, requiring PRC residents who establish or control offshore special purpose vehicles and intend to inject assets or equity interest in their PRC entities into such offshore special purpose vehicles for the purposes of overseas equity financing to register with competent local SAFE branch before contributing assets or equity interest in such offshore special purpose vehicles. Following the initial registration, the PRC residents are also required to register with the local SAFE branch with respect to such offshore special purpose vehicles in connection with any major change in PRC resident shareholders, alteration of capital, term of operation, transfer of shares, share exchange, merger or division. Our PRC Legal Advisers advised that, since Mr. Yeung is a Hong Kong resident, he is not subject to the registration procedures of the foreign exchange for his overseas investment under the Notice 37.

OVERVIEW

We are a property developer primarily focusing on residential property development in the Hainan Province of the PRC. As at the Latest Practicable Date, we owned land use rights with an aggregate site area of 1,173,199.9 sq.m. and land bank with GFA of approximately 1.6 million sq.m. in respect of our owed development projects.

Our target customers include Chinese nationals from other provinces. According to DTZ Report, we were the tenth largest property developer in Sanya in term of sales for the years 2014 and 2015 and accounted for 0.4% and 0.5% of the market share of the Hainan property development industry for the respective periods. The Hainan Province in turn accounted for 1.2% and 1.1% respectively, of the market share in China's real estate market in 2014 and 2015. The total GFA of commodity properties sold in the Hainan Province increased from 8.5 million sq.m. in 2010 to 10.5 million sq.m. in 2015, representing a CAGR of 4.3%. The total sales amount of commodity properties sold in the Hainan Province increased from RMB74.7 billion in 2010 to RMB98.3 billion in 2015, representing a CAGR of 5.6%.

Our commitment to quality project design, construction and development has won us numerous awards and recognition throughout the years. We were honoured as the Best Property Enterprise (優秀房地產企業) for the year 2014 by the Sanya Real Estate Industry Association (三亞市房地產業協會). For a list of our awards, please refer to the section headed "Business – Awards and Certifications" in this prospectus.

Our property development projects are located in (i) Sanya which is at the southernmost tip of Hainan Island; (ii) Haikou which is in northern Hainan Island; and (iii) Danzhou which is in the northwest part of Hainan Island. As at the Latest Practicable Date, we owned six property development projects at various stages of development. The table below sets forth a brief summary of our Development Projects:

Projects	Project Company, % owned by our Company	Location of the projects	Status	Site Area sq.m.	Development type
Sanya Phoenix Aqua City South Shore Phase I. .	Sanya Fenghuang Xincheng, 100% owned	Sanya	Partly completed and partly under development*	189,921.7	Residential
Sanya Phoenix Aqua City South Shore Phase II .	Sanya Fenghuang Xincheng, 100% owned	Sanya	Future development	356,572.1	Residential and commercial
Sanya Phoenix Aqua City Left Shore	Sanya Fenghuang Shuiyun, approximately 97.0% owned	Sanya	Partly completed and partly under development	139,797.7	Residential
Haikou Phoenix Aqua City Phase I	Hainan Nanhai Xiang Long, 100% owned	Haikou	Completed	25,490.2	Residential
Haikou Phoenix Aqua City Phase II	Hainan Nanhai Xiang Long, 100% owned	Haikou	Future development	61,761.0	Hotel
Danzhou Phoenix Aqua City	Danzhou Shuang Lian, 60% owned	Danzhou	Future development	399,657.2	Residential, commercial and hotel

* The residential properties of Sanya Phoenix Aqua City South Shore Phase I was completed and only the carparks and ancillary facilities were under development.

A GFA of 126,530.4 sq.m. of saleable property development had been completed and remaining unsold, a total GFA of 126,743.9 sq.m. was held under development, a total GFA of 11,952.3 sq.m. was held for investment and a total planned GFA of 1,370,066.6 sq.m. was held for future development as at 30 April 2016.

For the years ended 31 December 2013, 2014 and 2015, we delivered a total GFA of approximately 9,058 sq.m., 40,675 sq.m. and 48,815 sq.m., respectively. Our revenue (excluding Danzhou Phase I) was approximately RMB192.5 million, RMB790.4 million and RMB1,402.7 million, respectively, and our profit/(loss) attributable to equity shareholder of the Company was approximately RMB(75.6) million, RMB128.2 million and RMB191.8 million, respectively, during the respective years.

Our property development projects include high-rise apartments, medium-rise apartments, low-rise apartments, multi-storey apartments and related ancillary facilities, and are mainly designed to appeal to middle to high income customers from other provinces of the PRC for vacation.

Development of Sanya Phoenix Aqua City South Shore Phase I was conducted by stages. We have completed the construction of the residential properties of Sanya Phoenix Aqua City South Shore Phase I, with a site area of 189,921.7 sq.m. and a completed GFA of 278,247.4 sq.m., as at 30 April 2016. For the years ended 31 December 2013, 2014 and 2015, we delivered total GFA of approximately 9,058 sq.m., 40,675 sq.m., and 31,193 sq.m. of Sanya Phoenix Aqua City South Shore Phase I, respectively, and recorded revenue of approximately RMB192.5 million, RMB790.4 million and RMB989.2 million, respectively.

Sanya Phoenix Aqua City South Shore Phase II with a site area of 356,572.1 sq.m. and a planned GFA of 617,580.0 sq.m., will be developed by stages. The first stage construction of the commercial properties is expected to commence at the end of 2016 and be completed by the end of 2018, the second stage construction of service apartments is expected to commence in November 2017 and be completed by the second half of 2019 while the third stage construction of residential properties is expected to commence in March 2018 and be completed by the second half of 2021. It is expected that Sanya Phoenix Aqua City South Shore Phase II will be fully completed by the second half of 2021. We estimate that the expected total development costs will be approximately RMB5,249.6 million, of which approximately RMB1,470.9 million had been incurred up to 30 April 2016.

Sanya Phoenix Aqua City Left Shore, with a site area of 139,797.7 sq.m. and completed GFA of 169,400.6 sq.m. and GFA of properties under development of 115,071.2 sq.m., was developed by stages. The construction of Zone I and II which primarily consist of medium-rise apartments and multi-storey apartments was completed by December 2015, and the construction of Zone III which primarily consist of medium-rise apartments was commenced in January 2014 and is expected to be completed around 30 June 2016. For the years ended 31 December 2013, 2014 and 2015, we delivered total GFA of approximately nil, nil, and 17,622 sq.m. of Sanya Phoenix Aqua City Left Shore respectively, and recorded revenue of approximately nil, nil and RMB413.0 million.

Haikou Phoenix Aqua City Phase I, with a site area of 25,490.2 sq.m. and GFA of 45,790.3 sq.m., consists of high-end apartments and the construction was completed in March 2016. The project is located in the West Coast area, the new CBD and developing area of Haikou. The sales of Haikou Phoenix Aqua City Phase I is planned to commence in April 2017 as we anticipate the area to be further upgraded for its urban infrastructure and traffic facilities and the real estate market in this area to be more matured.

Haikou Phoenix Aqua City Phase II has a site area of 61,761.0 sq.m. and total planned GFA of 48,173.8 sq.m. and consists of hotels. The construction is expected to commence in January 2017 and completed by February 2020. After the completion, we either sell or enter into management contract and lease the entire hotel to a hotel management company to operate and manage the hotel. This facility will appeal to our potential customers to meet their occasional accommodation needs. Further, in the event we decide to lease the entire hotel to a hotel management company, it will provide us with fees under this cooperation and generate recurring revenue to us. We estimate that the expected total development costs for the hotel will be approximately RMB671.0 million of which RMB177.6 million had been incurred up to 30 April 2016.

Danzhou Phoenix Aqua City has a site area of 399,657.2 sq.m. and total planned GFA of 704,312.8 sq.m. and will consist of residential and commercial properties. The construction is expected to commence in March 2017 and completed by January 2023. We estimate that the expected total developments costs will be approximately RMB3,764.9 million of which RMB509.9 million had been incurred up to 30 April 2016.

COMPETITIVE STRENGTHS

Our properties are strategically located in Sanya, Haikou and Danzhou, being tourism cities of low air pollution with a well-established transportation network and suitable for senior citizens retirement and elderly care

Our Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City South Shore Phase II, Sanya Phoenix Aqua City Left Shore are located in Sanya. Haikou Phoenix Aqua City Phase I and Haikou Phoenix Aqua City Phase II are located in Haikou. Our Danzhou Phoenix Aqua City is located in Danzhou.

As the only tropical province in China, Hainan is blessed with a charming tropical island landscape and a pleasant climate with low air pollution, contributing to its unique folklore and culture. It is known as a Chinese all-seasons' garden and a holiday resort nationwide. The Hainan Province is well-known for its tourist attractions and convenient access for visitors.

The Hainan Province is one of the top tourist destinations in the PRC, attracting both domestic and international visitors. As the only tropical province in China, Hainan is blessed with a charming tropical island landscape and a pleasant climate with low air pollution which is suitable for living and for senior citizens retirement and elderly care. Investment in real estate in the Hainan Province remained stable during the period of 2010 to 2015. It was recorded at RMB170.4 billion at the end of 2015, a year on year rise of 19.0%. With its warm tropical weather, in addition to overseas tourists, the Hainan Province attracts buyers from north-east part of the PRC with much colder weather, including Jilin Province, Liaoning Province, Heilongjiang Province and Beijing, to spend their winter time in Hainan Island and those buyers have become our major customer source.

Sanya is within close proximity to various railways and highways, China National Highway 225 (G225) runs from Haikou to Sanya, Hainan. This highway network contributes greatly to a rapid and convenient transportation on the Hainan Island. Sanya Phoenix International Airport connects to major cities such as Shenzhen, Guangzhou, Zhuhai and even the northern cities of the PRC, such as Beijing, Tianjing and Harbin.

Haikou lies in the northern Hainan Island. It is bordered by Qiongzhou Strait in the north and is separated from the mainland by about 18 nautical miles. Haikou Meilan International Airport connects Haikou to various major cities in the PRC.

According to the DTZ Report, there were approximately 10.3 million visitors travelling to Sanya, 12.3 million visitors travelling to Haikou and 15.8 million visitors travelling to Danzhou in 2015 respectively.

We believe that the favourable location of our property development projects with easy access to railway, road and air transportation networks provides the convenience that attracts both regional and national visitors. Our property development projects in Sanya are situated next to Fenghuang Road, a main road that runs through the heart of Sanya City and leads to Sanya Phoenix International Airport. The advantageous locations of our project sites allow convenient transportation and access to most parts of Sanya City including main tourist attractions.

We maintain stringent quality and cost control policies

We closely manage and monitor our property projects during various stages of development to maintain stringent quality and achieve cost efficiency. We believe that part of the success of our Group is attributable to a strict quality control system adopted by our Group for our own property development projects, which enables us to closely monitor construction quality and control construction costs. When we subcontract construction work to third party subcontractors through a tendering process, we take into consideration their track record performance, work quality, proposed delivery schedules and costs in our selection process. We seek to establish and maintain strong business relationships with our subcontractors which allow us to maintain our construction costs at a reasonable level without compromising quality.

In this regard, a number of our property development projects have become award-winning properties including "the Best Property Enterprise (優秀房地產企業)" in 2014 awarded by the Sanya Real Estate Industry Association (三亞市房地產業協會). For the list of our awards, please refer to the paragraph headed "Business – Awards and Certifications" in this prospectus.

We have an experienced management team supported by a well-trained workforce

Our executive Directors and other senior management members have substantial experience in the property development and construction industry in the PRC. Our Chairman, Mr. Yeung, was named the "2007 Annual China Real Estate Most Influential Person" (2007年度中國房地產最具影響力人物) by the China Real Estate Developers Association (中國房地產開發商協會) and one of the "1998-2007 China Real Estate 10 years' Revolution Top 10 Contributive Person"(1998-2007中國房地產改革十年十大貢獻人物) jointly by the China Construction Culture Exchange and Promotion Association, the National Pleasant House Promotion Centre, the China Housing Development Association (中國房地產開發協會), the UN Human Inhabitation Environment Development Research Association (聯合國人居環境發展研究會) and the China Real Estate Brand Research Department (中國房地產品牌研究院). Our Group's chief executive officer, Mr. Huang Annan was named as the "Annual China Real Estate Most Influential Person" in 2010 (2010年中國地產20年最具影響力人物), jointly awarded by The Promotion Center of China Real Estate investment (中國房地產投融資促進中心), Blue Chip Real Estate Media (藍籌地產傳媒) and Sina Properties (新浪樂居), and was named as the "2012 Residential Property and Urban Construction System National Role Model" (2012年全國住房城鄉建設系統勞動模範榮譽稱號) and the "2010 CIHAF China Real Estate New Leading Person" (2012 CIHAF中國房地產新領軍人物). Mr. Huang served as the Vice President of China Real Estate Association (中國房地產業協會), the Vice President of Beijing Real Estate Association (北京房地產業協會), Member of the 10th Standing Committee of Beijing City Youth Federation (北京市青年聯合會), Vice President of the 2nd Council of Beijing Land Science Society (北京土地學會). We believe that the stability of our management team and their extensive operating experience, industry knowledge and in-depth understanding of our Group will enable us to continue to take advantage of future market opportunities.

We regularly provide a variety of vocational training programs to our staff to enhance their relevant expertise. We recruit, moreover, professional personnel to bring new dynamics to the management culture of our Group. We believe that our human resources policy motivates our management by establishing a corporate culture that strives for the continuous growth of our Group.

OUR BUSINESS MODEL AND STRATEGIES

We intend to continue to focus on the development of properties in the Hainan Province

Hainan Province remains the key geographical region in our overall business development strategies in the PRC. Armed with our track record, local knowledge, and market reputation, we intend to maintain our leadership in large scale quality residential property development in Hainan Province.

Hainan Province is becoming more densely populated in recent years with a GDP per capita of approximately RMB40,818 in 2015, represented a CAGR of 11.4%. According to DTZ Report, the number of travelers to Hainan Province increased rapidly from 25.9 million to 53.4 million during the period of 2010 to 2015, represented a CAGR of 15.6%.

Hainan Province is well-known for its tourist attractions and convenient access for visitors. Hainan Province is one of the top tourist destinations in the PRC, attracting both domestic and international visitors. Investment in real estate in Hainan Province remained stable during the period of 2010 to 2015. It was recorded at RMB170.4 billion at the end of 2015, representing a year on year rise of 19.0%.

Based on our experience and market response from other property development projects of similar quality in Hainan Province, we believe that our strategy in developing integrated residential property projects in Hainan Province would appeal to customers who acquire properties for both investment and leisure purposes. Going forward, we will continue to look for suitable locations to develop large scale integrated residential property projects in Hainan Province. We will explore development potential and will complete field studies in Sanya Hongtang Bay, Sanya Lizhi Gou and Haikou Gui Lin Yang in 2017 to 2018 and may acquire parcel(s) of land in these cities to ensure the sustainable development of the Group.

We intend to continue to focus on large scale quality residential properties

We plan to leverage our experience and expertise developed over our operating track record to continue to focus on the development of large scale quality residential properties. Our phase-by-phase development and pre-sale allows us to monitor the level of market acceptance, thereby enabling us to adjust our business strategy and related project designs according to changing market demand and conditions. In light of the growth of the PRC economy and purchasing power, we believe that such residential properties would continue to be the high growth and profitable sectors in the PRC property market.

We seek to enhance our product quality and maintain effective cost control measures

We will continue to strengthen the examination and inspection procedures of our Group to enhance our product quality. We had engaged independent architectural design companies to provide architectural and landscape design services to our real estate developmental projects whereby we can provide quality properties to our customers. We believe that effective cost control is one of the key factors to our success.

We will continue to implement measures to control costs by carefully selecting construction companies and property management companies through tender processes.

We seek to further strengthen and develop recognition for our brand

We will continue to enhance our brand recognition in Hainan Province and across the PRC. A number of our property development projects have become award-winning properties that are well regarded locally and nationally. For further details, please refer to the paragraph headed "Awards and Certifications" in this section below.

We believe that our customer-focus promotion approach and products quality have entrenched "Phoenix Aqua City" as a reputable and well recognised name in the Hainan property market. As a strategy to further strengthen our existing brand, we intend to use "Phoenix Aqua City" as the brand name of our property development projects in the future. To increase brand awareness, we will continue to organise promotional events such as festivals to promote our brand. We believe by cultivating a distinctive brand image, we will be able to further enhance our ability to attract our target customers and reinforce customers' perception of the quality and distinctiveness of our services and products.

We place significant emphasis on developing our brand image and will continue to provide quality products that will enhance our profile, reputation and image. We also hold promotional and marketing activities such as advertising campaigns and participation in large scale property exhibitions that aim to generate sales through customer referrals and organise community events for the residents of our property development projects from time to time to maintain our relationships with them. In order to achieve desired quality levels and to maintain a cohesive brand image, we will continue to implement strict quality control standards and closely monitor the product quality and the workmanship of our contractors throughout the property development process in relation to our property development business.

We plan to expand the business and diversify the product mix of our Group

We plan to explore new property projects in Hainan. Depending on the market conditions and our resources, we will carry out new property development projects in Hainan to generate an optimal mix of income from developing, selling and leasing our properties.

Our property development projects include apartments and related ancillary facilities and are designed to appeal to middle to high income Chinese nationals from other provinces of the PRC for vacation and local Hainan residents. We are currently planning to develop future property projects in Sanya Phoenix Aqua City South Shore Phase II which will comprise mainly residential and commercial properties and a car free pedestrian shopping walkway near the coastline of Sanya and Haikou Phoenix Aqua City Phase II which will comprise mainly hotels. We also plan to develop Danzhou Phoenix Aqua City which will comprise residential and commercial properties.

OUR DEVELOPMENT PROJECTS

We are a property developer primarily focusing on residential property development in the Hainan Province.

Our property development projects are located at Sanya, Haikou and Danzhou. As of the Latest Practicable Date, we had six property development projects under various stages of development in the Hainan Province, including three in Sanya, two in Haikou and one in Danzhou. As at 30 April 2016, we completed the development of approximately 493,438.3 sq.m. in terms of GFA. As at 30 April 2016, we had land bank with GFA of 1,635,293.2 sq.m. in our six property development projects, which included (i) saleable properties completed but remaining unsold of 126,530.4 sq.m.; (ii) properties under development of 126,743.9 sq.m.; (iii) properties held for investment of 11,952.3 sq.m. and (iv) properties held for future development of 1,370,066.6 sq.m.

We mainly categorise our residential properties as follows:

- Low-rise apartments (低層住宅) – which are typically buildings with no more than 3 stories;
- Multi-storey apartments (多層公寓) – which are typically buildings with 4 to 5 stories;
- Medium-rise apartments (中高層公寓) – which are typically buildings with 6 to 18 stories;
- High-rise apartments (高層公寓) – which are typically buildings with 19 stories or above.

Operation of our Group

We have adopted a project oriented organisational structure for our Group. We believe that this organisational structure offers flexibility and maximises resources for our operations while at the same time minimises business risks by taking into account the nature of the property development group.

Sanya Phoenix Aqua City South Shore Phase I and Sanya Phoenix Aqua City South Shore Phase II are developed by Sanya Fenghuang Xincheng, while Sanya Phoenix Aqua City Left Shore is developed by Sanya Fenghuang Shuiyun, Haikou Phoenix Aqua City Phase I and Haikou Phoenix Aqua City Phase II are developed by Hainan Nanhai Xiang Long and Danzhou Phoenix Aqua City is developed by Danzhou Shuang Lian.

Our management supervise and manage all major stages for each of our development projects and are organised into eight divisions: commercial operations division, sales management division, customers services management division, operation and development division, purchasing cost division, design engineering division, human resources administration division and financial management division. The responsibilities of each of the management divisions are set out below:

- Commercial operations division: Managing the preliminary market study and planning for our commercial development projects, and administrating the investment attractions and lease management from preliminary to interim stages of development and business promotion and operational work in the later stage, in order to ensure successful investment attractions, a smooth opening of the business and its normal operation in fulfillment of the investment and operational targets as required by the Company and the preservation and appreciation in the values of properties.

- Sales management division: Managing the sales activities of each project and improving the value of our brand names.

- Customers services management division: Managing the customer services departments of each operating subsidiary and maintaining quality standards of our before and after sales customer services to increase customer satisfaction level.

- Operation and development division: Formulating and supervising the implementation of project plans, the management flow system, the effectiveness of management plans and analyzing their examination results, managing the preliminary reporting work of projects, and managing the information management system and internet and intranet network security.

- Purchasing cost division: Managing bidding and tendering, formulating bidding purchase plans, agreements and documents for each project, managing the data bank and assessment of suppliers of constructions and sales, formulating and supervising the implementations of agreements and managing the target costs, payments and financial reports of projects.

- Design engineering division: Managing the information data bank and assessment of design units, the design process and changes of projects, the information related to all stages of the design, coordinating with design suppliers and project constructions and monitoring progress, quality and safety conditions of each project.

- Human resources administration division: Administrating the human resources of our Group to ensure effective and efficient human resources management amongst our Group's companies.

- Financial management division: Controlling the accounting, auditing, costs control and cash management of each subsidiary to ensure that the financial control system of our Group is operating properly.

Our Chairman, Mr. Yeung, is astute in observations of the market and has been able to accurately grasp hold of market opportunities, leading the board of directors in formulating right development directions, and properly carrying out property investment decisions and risk management work. Our chief executive officer, Mr. Huang Annan, since the start of his career in 1992, has worked his way from the basic level up to being an executive director and senior manager of a listed property group company, with over 20 years of experience in management of property development with multiple projects, and will lead our senior management team to work closely with the head of each of the divisions in the day-to-day operation and management of our Group and our businesses. Based on the structure of our property development group and through this management system, we are able to share the resources and expertise among various projects in areas such as design, construction, sales and customer services.

Classification of our property development projects

The table below sets forth classification of our properties, and the corresponding classification of properties in the sections headed "Accountants' Report" and "Property Valuation" in Appendix I and Appendix III to this prospectus, respectively:

Our classification	Accountants' Report	Property Valuation Report
Completed projects or project phases: projects or project phases for which we have obtained the relevant completion certificates from the relevant governmental authorities.	• Completed properties held for sale • Investment properties	• Completed properties held for sale • Property interest held for investment
Projects or project phases under development: projects or project phases for which we have obtained the required construction work commencement permit but have not yet obtained the relevant completion certificates.	• Properties under development	• Properties under development
Projects or project phases held for future development: projects or project phases for which we have signed the land grant contracts or obtained the land use rights certificate but not yet obtained the required construction work commencement permit	• Properties under development	• Properties held for future development

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

Our classification of properties reflects the basis on which we operate our business and may differ from classifications employed by other property developers. A single property development project may require multiple land use rights certificates, construction land planning permits, construction works planning permits, construction works commencement permits, pre-sale permits and other permits and certificates, which may be issued at different times throughout the development process.

For details of the classification of properties in the Accountants' Report and the property valuation report, please see "Accountants' Report" and "Property Valuation" in Appendix I and Appendix III to this prospectus, respectively.

Site area and GFA

Site area information set out in this prospectus is disclosed on the following basis:

(i) in respect of projects or project phases for which we have obtained the land use rights certificates, based on the relevant land use rights certificates; or

(ii) in respect of projects or project phases for which we have not obtained the land use rights certificates but have signed the relevant land grant contracts, based on the relevant land grant contracts.

A property is pre-sold when we have executed the relevant pre-sale agreement but have not yet delivered the property to the customer. A property is considered sold after we have executed the pre-sale or sales contract, as the case may be, with a customer and the property is completed and delivered to the customer. A property is considered delivered to our customer when our customer has signed the written confirmation of the delivery of the property or on the next day immediately following the date of taking delivery, as stipulated on the notification of delivery, whichever is earlier. Our customers are required to acknowledge receipt of delivery of properties in accordance with the terms of the respective pre-sale or sales contracts.

The GFA information in this prospectus is disclosed on the following basis:

(i) total GFA of a property development project or project phase which has been completed or is under development comprises saleable/leasable GFA and non-saleable GFA. Non-saleable GFA refers to ancillary facilities that cannot be sold under PRC laws and regulations. Saleable/leasable GFA of a completed property development project or project phase disclosed in this prospectus generally refers to the internal floor area of our residential properties and commercial properties, which have been allocated with shared floor area. Saleable/leasable GFA of a property development project or project phase comprises saleable GFA remaining unsold, saleable GFA sold and leasable GFA held for investment for a completed property development project or project phase and saleable/leasable of a property development project under development;

(ii) for completed projects and project phases, the completed GFA information is based upon the relevant completion certificate, or the relevant construction work planning permit if the completion certificate is not available or applicable;

(iii) for projects and project phases under development, the GFA under development information is based upon the relevant construction works planning permit;

(iv) for projects and project phases held for future development, the planned GFA information is (a) based upon the relevant construction works planning permit, or

(b) if the relevant construction works planning permit has not been issued, based upon the relevant land use rights certificate, or (c) if we have not obtained the relevant land use rights certificate, based upon the relevant land grant contract and our internal records and estimates, which may be subject to change;

(v) for completed projects and project phases, the saleable GFA remaining unsold information is based on the relevant building ownership certificate and our internal records and estimates;

(vi) for completed projects and project phases, the GFA held for investment information is based on the relevant building ownership certificate and our internal records and estimates;

(vii) for completed projects and project phases, the GFA sold information is based on the executed pre-sale or sales contracts and our internal records and estimates, and may not exceed the maximum permissible GFA set forth in the relevant pre-sale permit;

(viii) for projects and project phases under development, the saleable/leasable GFA information is based upon the relevant pre-sale permit, or the surveying report or the construction works planning permit if the pre-sale permit is not available or applicable; and

(ix) for projects and project phases under development, the saleable GFA pre-sold information is based on the executed pre-sale agreements and may not exceed the maximum permissible GFA set forth in the relevant pre-sale permit.

The actual or estimated construction commencement date generally refers to the date as stated on the construction works commencement permit of the first building of the project or the relevant project phase, or the date on which construction of the first building of the project or the relevant project phase is estimated to commence. The actual construction completion date of our completed projects or project phases refers to the date we completed the filing of completion inspection and acceptance for each project or each project phase, while the estimated construction completion date of our projects and project phases under development or held for future development reflects our best estimate based on our current development and construction work plans. The actual or estimated pre-sale commencement date refers to the date we obtained pre-sale permit or estimate to commence pre-sale of any of the properties for each project or each phase of a multi-phase project.

Development costs incurred refer to costs of the relevant project or project phase including land costs, development costs, capitalised interest costs and indirect costs incurred by us, while future development costs to be incurred refer to the budgeted costs estimated to be incurred by us based on our best estimate based on our current development and construction work plans.

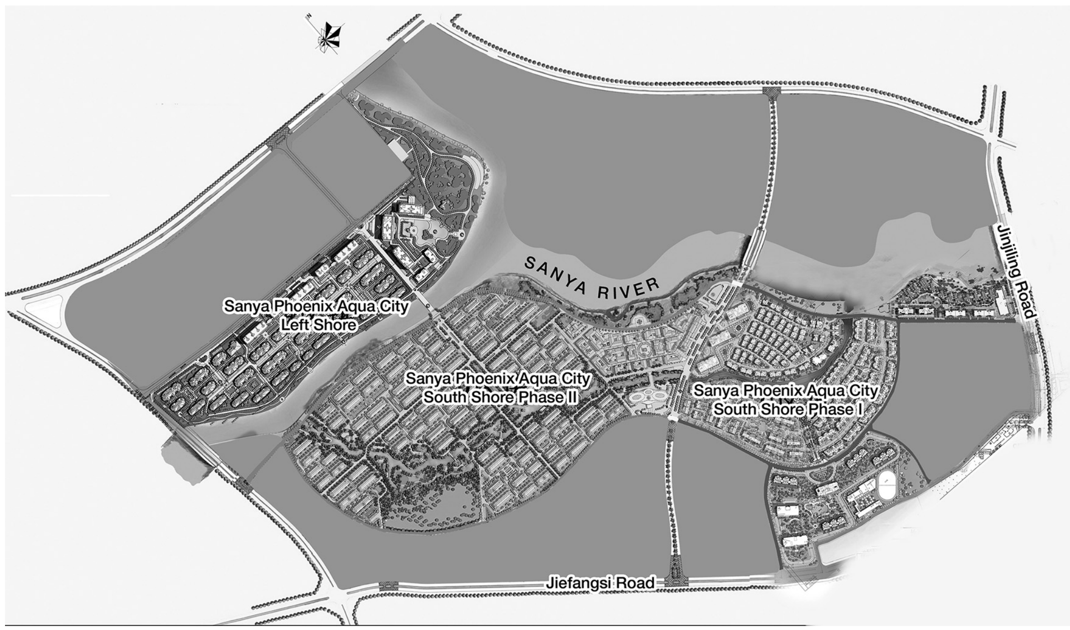
For those figures and construction or pre-sale schedules based on our internal records, internal estimates and business plans may differ in the future in material respects from our current estimates.

The names of our property development projects used in this prospectus are those project names which we have used, or intend to use, to market our properties. Some of the names of our property development projects may be different from the names registered with the relevant authorities. Some of the names are subject to approval by the relevant authorities and are therefore subject to change. The English names of our property projects are for reference and marketing purposes only.

Description of our property development projects

Sanya

The following map shows the geographical locations and key information of our property development in Sanya:



1. Sanya Phoenix Aqua City South Shore Phase I

Sanya Phoenix Aqua City South Shore Phase I, located at Sanya is a large-scale composite development, consists of apartments, car parks, swimming pools and a resident club.

Sanya Phoenix Aqua City South Shore Phase I occupies an aggregate site area of approximately 189,921.7 sq.m..

The types of properties in Sanya Phoenix Aqua City South Shore Phase I include low-rise apartments, multi-storey apartments, medium-rise apartments and high-rise apartments. The aggregate GFA (including saleable and non-saleable GFA) is approximately 278,247.4 sq.m. (calculated according to the completion certificates) of which saleable GFA and non-saleable GFA are 242,951.3 sq.m. and 35,296.1 sq.m., respectively. As at 30 April 2016, 4,383.4 sq.m. saleable GFA remained unsold.

Except for the additional land grant premium in respect of the increase in GFA, the land grant premium under the relevant land grant contracts of Sanya Phoenix Aqua City South Shore Phase I has been fully paid. For details, please refer to the paragraph headed "Increase of GFA of Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City South Shore Phase II and Sanya Phoenix Aqua City Left Shore" in this section of this prospectus.

Sanya Fenghuang Xincheng has obtained the land use rights certificates for residential use for five lots of land with an aggregate site area of approximately 174,223.5 sq.m., with one lot of land with an aggregate site area of approximately 10,498.7 sq.m. obtaining land use rights certificates for scientific and educational use as well as two lots of land with an aggregate site area of approximately 5,199.5 sq.m. for the construction of garden and green land, all for a term of 70 years, expiring on 19 October 2076.

The total development costs (including land acquisition costs, construction costs, capitalised borrowing costs and indirect cost) incurred for Sanya Phoenix Aqua City South Shore Phase I was approximately RMB3,080.1 million at completion. The above cost was financed by our Group's working capital and bank loans.

As at 30 April 2016, the sales of the properties of Sanya Phoenix Aqua City South Shore Phase I are as follows:

			COMPLETED			UNDER DEVELOPMENT											
Project Zone	Project Company	Site area	GFA completed	Saleable GFA	Saleable GFA remaining unsold	GFA under development	Saleable GFA	Saleable GFA pre-sold	Actual/ estimated construction commencement date	Actual/ estimated pre-sale commencement date	Actual/ estimated construction completion date	Actual/ estimated delivery	Development costs incurred	Unit cost of sales per sq.m.	Our Group's interest	Our Group's attributable market value	Reference to property valuation report
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)		(RMB'000)			(RMB'000)	(RMB)	(RMB'000)		
Sanya Phoenix Aqua City South Shore Phase I#	Sanya Fenghuang Xincheng	**189,921.7**	**278,247.4***	**242,951.3**	**4,383.4**	**11,672.7**	**–**	**–**					**3,080,075**	**12,677.7**	**100%**	**142,000**	**2**
• Low-rise apartments			23,853.0	14,661.6	1,336.6	–	–	–	21 November 2009 and 10 January 2009	13 October 2009	12 April 2012 and 13 May 2010	2010-2016	361,422	24,650.9	100%		
• Multi-storey apartments			89,756.2	79,658.6	1,515.3	–	–	–	10 January 2009 and 28 July 2011	6 June 2009 and 19 December 2011	13 May 2010 and 29 January 2015	2010-2016	1,106,919	13,895.8	100%		
• Medium-rise apartments			44,640.3	41,351.5	1,115.6	–	–	–	20 December 2010 and 20 January 2011	13 October 2010 and 20 January 2011	28 March 2012, 9 July 2012 and 26 January 2015	2012-2016	471,757	11,408.4	100%		
• High-rise apartments			119,997.9	107,279.5	415.9	–	–	–	21 November 2009 and 2 December 2010	30 July 2009, 23 December 2009, 14 February 2010, 22 January 2011 and 14 February 2011	28 March 2012, 10 December 2012, 19 December 2012, 26 December 2012 and 29 December 2014	2012-2016	1,075,608	10,026.2	100%		
• Carpark and Ancillary facilities			–	–	–	11,672.7	–	–	21 November 2009, 22 September 2013	–	30 August 2016	2016	64,369	–	100%		

* The figure is the aggregated gross floor area of Sanya Phoenix Aqua City South Shore Phase I. This project is divide into many sub-projects and each sub-project is granted a construction works planning permit. As confirmed by Sanya Municipal Department of Housing and Urban-Rural Development, the scale limit referred to under the qualification certificate is not by reference to the aggregate gross floor area of the whole project, but by reference to gross floor area under the construction work planning permit for each sub-project, which is within the limited of our qualification certificate of 250,000 sq.m.. Our PRC Legal Advisers are of the view that Sanya Fenghuang Xincheng has not breached the relevant requirement.

\# Up to 30 April 2016, approximately 99% of the total saleable area for Sanya Phoenix Aqua City South Shore Phase I was sold/pre-sold.

For certain blocks of properties erected on land under two or more land use rights certificates, the relevant government authorities could not issue building ownership certificates before completing the construction completion inspection of all blocks of properties in those lots of land. A delay in the delivery of building ownership certificates within the time specified in the relevant sales contract may constitute a breach of contract and we may be subject to litigation claims by the relevant property buyers. As advised by our PRC Legal Advisers, the maximum compensation payable in respect of the delay amounted to approximately RMB1.05 million according to those contracts which clearly specified monetary compensation.

2. Sanya Phoenix Aqua City South Shore Phase II

Sanya Phoenix Aqua City South Shore Phase II is located at Sanya and the project is developed by Sanya Fenghuang Xincheng, our wholly-owned company.

Sanya Phoenix Aqua City South Shore Phase II occupies an aggregate site area of approximately 356,572.1 sq.m., it has a planned aggregate GFA (including saleable and non-saleable GFA) of approximately 617,580.0 sq.m. for residential use. It is currently a vacant site being held for future development where Sanya Fenghuang Xincheng intends to change the land use from residential to commercial and residential.

Sanya Fenghuang Xincheng submitted to the Sanya Planning Bureau (三亞市規劃局) the overall development plan of Sanya Phoenix Aqua City South Shore Phase II in March 2016 and received the Letter of Construction Criteria in April 2016 confirming that 4 parcels of our land could comprise residential and commercial use. Based on our previous experience on Sanya Phoenix Aqua City South Shore Phase I, it is expected that we will receive the approval of construction in or around September 2016. In the event that our Group fails to obtain the necessary approval to change the land use from "residential" to "commercial and residential", we plan to amend the commercial portions (equivalent to 100,000 sq.m.) in our development plan to high-rise apartments. As advised by DTZ, the estimated value of Sanya Phoenix Aqua City South Shore Phase II for solely residential use would be RMB2,615.0 million as compared to the value of RMB2,765.0 million of Sanya Phoenix Aqua City South Shore Phase II for residential and commercial use as stated in Appendix III to this prospectus. Taking into account the above, our Directors are of the view that there would be no material adverse impact on us in the event that our Group fails to obtain the necessary approval to change the land use from "residential" to "commercial and residential".

Except for the additional land grant premium in respect of the increase in GFA, the land grant premium under the relevant land grant contracts of Sanya Phoenix Aqua City South Shore Phase II has been fully paid. For details, please refer to the paragraph headed "Increase of GFA of Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City South Shore Phase II and Sanya Phoenix Aqua City Left Shore" in this section of this prospectus.

Upon obtaining approval from the government to change the land use from residential to commercial and residential, the construction of Sanya Phoenix Aqua City South Shore Phase II is scheduled to commence in the end of 2016. In the event that we suffer any delay in the development of Sanya Phoenix Aqua City South Shore Phase II, our future profitability will be delayed and adversely affected accordingly. For the risk associated to the delay in the development of Sanya Phoenix Aqua City South Shore Phase II, please refer to the section headed "Risk Factors-Failure to obtain or material delays in obtaining, requisite certificates, permits, approvals or licenses from the PRC Government may adversely affect our ability in carrying out our property development operations" and "Risk Factors-We may not be able to complete our property development projects according to our budget or schedule, or at all, which may lead to loss of, or delay in recognizing revenues, lower returns and claims" in this prospectus.

The total development costs (including land acquisition costs, construction costs and capitalised borrowing costs) for Sanya Phoenix Aqua City South Shore Phase II are expected to be approximately RMB5,249.6 million upon completion. As at 30 April 2016, the total cost incurred in connection with this project by Sanya Fenghuang Xincheng was approximately RMB1,470.9 million. The above cost was financed by our Group's free cash flow and bank loans.

The following table sets out particular of Sanya Phoenix Aqua City South Shore Phase II as at 30 April 2016.

			FUTURE DEVELOPMENT							FUTURE DEVELOPMENT COST*							
Project Zone	Project Company	Site area	Planned GFA	GFA without land use rights certificates	Actual/ estimated construction commencement date	Actual/ estimated pre-sale commencement date	Actual/ estimated construction completion date	Estimated delivery date	Development costs incurred	2016	2017	2018 onwards	Total	Unit cost of sales per sq.m.	Group's interest	Group's attributable market value	Reference to property valuation report
		(sq.m.)	(sq.m.)	(sq.m.)				(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB)		(RMB'000)	
Sanya Phoenix Aqua City South Shore Phase II . .	Sanya Fenghuang Xincheng	356,572.1	617,580.0**	–	10 November 2016	1 October 2017	15 October 2021	2021-2026	1,470,942	94,409	1,028,765	2,655,507	3,778,681	8,500.3	100%	2,765,000	2

* The development cost will be partially funded by the proceeds from the Global Offering.

** Sanya Phoenix Aqua City South Shore Phase II is yet to be developed and the figure is an estimated aggregate gross floor area of Sanya Phoenix Aqua City South Shore Phase II. This project will be divided into many sub-projects. Sanya Fenghuang Xincheng will apply the planning of construction of each sub-project under Sanya Phoenix Aqua City South Shore Phase II within the limit of the qualification certificate according to the development schedule.

3. Sanya Phoenix Aqua City Left Shore

Sanya Phoenix Aqua City Left Shore, located at Sanya, is a large-scale composite development. Sanya Phoenix Aqua City Left Shore occupies an aggregate site area of approximately 139,797.7 sq.m., and has obtained the land use rights certificate for residential use for a term of 70 years, expiring on 19 October 2076 and 31 January 2078. Phoenix Aqua City Left Shore has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 284,471.8 sq.m. Zone I consists mainly of medium-rise apartments including service apartments (five blocks with an aggregate GFA of approximately 71,499.4 sq.m.) and car parks; Zone II consists mainly of multi-storey apartments (with an aggregate GFA of approximately 97,901.3 sq.m.) and car parks; and Zone III consists mainly of five blocks of medium-rise apartments (with an aggregate GFA of approximately 48,955.4 sq.m.) and car parks.

Except for the additional land grant premium in respect of the increase in GFA, the land grant premium under the relevant land grant contracts of Sanya Phoenix Aqua City Left Shore has been fully paid. For details, please refer to the paragraph headed "Increase of GFA of Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City South Shore Phase II and Sanya Phoenix Aqua City Left Shore" in this section of this prospectus.

As at the Latest Practicable Date, certain parts of the properties in Sanya Phoenix Aqua City Left Shore were still under development, and the relevant land use rights certificates were subject to various mortgages in favour of Bank of Communications Co., Ltd., Sanya Branch, Industrial and Commercial Bank of China Limited, Sanya Branch and Rural and Commercial Bank of Haikou, Jinlian Branch.

The total development costs (including land acquisition costs, construction costs, capitalised borrowing costs and indirect cost) for Sanya Phoenix Aqua City Left Shore are expected to be approximately RMB2,826.1 million upon completion. As at 30 April 2016, the total cost incurred in connection with this project by Sanya Fenghuang Shuiyun was approximately RMB2,431.4 million.

We retained the ownership of certain properties owned by Sanya Fenghuang Shuiyun to generate recurring income. Pursuant to an agreement dated 24 February 2016 entered into between Sanya Fenghuang Shuiyun and Sanya Huan Peng Hotel Management Company Limited (三亞歡朋酒店管理有限公司) ("Sanya Huan Peng"), Sanya Huan Peng shall provide or procure provision of hotel operation and management service of the 187 properties owned by Sanya Fenghuang Shuiyun in Block Four of Zone I of Sanya Phoenix Aqua City Left Shore (with a GFA of 11,436.5 sq. m.) at a rental of RMB4,309,000 per year for a term commenced from 1 December 2015 and expiring on 24 March 2020. The owners of the rest of 40 sold units in Block Four have entered into management agreements with Sanya Huan Peng. Sanya Huan Peng should operate the hotel management business in these properties at its own costs and should obtain all necessary license and permits in relation to this business. Sanya Huan Peng should also obtain the prior written consent from Sanya Fenghuang Shuiyun if it is necessary to make any alterations to the properties after 1 December 2015 and should be responsible for all relevant costs incurred. We believe the entering into the said agreement will (i) enhance the living experience of property owners; (ii) provide stable source of income of our Company; and (iii) improve the overall image of Sanya Phoenix Aqua City Left Shore, which in turn would attract further market awareness of the remaining unsold properties of Sanya Phoenix Aqua City Left Shore.

The status of the development of Sanya Phoenix Aqua City Left Shore as at 30 April 2016 is summarised as follows:

			COMPLETED					UNDER DEVELOPMENT			FUTURE DEVELOPMENT							FUTURE DEVELOPMENT COST*							
Project Zone	Project Company	Site area	GFA completed	Saleable GFA	GFA sold	Saleable GFA remaining unsold	GFA held for investment	GFA under development	Saleable GFA	Saleable GFA pre-sold	Planned GFA	GFA without land use rights certificates	Actual/ estimated construction commencement date	Actual/ estimated pre-sale commencement date	Actual/ estimated construction completion date***	Estimated delivery	Development costs incurred	2016	2017	2018 onwards	Total	Actual/ estimated unit cost of sales per sq. m.	Group's interest	Group's attributable market value	Reference to property valuation report
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)					(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB)		(RMB'000)	
Sanya Phoenix Aqua City Left Shore# .	Sanya Fenghuang Shuiyun	**139,797.7**	**169,400.6****	**111,939.6**	**19,949.6**	**91,990.0**	**11,952.3**	**115,071.2**	**48,955.4**	**36,212.3**	**-**	**-**					**2,431,436**	**29,693**	**179,295**	**185,669**	**394,657**	**17,564.8**	**97%**	**3,465,616**	**4**
Multi-storey apartments . .			95,681.8	77,138.7	11,765.9	65,372.8	-	-	-	-	-	-	20 June 2013	26 July 2013	11 December 2015	2015-2018	1,017,171	3,280	128,996	185,669	317,945	17,308.0	97%		
Medium-rise apartments . .			65,019.0	34,800.9	8,183.7	26,617.2	11,436.5	48,955.4	48,955.4	36,212.3	-	-	20 December 2012 and 14 January 2014	1 October 2013 and 23 January 2015	25 December 2015 and around 30 June 2016	2015-2018	1,266,558	26,413	50,299	-	76,712	16,037.8	97%		
Carpark and ancillary facilities . . .			8,699.8	-	-	-	515.8	66,115.8	-	-	-	-	20 December 2012, 20 June 2013 and 14 January 2014	-	11 December 2015, 25 December 2015 and around 30 June 2016	2015-2018	147,707	-	-	-	-	-	97%		

* The development cost will be funded by bank loans and internal resources.

** The figure is the aggregated gross floor area of Sanya Phoenix Aqua City Left Shore. This project is divided into many sub-projects and each of the sub-projects is granted a construction works planning permit. Our PRC Legal Advisers are of the view, having obtained confirmation from Sanya Municipal Department of Housing and Urban-Rural Development and Sanya Planning Bureau, Sanya Fenghuang Shuiyun has never exceeded the requirements as stipulated in relevant qualification certificates at the material time.

*** The construction completion date refers to the date we completed the filing of completion inspection and acceptance for each project or each project phase. The costs estimated to be incurred for Sanya Phoenix Aqua City Left Shore after the construction completion date mainly represents renovation expenses to be incurred in the future prior to the delivery of properties.

\# Up to 30 April 2016, approximately 43% of the total saleable area for Sanya Phoenix Aqua City Left Shore was pre-sold/sold.

Increase of GFA of Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City South Shore Phase II and Sanya Phoenix Aqua City Left Shore

As a result of city planning in 2007, Sanya City Land Resources Bureau (三亞市國土資源局) increased the GFA of Sanya Phoenix Aqua City South Shore Phase I and Sanya Phoenix Aqua City South Shore Phase II by 122,803.94 sq.m. and Sanya Phoenix Aqua City Left Shore by 12,307.19 sq.m., respectively, while the valuation in respect of such increased GFA was not determined until 2015. On 2 April 2015, Sanya City Land Resources Bureau issued notices to Sanya Fenghuang Xincheng and Sanya Fenghuang Shuiyun, pursuant to which in respect of the GFA of Sanya Phoenix Aqua City South Shore Phase I and Sanya Phoenix Aqua City South Shore Phase II, Sanya Fenghuang Xincheng and Sanya Fenghuang Shuiyun shall pay the additional land grant premium totalled RMB97.3 million, which was determined by the value of the increased GFA as at 9 April 2007, the date on which the increase in GFA was approved by the relevant Sanya authority.

Meanwhile, part of the lands in Sanya Phoenix Aqua City South Shore Phase II and Sanya Phoenix Aqua City Left Shore were expropriated by Sanya Municipal Government. As we considered that the government should pay compensation for the expropriated land and it would be unfair that the additional land premium payment should be made without the decision for the compensation by the government, on 15 May 2015, an application was made by us for an extension of time to make payment. Pursuant to a letter issued by Sanya City Land Resources Bureau on 22 May 2015, the land expropriated was determined to be 22,530 sq.m., and the government should pay compensation to us for the expropriated lands in accordance with the PRC laws. On 1 June 2015 and 4 June 2015, the extension of payment was granted in respect of 60% of the additional land grant premium until 8 June 2015 and 11 June 2015 for Sanya Phoenix Aqua City South Shore Phase I and Phase II respectively and the balance 40% of the additional land grant premium should be payable on 20 December 2015.

In view of the aforesaid situation, we negotiated with the relevant authorities for the offset of the compensations against the additional land premium. According to a meeting between Sanya Municipal Government and the relevant authorities held on 7 August 2015, it was resolved that the aforesaid additional land premium payable of RMB97.3 million (which comprised RMB38.4 million for Sanya Phoenix Aqua City South Shore Phase I, RMB50.0 million for Sanya Phoenix Aqua City South Shore Phase II and RMB8.9 million for Sanya Phoenix Aqua City Left Shore) will be offset by the compensation to be received from the Sanya Municipal Government in relation to the lands expropriated, which amount will be determined by the valuation of the lands expropriated. Based on the valuation report issued by a valuer engaged by the Sanya Municipal Government, the lands expropriated is valued at RMB99.9 million (which comprised RMB76.4 million for Sanya Phoenix Aqua City South Shore Phase II and RMB23.5 million for Sanya Phoenix Aqua City Left Shore).

As such, our Directors believe that we will not be required to pay any of the additional land premium after offsetting against the aforesaid compensation. We have been actively liaising with Sanya City Land Resources Bureau to resolve such matter. Although the official notice of the above set-off arrangement was yet to be received by us from the relevant authorities as at the Latest Practicable Date, taking into consideration, (i) our communication with Sanya Municipal Government, (ii) that the valuation report, being the bases of the aforesaid settlement, has already been issued and (iii) that there were no outstanding procedures prior to the issue of official notice of the aforesaid settlement, our Directors expect that we will obtain the official notice of the aforesaid settlement by the end of 2016. Given the approved means of payment of the land premium is by setting-off the compensation to be received, our Company and our PRC Legal Advisers are of the view that there had not been any default in payment of land premium. As such, our Directors consider that there had been no breach of covenants in respect of prompt payment of land premium as required under our bank loan agreements during the Track Record Period and up to the Latest Practicable Date.

Based on the following reasons: (i) we have already obtained the land use right certificates and other relevant approval documents in respect of the increase of GFA of these three projects; (ii) we have already obtained necessary permits and approvals for the development and sales (including construction land planning permits, construction works planning permits, construction works commencement permits, building ownership certificates and pre-sale permits) for Sanya Phoenix Aqua City South Shore Phase I and Sanya Phoenix Aqua City Left Shore which were partially completed and partially under development as at the Latest Practicable Date; (iii) in respect of Sanya Phoenix Aqua City South Shore Phase II of which the approval procedure of the overall development plan is in progress, we have already received the Letter of Construction Criteria from the Sanya Planning Bureau which specified the planning indicators and design criteria of the project, and we have not received any rejection on the development plan; and (iv) the relevant PRC laws and regulations, our PRC Legal Advisers are of the view that, the construction, development and sales of our property projects do not depend on the issue of official notice in relation to the offsetting of the compensation and payment of additional land premium.

Taking into consideration (i) the abovementioned advices by our PRC Legal Advisers and (ii) the remoteness of any uncertainty of the settlement of the additional land premium given the expropriated land was of a higher value than the increased GFA according to the valuation report issued by the valuer engaged by the government, our Directors believe that the development plan of our projects will not be adversely affected in the event of any delay in obtaining the official notice.

Except for the additional land grant premium in respect of the aforesaid increase in GFA, the land grant premium under the relevant land grant contracts of Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City South Shore Phase II and Sanya Phoenix Aqua City Left Shore has been fully paid.

Notwithstanding the aforesaid resolution of offsetting the additional land premium payable against the compensation to be received from the government in respect the lands being expropriated, for prudence sake, the late payment charges in relation to the land premium payment shall be accrued until the issue of official notice of such offsetting resolution. As such, we have made provisions for the relevant late payment charges in our financial statement amounted to approximately RMB6.4 million, RMB6.2 million and RMB4.8 million for the three years ended 31 December 2013, 2014 and 2015, respectively.

Haikou

4. Haikou Phoenix Aqua City Phase I and Haikou Phoenix Aqua City Phase II

Haikou Phoenix Aqua City is located at Haikou and the project is developed by Hainan Nanhai Xiang Long, our wholly-owned project company. It is a large-scale composite development project, covering 87,251.2 sq.m. of land, located in the west coast of Haikou City with Qiongzhou Strait to its north, enjoying beautiful scenery while situated next to the administrative area of the Haikou City Government, having an advantageous geographical location. The south end of the project's site is Binhai Avenue, with planned roads on both its east and west side. It is planned that a road will be constructed passing through the centre of the site, separating the site into the north and south parts. Haikou Phoenix Aqua City Phase I had been constructed of a high-end residential building of an aggregate GFA of 45,790.3 sq.m., with a saleable GFA of 30,157.0 sq.m.. Haikou Phoenix Aqua City Phase I has been completed in March 2016 and obtained the completion certificate. Development of Haikou Phoenix Aqua City Phase II has not been commenced as at Latest Practicable Date and it will be combined with coastal tourism developments to build hotels.

For the whole of Haikou Phoenix Aqua City, Hainan Nanhai Xiang Long has obtained the land use rights for State-owned land for mixed and urban residential uses for a term of 70 years. Except for the additional land grant premium in respect of the increase in GFA, the land grant premium under the relevant land grant contracts has been fully paid. For details, please refer to the paragraph headed "Increase of GFA in relation to change in plot ratio of Haikou Phoenix Aqua City Phase I and Haikou Phoenix Aqua City Phase II" in this section below. Our PRC Legal Advisers have confirmed that the land use rights we possess in respect of part of this project are legal and valid under PRC laws and regulations. In addition to the land use rights for State-owned land, the project company has also obtained the required constructing land planning permit, construction works planning permit, construction works commencement permit, and the pre-sale permit for Haikou Phoenix Aqua City Phase I.

The total development costs (including land acquisition costs, construction costs, capitalised borrowing costs and indirect cost) for Haikou Phoenix Aqua City Phase I and Haikou Phoenix Aqua City Phase II are expected to be approximately RMB297.1 million and RMB671.0 million upon completion, respectively. As at 30 April 2016, the total cost incurred in connection with this project by Hainan Nanhai Xiang Long was approximately RMB474.7 million. The above cost is expected to be financed by our Group's free cash flow and bank loans.

As at 30 April 2016, Haikou Phoenix Aqua City Phase I has been completed. As at the Latest Practicable Date, it is ready for sale.

The following table sets out particulars of our two properties development projects in Haikou as at 30 April 2016:

			COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT							FUTURE DEVELOPMENT COST*							
Project Zone	Project Company	Site area	GFA completed	Saleable GFA	GFA Sold	Saleable GFA remaining unsold	GFA under development	Saleable GFA	Saleable GFA pre-sold	Planned GFA	GFA without land use rights certificates	Actual/ estimated construction commencement date	Actual/ estimated sales/pre-sale commencement date	Actual/ estimated construction completion date	Estimated delivery	Development costs incurred	2016	2017	2018 onwards	Total	Actual/ estimated cost of sales per sq.m.	Group's interest	Group's attributable market value	Reference to property valuation report
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)					(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB)		(RMB'000)	
Haikou Phoenix Aqua City Phase I . . .	Hainan Nanhai Xiang Long	25,490.2	45,790.3**	30,157.0	-	30,157.0	-	-	-	-	-	11 September 2012	1 April 2017	1 March 2016	2017-2018	297,092	-	-	-	-	9,851.5	100%	347,000	3
Haikou Phoenix Aqua City Phase II . . .	Hainan Nanhai Xiang Long	61,761.0	-	-	-	-	-	-	-	48,173.8***	-	15 January 2017	1 June 2019	2 February 2020	2020-2026	177,598	8,500	130,275	354,673	493,449	13,929.7	100%	169,000	3

* The development cost will be funded by bank loans and internal resources.

** The figure is the aggregated GFA of Haikou Phoenix Aqua City Phase I. This project is divided into many sub-projects and each sub-project is granted a construction works planning permit. As confirmed by Sanya Municipal Department of Housing and Urban-Rural Development, the scale limit referred to under the qualification certificate is not made with reference to the aggregate GFA of the whole project, instead it is made with reference to the GFA under the construction works planning permit for each sub-project, which is within the limit of our qualification certificate of 50,000 sq.m.. Our PRC Legal Advisers are of the view that Hainan Nanhai Xiang Long has not breached the relevant requirement.

*** Haikou Phoenix Aqua City Phase II is yet to be developed and the figure is an estimated aggregate gross floor area of Haikou Phoenix Aqua City Phase II. This project will be divided into many sub-projects. Hainan Nanhai Xiang Long will apply the planning of construction of each "sub-project" under Haikou Phoenix Aqua City Phase II within the limit of the qualification certification according to the development schedule.

Increase of GFA in relation to change in plot ratio of Haikou Phoenix Aqua City Phase I and Haikou Phoenix Aqua City Phase II

According to the relevant land use right transfer agreements and land use rights certificate, Hainan Nanhai Xiang Long was entitled to the land use right of 38,802.09 sq.m. of the Haikou Phoenix Aqua City Phase I of which the plot ratio was 0.6 and the land use was for "mixed commercial and residential use", and 88,209.07 sq.m. of the Haikou Phoenix Aqua City Phase II, of which the plot ratio was 0.5 and the land use was for "mixed commercial and residential use".

However, as a result of the city planning by the Hainan Province government,

(i) the planned site area of the Haikou Phoenix Aqua City Phase I was reduced from 38,802.09 sq.m. to 25,490.2 sq.m. and the plot ratio was increased from 0.6 to 1.0 in order to compensate us for the land being expropriated, and the land use was changed to "residential" pursuant to a notice issued by Haikou Planning Department on 17 July 2012;

(ii) pursuant to a notice issued by Haikou City Land Resources Bureau on 10 November 2015, it was further confirmed the land of Haikou Phoenix Aqua City Phase I being expropriated by the government will be entirely offset by the abovementioned increase of plot ratio. As a result, our Group is not required to pay any additional land grant premium in relation to the increased GFA due to increase in plot ratio of Haikou Phoenix Aqua City Phase I; and

(iii) the planned site area of the Haikou Phoenix Aqua City Phase II was reduced from 88,209.07 sq.m. to 61,761.0 sq.m. and the plot ratio was increased from 0.5 to 0.78 in order to compensate us for the land being expropriated, and the land use was changed to for "tourism" pursuant to a notice issued by Haikou Planning Department on 2 July 2013.

For Haikou Phoenix Aqua City Phase II, the approval procedure of settlement method in respect of the land being expropriated by the government and the increase of plot ratio of is still in progress. We and our PRC Legal Adviser had conducted a meeting with Haikou City Land Resources Bureau, confirming that the settlement in relation of the land of Haikou Phoenix Aqua City Phase II being expropriated by the government will be resolved in the same manner as that of Haikou Phoenix Aqua City Phase I, that the value of land being expropriated will be offset against the value of the increased GFA in relation to the change of plot ratio of Haikou Phoenix Aqua City Phase II, and such values will be determined by the valuation conducted by the government. As of the Latest Practicable Date, the aforesaid valuation has not been determined by the government and we have not received any notice on the settlement of additional land grant premium resulting from the increase of plot ratio. As such, no provision for the additional land grant premium was made. Our Directors believe we will not be required to pay material additional land grant premium taking into consideration our estimated valuation of the land being expropriated and the increased GFA were of similar value. We have been actively liaising with the Haikou City Land Resources Bureau and our Directors expect that we will obtain the official notice of the aforesaid settlement by the end of 2016. In the event that the compensation for the land being expropriated is lower than the valuation of the increased GFA in relation to the change of plot ratio and we are required to pay for the increase in plot ratio, our Controlling Shareholders will indemnify us accordingly.

Except for the additional land grant premium in respect of the aforesaid increase in GFA, the land grant premium under the relevant land grant contracts of Haikou Phoenix Aqua City Phase I and Haikou Phoenix Aqua City Phase II has been fully paid.

Danzhou

Danzhou Phoenix Aqua City

Danzhou Phoenix Aqua City is located at Danzhou and is developed by Danzhou Shuang Lian, our 60% indirectly owned project company. The remaining 40% equity interests of Danzhou Shuang Lian are owned by Nanjing San Long.

For the whole of this project, Danzhou Shuang Lian has obtained the State-owned land use rights for commercial use for a term of 40 years and for residential use for a term of 70 years. In addition, Danzhou Shuang Lian has obtained the required qualification certificates.

Danzhou Phoenix Aqua City occupies an aggregate site area of approximately 399,657.2 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 704,312.8 sq.m. The relevant planning and construction permits have yet to be obtained.

The total development costs (including land acquisition costs, construction costs, capitalised borrowing costs and indirect cost) for Danzhou Phoenix Aqua City are expected to be approximately RMB3,764.9 million. As at 30 April 2016, the total cost incurred in connection with Danzhou Phoenix Aqua City was approximately RMB509.9 million. The above cost is expected to be financed by our Group's internal resources and bank loans pro rated to our interests in Danzhou Shuang Lian.

Our plan for the development of Danzhou Phoenix Aqua City as at 30 April 2016 is summarised as follow:

			FUTURE DEVELOPMENT							FUTURE DEVELOPMENT COST*							
Project Zone	Project Company	Site area	Planned GFA	GFA without land use rights certificates	Actual/ estimated construction commencement date	Actual/ estimated pre-sale commencement date	Actual/ estimated construction completion date	Estimated delivery	Development costs incurred	2016	2017	2018 onwards	Total	Estimated unit cost of sales per sq.m.	Group's interest***	Group's attributable market value	Reference to property valuation report
		(sq.m.)	(sq.m.)	(sq.m.)					(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB)		(RMB'000)	
Danzhou Phoenix Aqua City . . .	Danzhou Shuang Lian	399,657.2	704,312.8**	–	10 March 2017	1 October 2017	31 January 2023	2023-2028	509,869	18,031	182,986	3,053,984	3,255,001	5,345.5	60%	318,600	5

* The development cost will be funded by bank loans and internal resources.

** Danzhou Phoenix Aqua City is yet to be developed and the figure is an estimated aggregate gross floor area of Danzhou Phoenix Aqua City. This project will be divided into many sub-projects. Danzhou Shuang Lian will apply for the planning of construction of each sub-project under Danzhou Phoenix Aqua City within the limit of the qualification certificate according to the development schedule.

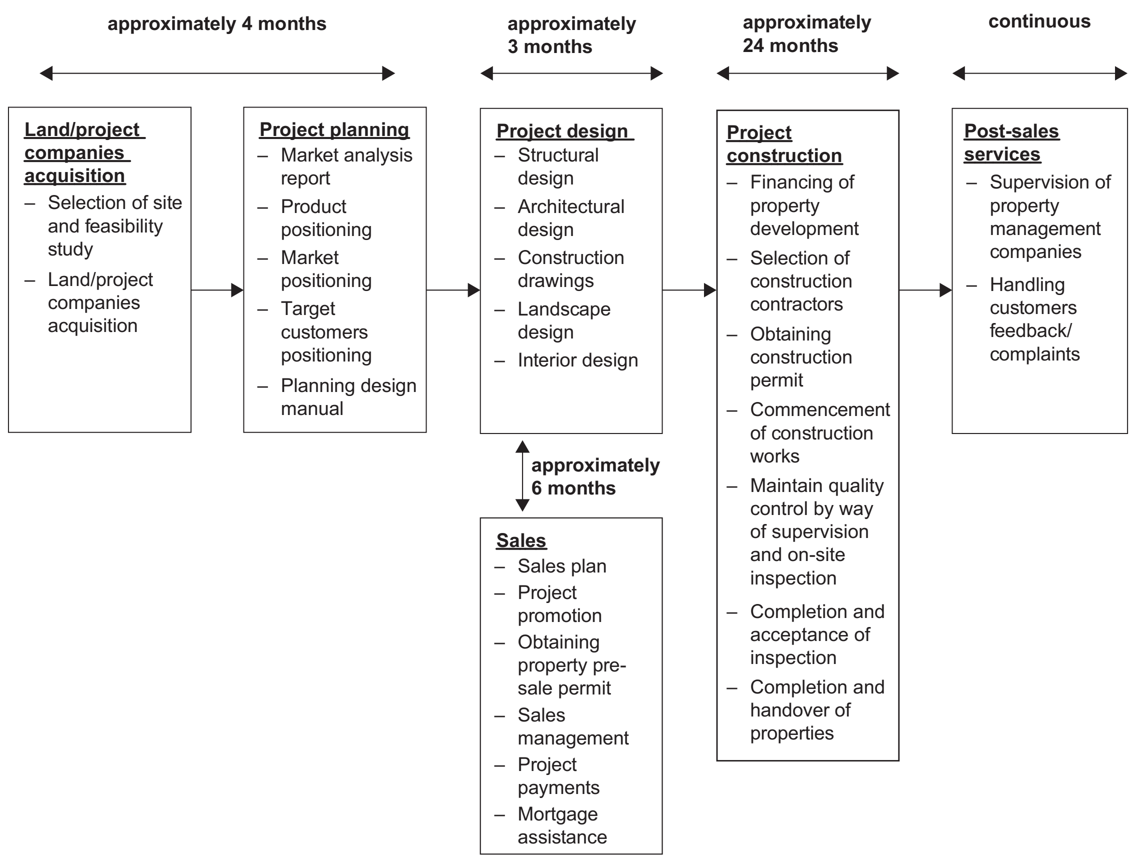
*** Calculated based on our effective ownership interest in the project company.

Market Distribution in Hainan

According to DTZ, real estate has become one of the pillar industries in Sanya, and plays an important role in the city's economic development. During the past five years, Sanya's residential market has developed rapidly with a large number of PRC nationals purchasing properties in Sanya. The transaction volume and selling price of Hainan Province has recorded a moderate increase with a CAGR of 5.6% and 1.3% from 2010 to 2015. However, due to the issue of macro-control policies by the city government since January 2011, residential market in Sanya has been stable. For details, please refer to the section headed "Regulatory Overview" in this prospectus.

Project development and management procedures

In order to develop quality property development projects, we have adopted a systematic development approach in which each of the following six stages involved in our property development are managed to ensure timely and efficient implementation of our projects:



Land acquisition

Selection of site and feasibility study

We assign significant resources to site selection as it is crucial to the success of our Group. Before purchasing a parcel of land or project companies which holds parcels of land, our various divisions, such as the commercial operations division, sales management division, financial management division and operation and development division, set up subdivisions to conduct market research on the site based on criteria which include the potential demand for residential properties on such site, the size and population of the city where the site is located, the region's GDP, purchasing power of the residents and visitors in the subject area, the government's development plans and government preferential policies. Relying on the results of our research, we will further determine the overall market positioning and the target customer groups, establish a project design blueprint, and calculate a target average selling price and gross profit margin for the potential project.

The land in Sanya Phoenix Aqua City South Shore Phase I and Sanya Phoenix Aqua City South Shore Phase II were acquired by way of acquisition of Sanya Fenghuang Xincheng which acquired the land use rights certificates under its name. The land in Sanya Phoenix Aqua City Left Shore was acquired by an Independent Third Party and injected into Sanya Fenghuang Shuiyun as capital contribution in 2009 before the acquisition of Sanya Fenghuang Shuiyun by us in 3 June 2010. The land in Haikou Phoenix Aqua City Phase I and Phase II was acquired by entering into land use rights transfer agreement with an Independent Third Party. The land in Danzhou Phoenix Aqua City was obtained by acquiring Danzhou Shuanglian, which entered into land use rights transfer agreement with government authorities and obtained land use rights certificate in 2010.

As advised by our PRC Legal Advisers, we have obtained the land use rights certificates for all land parcels in compliance with the requirements of the relevant PRC laws and regulations.

Project planning and design

We retain the service of domestic and international design houses and architects in different aspects of our project design, such as master planning, architectural design, landscape design and interior design, in order to integrate quality with innovative designs for our properties. We work closely with such design houses in designing our property development projects and manages their progress. For example, we have engaged certain architectural and landscape design companies to provide architectural and landscape design to our property development projects in Sanya and Haikou.

We dedicated to project planning and design activities of our Group and is responsible for (i) implementing innovative product designs with a view to improve value of the products and corporate profile and brand building of our Group; (ii) training management personnel of design divisions and supervising their works; (iii) managing the design of construction drawings of various development projects; and (iv) resolving issues encountered during construction.

We employ project supervisor and engineers with different specialties to manage the research and development activities of the six departments, each having two to three employees, including a manager.

Pre-construction

Government permits

Once we have obtained the rights to develop a parcel of land, we will apply for the various approvals, permits and licences that we need prior to the construction and sale of our properties. Details of the material certificates and permits required to commence construction are set out below:

- Construction land planning permit – a permit authorising a developer to begin the survey, planning and design of a parcel of land, in order to allow a developer to obtain land use permit;

- Land use rights certificate – a certification of the right of a party to use a parcel of land;

- Construction works planning permit – a certificate indicating government approval for a developer's overall planning and design of the project and allowing a developer to apply for a construction works commencement permit; and

- Construction works commencement permit – a permit required for commencement of construction works.

Financing of property development

The major sources of financing for our property development projects include (i) bank borrowings; (ii) capital contributions and proceeds from sales, pre-sales of our properties and (iii) loans from non-bank financial institutions such as trust financing when appropriate. Our means of project financing are subject to restrictions imposed by the relevant PRC laws and regulations and monetary policies at the material time.

During the Track Record Period, we paid land grant premium primarily from funds obtained from proceeds received from the sales and pre-sales of properties, and capital contributions, details of which are set out in the section headed "Financial Information – Turnover" and "Financial Information – Cost of Sales" in this prospectus.

Pursuant to the Guidelines for Risk Management on Property Loans of Commercial Banks promulgated by the China Banking Regulatory Commission in August 2004 and the "Notice of the State Council on Adjusting the Capital Ratios for 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) (Guo Fa [2009] No.27) promulgated and enforced by the State Council on 25 May 2009, property developers which intend to obtain loans from commercial banks must have an internal capital ratio (calculated by dividing the internally generated funds available by the total project capital required for a project) of at least 20% for government-supported housing projects and ordinary commercial house projects and 30% for other property projects. The financial institution should act in accordance with the aforesaid so as to decide whether to grant us loan or not. We generally repay bank borrowings upon receiving proceeds from pre-sales and sales of our properties.

Trust financing

Trust financing is an authorised form of financing in the PRC and usually refers to financing by trust funds established and managed by trustees of such funds, which are trust companies registered with the CBRC. These trust financing arrangements can take the form of equity financing or debt financing, and are invested by qualified investors who meet the criteria set out in the Measures for the Administration of Trust Companies' Trust Plans of Assembled Fund (《信託公司集合資金信託計劃管理辦法》) issued by CBRC on 4 February 2009 as amended from time to time. The liabilities of a borrower under trust financing can be secured by different forms of security including equity pledges, guarantees, and land mortgages.

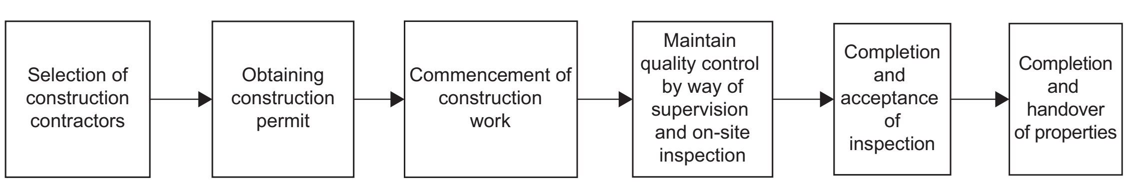
In March 2016, Sanya Huixin Trading entered into a trust financing agreement with Zijin Trust Co., Ltd., an Independent Third Party, pursuant to which Zijin Trust Co., Ltd. agreed to finance Sanya Huixin Trading in the aggregate principle of RMB500.0 million, at an interest rate of 4.133% per annum for a fixed term of 2 years commencing from the first drawdown date for use as general working capital and adjusting debt structure of our Group. Sanya Fenghuang Xincheng provided irrevocable guarantee under this trust financing agreement. As at the Latest Practicable Date, the loan was fully drawn down, with RMB5 million being deposited with Zijin Trust Co., Ltd. as security in accordance with the terms under this trust financing agreement.

On 15 April 2016, Sanya Hui Xin Trading also entered into a trust financing agreement with Guo Tou Tai Kang Trust Co. Ltd., an Independent Third Party, pursuant to which Guo Tou Tai Kang Trust Co. Ltd. agreed to finance Sanya Hui Xin Trading in the aggregate principle of RMB500.0 million, at an interest rate of 4.133% per annum for a fixed term of 2 years commencing from the first drawdown date for use as general working capital and adjusting debt structure of our Group. Sanya Fenghuang Xincheng provided irrevocable guarantee under this trust financing agreement. As at the Latest Practicable Date, RMB70.0 million of the loan facility was drawn down by Sanya Hui Xin Trading under this trust financing agreement.

Our PRC Legal Advisers are of the view that the above two trust financing agreements between our Group and Zijin Trust Co., Ltd. and Guo Tou Tai Kang Trust Co. Ltd., respectively, are valid and binding on both parties and such financing agreements are not in violation of applicable PRC laws and regulations. For details of the relevant laws and regulations of trust financing, please refer to the section headed "Regulatory Overview" in this prospectus.

Project construction

We set out below the flow chart in respect of the major stages in the construction of our property development project after obtaining the relevant construction permits.



We contract all our construction works of our property development projects to construction contractors, and monitor quality and cost control and construction progress during construction. We invite at least three specified legal persons or other organisations with the capacity to undertake construction projects as well as good reputation and credibility for tendering, and perform independent assessments by members of the assessment committee by considering various factors including, among others, (i) qualification of the bidders, (ii) resources of the bidders particularly the availability of manpower, (iii) experience and technical expertise of the bidders in similar construction projects, (iv) reputation and quality of work and (v) proposed commercial terms and in particular the fee quotation provided by the bidder. Our Directors believe that there is sufficient internal mechanism in place to ensure that the tendering process is conducted in a fair and open manner. We are responsible for the tender process, preparing invitation for tender documents, reviewing the qualification of the bidding contractors and the tendering documents submitted by them.

The relevant construction contractor is responsible for purchasing substantially all the construction materials such as steels and cement. The raw materials are provided by the subcontractors which is subject to the terms of the agreements.

We engaged both Independent Third Party contractors and contractors who are connected persons. The scope of construction work carried out by a construction contractor includes design, pile setting, foundation digging, construction, equipment installation, interior decoration, electrical and mechanical engineering, pipeline engineering and property management. For details of the construction services provided by connected person such as Nanjing Huizhi, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions – Construction Cooperation Framework Agreement" in this prospectus.

Our construction contracts generally contain warranties relating to quality of work and completion time. Contractors are required to comply with our specified standards and the relevant PRC laws and regulations. If the contractors fail to complete the construction works on a timely basis pursuant to the terms of the construction contracts, they may be liable to us for penalties or other damages. During the Track Record Period, we have not encountered any material difficulties with contractors or any incident that the contractors failed to provide satisfactory services to a material extent.

Construction fees are paid to the contractors based on the terms of the construction contracts. In general, such fees are paid based on construction progress up to a specified maximum percentage of the total contract sum. Meanwhile, we will retain about 5% to 10% of the total construction fees after completion of the construction to cover any expenses incurred due to construction defects, and the remaining balance will be paid to the contractors generally within one to two years after completion.

Quality Control

We have established procedures to ensure that the quality of our properties is in compliance with relevant regulations and meet our standards. Our design and engineering division is responsible for overseeing and monitoring quality control procedures in every stage of the property development process, such as the design and construction stage. To further ensure quality and monitor the progress and workmanship of construction, an independent construction supervisory company is appointed to oversee the quality control issues of each property development project. The independent construction supervisory company is responsible for preparing quality control plan, supervising the execution of the quality control plan, employing appropriate procedures for selection, inspection and testing of equipment and materials before accepting the materials on site and approving payment, resolving quality control problems, and preparing project quality control reports. We also engage external quality supervisory companies to conduct quality and safety control checks on construction and workmanship of our property development projects. Our division will monitor the work performed by such companies. Before delivering a property to a purchaser, our customer services management division, together with the relevant quality supervisory company, would conduct inspection on the completed property to ensure its quality attains specified standards.

Our contractors are subject to our quality control procedures, including managing the contractors' construction progress, managing the quality of on-site workers, appointing internal on-site quality control engineers, examining the quality of materials, supplies and machinery and conducting on-site inspection.

Our Directors believe that stringent quality control of our projects forms an important part of the competitiveness of our Group.

During the Track Record Period, we have not experienced any material quality problems in respect of our property development business.

Marketing

We primarily outsource marketing and sales work to professional property sales agencies, who are Independent Third Parties, to provide promotion and referral services to us in the sale of our properties. Our sales management division oversees and monitors the work performed by the sales agencies. Our sales management division is generally involved in the preliminary work of our property development projects, usually prior to land acquisitions, and at key steps. It is primarily responsible for preparing each project's promotional plan, conducting research on relevant property markets, details of competitors' properties, prospective customer information and spending records, conducting research on the requirements of potential purchasers in terms of price, property design, amenity design, transportation and sites locations. It also formulates our marketing strategies, such as selecting targeted purchasers and targeted markets, branding of projects, planning and organising on-site sale and pre-sale procedures, setting up customers contact channels and implementing sales strategies plans.

Together with our agencies, we adopt various measures to reach potential purchasers, including advertising and the engagement of celebrities.

We believe it is the most effective marketing strategy to arrange potential purchasers to visit our completed property development projects and organise seminars and promotional activities on our projects to attract purchasers and facilitate the sales of our developing properties.

Our advertising and promotion expenses amounted to RMB44,525,000, RMB20,867,000 and RMB11,783,000 during the three years ended 31 December 2013, 2014 and 2015, respectively.

We enter non-exclusive agreement with our sales agents on yearly basis, we are entitled to set monthly sales target for the sales agent.

We remunerate the sales agents by sales commission. Commission we paid to sales agents amounted to RMB12,518,000, RMB7,444,000 and RMB11,715,000 during the three years ended 31 December 2013, 2014 and 2015, respectively. Commission payable by our Group to sales agent is based on a percentage of selling price in accordance with the stipulated terms of the agency contract in respect of each property development project. Commission is payable upon receipt in full of purchase price.

We believe our sales are subject to seasonality and the special climate of Hainan as a tropical province. Our peak season is from mid-November to April, being the winter and spring time during which more tourists from other provinces would visit Hainan, while the off season is from the mid-April to October each year.

Pre-sales

We pre-sell our properties prior to the completion of their construction. In accordance with the "Urban Real Property Law of the PRC" (中華人民共和國城市房地產管理法) and the "Administrative Measures governing the Pre-sale of Urban Real Estate" (城市商品房預售管理辦法) promulgated by the Ministry of Construction on November 15, 1994 and as amended on 15 August, 2001 and 20 July, 2004, respectively, property developers must satisfy specific conditions before pre-selling their uncompleted properties under construction. Mandatory conditions include (i) the land grant premium must have been paid in full, (ii) the land use rights certificates, the construction works planning permit and the construction works commencement permit must have been obtained, (iii) based on the number of pre-sale of property, at least 25% of the total amount invested in a project must have been contributed to such projects, (iv) the progress and the expected completion and delivery date of the properties must be certain, and (v) pre-sale registration to be effected at the people's government above the County level and a permit for pre-sale of commodity buildings must be obtained after the pre-sale is registered.

Pre-sale proceeds of our properties must be deposited in escrow accounts and can only be used for the related construction works, to purchase construction materials and equipment, make interim construction payments, pay taxes for the relevant projects and repay loans for project development subject to prior consent from the relevant local government authorities.

We have obtained all pre-sale permits before commencing pre-sale of our property development projects. Our PRC Legal Advisers have confirmed that we have not been subject to punishment by the competent authority in relation to pre-sale and sale of our property development projects during the Track Record Period.

Payment arrangements

Our customers, including those purchasing pre-sale properties, can choose to pay the purchase price by lump sum payment or mortgage loans with banks. Our customers are generally required to pay non-refundable deposits to us before signing pre-sale agreements or sales and purchase contracts. The payment terms of sales and pre-sales of properties are substantially identical. Most of our customers are individual purchasers. At the time of executing the pre-sale agreement or sales and purchase contract, as the case may be, the purchasers usually pay to us a certain percentage of the purchase price as down payment. Such percentage is usually not less than 30% and if the purchasers choose lump sum payment, they usually pay to us the remaining balance of the purchase price within one month after signing the sales and purchase contracts. If the purchasers choose to finance their purchases by mortgage loans provided by banks, they may usually obtain mortgage loans of up to a maximum of 70% of the purchase price with a repayment period of up to 30 years. In line with industry practice, we rely on the credit checks conducted by the mortgage banks on the purchasers and do not conduct independent credit checks on the purchasers. Such purchasers are required to pay to us the remaining balance of the purchase price that is not covered by the mortgage loans prior to the mortgage loans being disbursed by mortgagee banks.

Property developers in the PRC would generally facilitate the purchasers of residential properties to obtain bank financing with various domestic banks. Property developers are usually required by the banks to guarantee the obligations of the purchasers to repay any outstanding mortgage loans. These outstanding guarantees are generally released upon the issue of title certificates, including the land use rights certificate and building ownership certificate, together with the completion of the mortgage registration and the issue of the other property rights certificate of the subject property. In line with industry practice, we have provided guarantees to the mortgagee banks in relation to each of our property development projects. To promote the sales of our properties, we enter into agreements with a number of banks to provide purchasers of our properties in respect of mortgages. Our PRC Legal Advisers have confirmed that the provision of these bank guarantees is in compliance with the relevant PRC laws and regulations.

As at 31 December 2013, 2014 and 2015, our outstanding guarantees of the purchaser mortgage loans of our customers amounted to nil, nil and RMB61.2 million, respectively. As at the Latest Practicable Date, we encountered two incidents of default by our purchasers for whom we had guaranteed their mortgage loans. For further details, please refer to the section headed “Financial Information – Contingent Liabilities”. We were not liable to settle any of the outstanding loan to the relevant bank in respect of the default incident, and such default have not had a material adverse effect on our financial condition or results of operations. Please refer to the section headed “Risk factors – We guarantee mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments” in this prospectus for further details.

Delivery

After the property development project passed the completion and acceptance of inspection of properties, we deliver the completed property in accordance with the terms of the pre-sale agreement or sales and purchase agreement entered into with the customer.

Our sales management division and the respective operating subsidiary of each property development project are responsible to apply for the land use rights certificates and individual building ownership certificates to ensure the delivery of the completed properties and building ownership certificates to our customers according to the relevant pre-sale agreements or sales and purchase agreements.

We will provide written notice to a customer informing the delivery date and other relevant details, and the customers will sign and return acknowledge receipts to us when the properties are delivered to them.

There are some building ownership certificates of Sanya Phoenix Aqua City South Shore Phase I which have not been given to some of the property owners. We had already served notices to those property owners who have not obtained building ownership certificates. As at the Latest Practicable Date, there were 1,104 outstanding building ownership certificates yet to be obtained by the property owners as some customers cannot be contacted or reached and some customers cannot provide the required information. We had already served notices to those property owners who have not provided the require information and we will assist to submit the relevant documents to the relevant authority in order to apply for the building ownership certificates as soon as practicable after the required information is provided. As at the Latest Practicable Date, the property owners who have not been given building ownership certificates may claim for damages for breach of sales and purchase agreements, according to the sales and purchase agreements and the maximum damages is estimated to be approximately RMB1.05 million. For further details, please refer to the section headed "Risk Factors – Our property development business may be subject to customer claims" in this prospectus. We have improved our project construction process and our delivery progress with a view to eliminate any possible delay in obtaining building ownership certificate of our development and the subsequent transfer to property owners, including but not limited to:

– requiring design houses to strictly design the phases of each of the development projects within one land use right certificates during the project design stage to avoid future properties erect on land under two or more land use rights certificates;

– imposing undertaking by contractors to strictly adhere to construction schedule;

– conducting periodic review on progress of construction to ensure the key milestones being accomplished;

– requiring construction supervisory companies appointed to promptly report any delay in construction schedule;

– taking remedial action (including rescheduling construction timetable) to meet ultimate completion schedule;

– organising completion and acceptance of inspection of properties within a specified period after all major construction works have been completed;

– making applications for building ownership certificates of properties within a specified period after completion and acceptance of inspection of properties; and

– keeping property owners informed of the progress of construction and delivery progress.

After-sales services and property management

Our customer services management division is mainly responsible for selecting, monitoring, supervising and coordinating with the independent management service providers with a view to improving corporate image and brand-building of our Group by the provision of quality post-sale services for property owners and residents of our property projects.

We generally set up our customer services management division for properties in their early stages of development so that it can work with our commercial operations division to make the properties more suitable to the taste of our customers. We engage third party property management companies to manage our property development projects. Property management companies provide after-sales services to purchasers of our properties including maintenance, security services, gardening and landscaping and other related services. We select such property management companies through a tendering process in accordance with the relevant laws and regulations prior to delivery of properties to purchasers in order to ensure quality property management services. Our selection criteria of property management companies is based on certain standards and factors including professional staff, level of fees and quality of services.

The management fee is determined with reference to the prevailing market rates, guidance rate set by the relevant government authorities, and the GFA of each property of the relevant property development project. The management fee is usually settled on a monthly, quarterly or yearly basis. We also regularly conduct surveys and interviews with owners to determine whether they have any complaints about services provided by our customers services management division and the property management companies and implement suggestions by owners in order to enhance the quality of our services.

We engage an independent property management company, to provide post-sales property management services such as security, property maintenance, gardening and other ancillary service to Sanya Phoenix Aqua City South Shore Phase I and Sanya Phoenix Aqua City Left Shore. For the three years ended 31 December 2015, the management fees we paid to the abovementioned independent property management company were RMB7.8 million, RMB7.6 million and RMB5.0 million, respectively, for property management services provided to our property development projects. Property owners are responsible for the payment of their own management fees while we are responsible for the payment of management fees for those units not yet sold or delivered. We currently have no intention of setting up our own property management company to manage our properties, as outsourcing such work to professional property management service providers will be more cost effective and commercially sensible.

AWARDS AND CERTIFICATIONS

We have been granted a number of awards recognitions and certifications including the following:

Year of award	Award Title	Presenter(s)	Host/Event
2015	Sanya's Best Property Enterprise in 2014 (Sanya Phoenix Aqua City Left Shore) (三亞市2014年度優秀房地產企業) (三亞鳳凰水韻)	Sanya Real Estate Industry Association (三亞市房地產業協會)	–
2015	Hainan's Most Cost Effective Property in 2014 (2014年海南最具性價比樓盤)	Sina Properties, house. baidu, WeChat House	–
2015	Most Popular Property in Sanya in 2015 (2015三亞最具人氣樓盤)	58.com, Anjuke Inc. (安居客)	Ruiting Network Technology (Shanghai) Co. Ltd. (瑞庭網絡技術(上海)有限公司)
2014	Hainan's New Landmark (2014年海南城市新地標)	Fang.com (房天下)	Chinese Real Estate Network Popularity List in 2014 (2014年度中國房地產網絡人氣榜)
2012	Phoenix Aqua City – Quality Property Award (鳳凰水城—風華絕代•品質人居獎)	Hainan Daily Press Group (海南日報報業集團)	2012 Intl. Hainan Travel Property Cultural Festival (2012中國海南國際旅遊地產文化節)
2012	Phoenix Aqua City South Shore (Sanya) – New City Landmark Award (鳳凰水城南岸(三亞)—2012中國城市新地標)	www.soufun.com (搜房網)	2012 China Real Estate Industry Development Annual Conference (2012中國房地戶發展年會)
2012	Phoenix Aqua City – Hainan Star Property (鳳凰水城—海南地產名盤華府之星)	–	4th Hainan Travel Property Cultural Festival (第四屆中國海南旅遊地產文化節之重大慶房展組委會)

Year of award	Award Title	Presenter(s)	Host/Event
2011	Phoenix Aqua City South Shore – Most Aesthetically Pleasing Property in 2011 (鳳凰水城南岸—2011中國最美樓盤)	Chinese National Geography, Sina Travel Properties and China Tourism Real Estate Service Group (中國國家地理, Sina 新浪旅遊地產及中國旅遊地產服務集團)	–
2011	Phoenix Aqua City South Shore (Sanya) – Golden Bauhinia Award (鳳凰水城南岸(三亞)—2011金紫荊花獎)	www.soufun.com (搜房網)	8th Hong Kong International Property Week in 2011 (2011年第三屆香港國際地產週)

CUSTOMERS

For each of the three years ended 31 December 2013, 2014 and 2015, our single largest customer accounted for approximately 6.6%, 1.5% and 0.5%, respectively, of the total revenue of our Group in each year. Our five largest customers who are Independent Third Parties accounted for approximately 24.5%, 3.7% and 2.4% respectively, of the total revenue of Group for the three years ended 31 December 2013, 2014 and 2015, respectively. Payments from our major customers are settled by lump sum payments by bank transfers.

During the Track Record Period, there were no sales of our properties to any of our management personnel and/or their family members by us. Currently we do not have any policy to internal staff who desire to purchase properties from us.

To the best of our knowledge, save for the sale of properties to key management personnel and their immediate families, all of our customers are independent individuals in which none of our Directors and their respective close associates or shareholders who, to the knowledge of our Directors, holding more than 5% of our issued share capital has any interest.

SUPPLIERS

Our major suppliers mainly consist of construction companies. For our property development projects, we engage construction companies as our contractors to carry out construction work on project base and procure necessary construction materials. Our construction suppliers are selected through a tendering process. We normally do not enter into long-term contracts with our existing suppliers save for Nanjing Huizhi which is a connected person. For details, please refer to the section headed "Connected Transaction – Non-exempt Continuing Connected Transactions – Construction Cooperation Framework Agreement" in this prospectus.

For each of the three years ended 31 December 2013, 2014 and 2015, the single largest supplier for our Group accounted for approximately 34.5%, 29.1% and 32.1%, respectively, of our total purchases under our supply contracts in each year. The five largest suppliers for our Group accounted for approximately 71.2%, 59.8% and 66.3% of our total purchases under our supply contracts for the three years ended 31 December 2013, 2014 and 2015 respectively. The length of our business relationships with our five largest suppliers during the Track Record Period ranged from two years to eight years. Construction fees are paid to our contractors based on terms of construction contracts according to the stage of construction. Our major suppliers generally allow us a credit period for progress payments of 20 days from a range of 5 days to 30 days. Payments by our major suppliers are settled by bank transfer.

To the best of our knowledge, save for Nanjing Huizhi, Nanjing Zhonghui Construction, Lian Yun Gang Hui Neng, Nanjing Tianhui, Nanjing Boken, Nanjing Diken, Nanjing Hengjida, Nanjing Maoheng, Nanjing Daotong and Nanjing Huiyao, all of the suppliers for our Group are Independent Third Parties in which none of our Directors and their respective close associates or shareholders hold more than 5% of our issued share capital has any interest. These connected suppliers are directly or indirectly owned or controlled by Mr. Yeung and accounted for approximately 38.7%, 33.3% and 36.0% of our total purchases under our supply contracts for the three years ended 31 December 2013, 2014 and 2015 respectively. Save for the continuing connected transaction with Nanjing Hui Zhi of which the construction fees represented approximately 34.5%, 29.1% and 32.1% of our total construction costs for the years ended 31 December 2013, 2014 and 2015 respectively, none of the transactions with the above related parties suppliers will be continued after Listing. For details of the continuing connected transaction with Nanjing Hui Zhi, please refer to the section headed "Connected Transaction – Non-exempt Continuing Connected Transactions – Construction Cooperation Framework Agreement".

We maintain a broad range of suppliers who meet our quality requirements and periodically review and update this list based on our experiences doing business with them. We have established stable relationships with our major suppliers who have provided us with quality services and materials on favourable commercial terms.

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property forms an integral part of our brand recognition and is important to our business. As at the Latest Practicable Date, we had applied for the registration of a total of 19 trademarks in the PRC. In Hong Kong, we are the registrant of 3 trademarks in different classes. We were the registered owner of four domain names. Please refer to the section headed "Statutory and General Information – B. Further Information about the Business – 2. Intellectual property rights" in Appendix V to this prospectus for details of our trademarks and domain names. On 8 April 2016, our Company entered into the Trademark License Agreement. Details of the Trademark License Agreement are set out in the sections headed "Connected Transactions" and "Statutory and General Information – B. Further Information about the Business – 2. Intellectual property rights" in Appendix V to this prospectus. We cannot assure you that our brand will be adequately protected from negative publicity or that our business would not be adversely affected should such negative publicity arise. Please refer to the section headed "Risk factors – Risks relating to our business – Any adverse publicity or other adverse development that may affect our reputation, brand image or the "Verdure International" or "翠屏國際" brand generally and any failure in renewing the non-exclusive licence to use such brand may result in a material adverse effect on our business, results of operations and financial condition" in this prospectus for further details.

As at the Latest Practicable Date, we were not aware of any pending claims by any third party against us for the use of our intellectual property rights. As of the Latest Practicable Date, we were not aware of any infringement by us of intellectual property rights owned by third parties or infringement by third parties of our intellectual property rights.

Our PRC Legal Advisers have confirmed that we were not involved in many litigation or administrative punishment regarding intellectual property rights and there has been no infringement of any intellectual rights of third parties during the Track Record Period.

COMPETITION

The PRC property industry is highly competitive and fragmented, notwithstanding a high entry barrier. The key markets for our Group are located in the Hainan Province. Our major competitors include major State-owned and private property developers. In recent years, a number of overseas real estate developers have been active in China. We compete with other property developers based on a number of factors including price, product and service quality, financial resources, brand recognition, ability to acquire high quality land reserves and other factors. In recent years, the PRC Government has also issued policies to reduce the number of property development projects that involve redevelopment or relocation of existing occupants. These policies increase competition among property developers as the amount of land available for property development is reduced.

Factors affecting the level of competition in the industry include the growth of the number of market participants, the spending pattern of the local and regional populations as affected by the general PRC economic conditions as well as the availability of transportation network providing access to the Hainan Province. Urbanisation and government control on the PRC real estate market will also have an impact on the market. In an environment where the general PRC economic conditions experience an upturn and the trend of urbanisation in PRC continues, the level of competition is likely to be eased off a little.

We consider our major competitors have been developing at a rapid pace. These competitors may be of larger operating scale and may have stronger financial strengths and resources than ours. Yet with our track record, awards, competitive strengths and strategies, we believe that we have established our brand in the market and have the capability of providing quality facilities and services, and thus can continue to remain competitive in the market and generate further business growth despite the intense competition. Please refer to the section "Industry overview" in this prospectus for details of the market analysis for those industries which our business operations fall under.

REAL ESTATE-RELATED AUSTERITY MEASURES IMPLEMENTED BY THE PRC GOVERNMENT

During the past few years, the PRC Government had launched a series of policies to control the growth and overheat of the real estate market in China. Relevant measures include adjustment to the first installment ratio and mortgage rate for purchases of residential properties by individuals who hold other residential properties. For additional information on real estate austerity measures and other recent regulatory developments, please refer to the section headed "Regulatory Overview" in this prospectus.

We believe that the austerity measures will result in lower demand for properties, which in turn leads to lower transaction volume and property prices. Our Directors believe that while the austerity measures may affect the demand for properties from speculative buyers or property investors. These measures may also affect our target customers who are non first-time home buyers. Notwithstanding the austerity measures implemented by the PRC Government in recent years, we remained profitable during the Track Record Period. We cannot assure you that we will maintain our profitability and growth or that our business will not be affected by further measures or polices introduced by the PRC Government in cities where we have operations or where we intend to expand. Please refer to the section headed "Risk factors – Risks relating to our industry – We are subject to extensive governmental regulations and frequent introduction of new regulations, and we may be affected by further measures promulgated by the PRC Government which aim to control the growth of the property sector" in this prospectus.

ENVIRONMENTAL MATTERS

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by the relevant local government authorities.

Each of our property development projects is required under PRC laws and regulations to undergo environmental assessments. We submit the relevant environmental impact study, report or environmental impact analysis to the environmental authorities before the approval is granted for commencement of construction of our property development projects. In obtaining the approval, an entity must, during the phase of feasibility study of the construction project, file an environmental report of the construction project, an environmental impact report and an environmental impact registration form. All documents are subject to the approval of the authorized environmental protection administration. The approval from the relevant government authorities specifies the standards applicable to the implementation of the construction works in relation to air pollution, noise emissions and water and waste discharge. Such measures are required to be incorporated into the design, construction and operation of the construction projects. Upon completion of each property development project, the relevant government authorities will inspect the site to ensure that applicable environmental standards have been complied with, and reports are then presented together with other specified documents to the local construction administration authorities for record.

Specific measures taken by us in ensuring our compliance with applicable environmental laws and regulations include the use of solar energy system.

We encourage our contractors and subcontractors to use equipment and facilities and to adopt or develop new technologies which are more environmentally friendly. Although inventing environmental protection technology is beyond the scope of our business, we are highly conscious of the need for environmental protection and will always look for new technologies that are helpful in protecting the environment.

We have incurred costs in connection with compliance with environmental laws and regulations. The annual expenditure on environmental compliance paid to the construction teams for compliance with the relevant environmental laws and regulations was approximately RMB3.7 million, RMB3.5 million and RMB4.5 million for the three years ended 31 December 2013, 2014 and 2015, respectively. The expected future cost of compliance with environmental laws and regulations for Sanya Phoenix Aqua City South Shore Phase II, Zone III of Sanya Phoenix Aqua City Left Shore, Haikou Phoenix Aqua City Phase II and Danzhou Phoenix Aqua City is approximately RMB40.3 million. We have obtained environmental impact approval for all of our completed property development projects under construction.

Save as disclosed in the section headed "Business – Non-compliance" in this prospectus, our Directors confirm that our operations have complied and will comply with all PRC environmental laws and regulations in all material respects. Our PRC Legal Advisers have confirmed that we have obtained the necessary approval or permit required by the relevant PRC laws and regulations in relation to environmental standards and we have not been subject to any penalties or administrative sanctions arising from non-compliance of national or local environmental laws or regulations during the Track Record Period. During the Track Record Period, save as disclosed, we have not received any further notification from environmental authorities for any violation of environmental protection laws and regulations. For details on potential liability for environmental problems, please refer to the section headed "Risk factors – Potential liability for environmental problems could result in substantial costs" in this prospectus.

HEALTH AND SAFETY

Our property construction management division is responsible for the security management and accident prevention on construction sites. Specific measures taken by us in minimizing the possibility of work-related accidents and injuries include requiring the construction teams to obtain the relevant safety-related licences and engage safety inspection on regular basis by us and third-party construction management company. We intend to further strengthen and improve our systems and management in respect of labour health and safety in all respects in order to reduce potential future risks in this regard.

WORKPLACE SAFETY MATTERS

We are subject to laws and regulations in relation to workplace safety in the PRC. Our safety management team, which comprises 8 personnel, is responsible for overseeing the safety of our employees during the overall project development process. To maintain a safe working environment, we have established internal policies on safety management whereby different team is assigned different safety compliance responsibilities.

With respect to construction site safety, our construction contractors are responsible for the safety of their workers on the construction sites and are required to maintain accident insurance for their workers. We generally do not carry insurance against personal injuries that may occur on-site but require our construction contractors to purchase accident insurance to cover their workers' medical and other related expenses. We also engage Independent Third Party construction supervision companies to monitor safety measures throughout the construction process and to submit report of the inspection results to us regularly.

To ensure the safety of our visitors, tenants, property occupiers and employees, we have installed surveillance cameras at the main entrances, reception halls and front desks of various sections of our Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City South Shore Phase II, Sanya Phoenix Aqua City Left Shore and Haikou Phoenix Aqua City Phase II, as well as certain spots of the public area. We also have security guards guarding at various entrances and carrying out 24-hour patrol.

During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable PRC workplace safety regulations in all material respects and did not encounter any incident or complaint which had a material adverse effect on our operations.

LICENSES, REGULATORY APPROVALS AND COMPLIANCE RECORDS

In the PRC, it is necessary for companies in the property development and construction industries to obtain certain licenses and/or permits before commencing their operations. The major operating licences and permits held by the subsidiaries of our Group include the following:

Name of subsidiaries	Issuing authority	Name of operating licences and permits	Category	Expiration date
Sanya Fenghuang Xincheng	Hainan Province Department of Housing and Urban-Rural Development	Qualification Certificate for Real Estate Development Enterprise in the People's Republic of China (中華人民共和國房地產開發企業資質證書)	Class 3	18 March 2017
Sanya Fenghuang Shuiyun	Sanya Bureau of Housing and Urban-Rural Development	Provisional Qualification Certificate for Real Estate Development Enterprise in the People's Republic of China (中華人民共和國房地產開發企業暫定資質證書)	Provisional	29 July 2016
Hainan Nanhai Xiang Long . . .	Hainan Province Department of Housing and Urban-Rural Development	Qualification Certificate for Real Estate Development Enterprise in the People's Republic of China (中華人民共和國房地產開發企業資質證書)	Class 4	19 June 2019
Danzhou Shuanglian . . .	Danzhou Province Department of Housing and Urban-Rural Development	Provisional Qualification Certificate for Real Estate Development Enterprise in the People's Republic of China (中華人民共和國房地產開發企業暫定資質證書)	Provisional	27 March 2017

Please also refer to the section headed “Regulatory Overview – IV. Qualification of a real estate developer” in this prospectus for further details.

Our PRC Legal Advisers have confirmed that we have obtained all necessary licences, approvals, certificates and permits that are necessary for our property development and construction business operations in the PRC. All such licences, approvals, certificates and permits are valid and effective and have not been revoked, withdrawn, cancelled, confiscated or expired. Save as disclosed in the section headed “Business – Non-compliance” in this prospectus, our Directors and our PRC Legal Advisers are of the view that since the commencement of the Track Record Period, we have been in compliance in all material respects with the applicable laws and regulations in the PRC where we operate our businesses. None of our property development projects is subject to any seizure order, count order or judgement that are adverse to the interests or operations of our Group.

Pursuant to the relevant PRC laws and regulations, an enterprise can apply for the renewal of the qualification certificate one month prior to its expiry. Our Directors have confirmed that we have prepared to apply or renew all qualification certificates of the relevant group companies expiring in 2016 in accordance with the relevant PRC laws and regulations. Our PRC Legal Adviser has advised that there is no substantial legal impediment for the application or renewal of such qualification certificates.

Non-Compliance

Events of non-compliance	Reason for non-compliance	Legal consequences and maximum penalty, and current status	Remedial action(s) as well as enhanced internal control measures taken and status
1. Construction of unauthorised building			
(a) Sales office Temporary building permit of the sales office located in Sanya Phoenix Aqua City South Shore Phase II expires in 2014. The sales office still exists, which constituted an unauthorised building and violated the "Urban and Suburban Planning Law of the People's Republic of China" (《中華人民共和國城鄉規劃法》). In respect of the expiry of the temporary building permit in 2014, we had tried to seek extension from the local authority both before and after the relevant expiry date as we engaged design house for the project design of Sanya Phoenix Aqua City South Shore Phase II in 2012 with a view to commence its project development. However, such project design has been altered various times after numerous communications with relevant government authority. As such, we were of the view that the temporary building permit would be further extended as the development of Sanya Phoenix Aqua City South Shore Phase II was delayed resulting from these alterations motivated by the government. In April 2016, we were informed by the local authority that such extension would not be granted.	The sales office was used for the sales of Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City South Shore Phase II and Sanya Phoenix Aqua City Left Shore. Due to the large scale and long development period of the three property projects, we had not completed the development and sales of all the three property projects before the expiry of the permission to use the temporary sales office.	According to the relevant PRC laws and regulations, the relevant authority may require us to demolish the structure and we may be subject to a maximum penalty of not more than the construction cost of the unauthorised building, i.e. RMB18.2 million. Sanya Fenghuang Xincheng has submitted to the Sanya Planning Bureau (三亞市規劃局) the overall development plan of Sanya Phoenix Aqua City South Shore Phase II in March 2016, which includes the sales office in the development scope as an exhibition center. On 13 April 2016, we received the Letter of Construction Criteria from Sanya Planning Bureau, which specified the planning indicators and design criteria of Sanya Phoenix Aqua City South Shore Phase II. The detailed development plan is still under approval and we have not received any rejection for the inclusion of sales office in the development scope. Our PRC Legal Advisers conducted a face-to-face interview with the Sanya Planning Bureau on this issue, and the Bureau confirmed that the sales office shall remain the current status while the approval procedure of overall development plan of Sanya Phoenix Aqua City South Shore Phase II is in progress, and the Bureau will not impose any penalty on our Group or require demolition of the sales office until the result of approval of the overall development plan of Sanya Phoenix Aqua City South Shore Phase II has been released. As advised by our PRC Legal Advisers, Sanya Planning Bureau is the competent authority for conducting such interview and the interviewee of the aforesaid interview was the leader of the responsible department of the competent authority handling our case who was competent to draw the conclusion as mentioned above. In addition, our Controlling Shareholders have entered into the Deed of Indemnity in favour of the Company with regard to any demolition cost, losses and damages we may suffer or incur as a result of such non-compliance. As such, no provision has been made with respect to such matter in the financial statements of our Group.	1. We had suspended using the sales office since April 2016 and conduct the selling activities in the offices of our sales agent which we have engaged. 2. In the event the inclusion of the sales office in the overall development plan of Sanya Phoenix Aqua City South Shore Phase II is not approved, we will demolish the sales office and continue to conduct the selling activities in the offices of our sales agents which we have engaged. 3. We have established enhanced internal control measures to ensure that we will submit extension application for use of temporary structure in time in the future. Please refer to the section headed "Business – Internal Control Measures to Ensure Future Compliance" in this prospectus.

Events of non-compliance	Reason for non-compliance	Legal consequences and maximum penalty, and current status	Remedial action(s) as well as enhanced internal control measures taken and status
We had also tried to include the sales office in our application for the development plan of Sanya Phoenix Aqua City South Shore Phase II before expiry of the temporary building permit but approval of the development plan was delayed due to the local government's request to change the land usage for Sanya Phoenix Aqua City South Shore Phase II from residential to residential and commercial. As such, we had to substantially amend our development plan to meet the requirements of the local government. We stopped using the sales office in April 2016.			

	Events of non-compliance	Reason for non-compliance	Legal consequences and maximum penalty, and current status	Remedial action(s) as well as enhanced internal control measures taken and status
(b)	Model building During the second half of 2013, Sanya Fenghuang Xincheng built a model building on the land of Sanya Phoenix Aqua City South Shore Phase II as show flats to prospective buyers, of which the construction completed at the end of 2013. Sanya Fenghuang Xincheng had not obtained approvals from Sanya Planning Bureau for the Model Building, as such, it constituted an unauthorised building and violated "Urban and Suburban Planning Law of the People's Republic of China" (《中華人民共和國城鄉規劃法》).	This was primarily due to inadvertent oversight of the relevant regulations by the project manager of Sanya Fenghuang Xincheng.	According to the relevant PRC laws and regulations, the relevant authority may require us to demolish the structure and we may be subject to a maximum penalty of not more than the construction cost of the unauthorised building, i.e. RMB27.1 million. Sanya Fenghuang Xincheng has submitted to the Sanya Planning Bureau the overall development plan of Sanya Phoenix Aqua City South Shore Phase II in March 2016, which includes the model building in the development scope as multi-storey apartment. On 15 April 2016, we received the Letter of Construction Criteria from Sanya Planning Bureau, which specified the planning indicators and design criteria of Sanya Phoenix Aqua City South Shore Phase II. The detailed development plan is still under approval and we have not received any rejection for the inclusion of model building in the development scope. Upon approval of the overall development plan, it will be part of the saleable properties of Sanya Phoenix Aqua City South Shore Phase II. Our PRC Legal Advisers conducted a face-to-face interview with the Sanya Planning Bureau on this issue, and the Bureau confirmed that the model building shall remain at the current status while the approval procedure of the overall development plan of Sanya Phoenix Aqua City South Shore Phase II is in progress, and the Bureau will not impose any penalty on our Group or require demolition of the model building until the result of approval of the overall development plan of Sanya Phoenix Aqua City South Shore Phase II is released. As advised by our PRC Legal Advisers, Sanya Planning Bureau is the competent authority for conducting such interview and the interviewee of the aforesaid interview was the leader of the responsible department of the competent authority handling our case who was competent to draw the conclusion as mentioned above. In addition, our Controlling Shareholders have entered into the Deed of Indemnity in favor of the Company with regard to any demolition cost, losses and damages we may suffer or incur as a result of such non-compliance. As such, no provision has been made with respect to such matter in the financial statements of our Group.	1. We had suspended using the model building since May 2014. 2. In the event the inclusion of the model building in the overall development plan of Sanya Phoenix Aqua City South Shore Phase II is not approved, we will demolish the model building. 3. We have established enhanced internal control measures to ensure that we will obtain approval from the relevant government authorities prior to commencement of construction in the future. Please see "– Internal Control Measures to Ensure Future Compliance."

	Events of non-compliance	Reason for non-compliance	Legal consequences and maximum penalty, and current status	Remedial action(s) as well as enhanced internal control measures taken and status
2.	**Unauthorised sewage discharge** During Sanya Water Bureau's inspection in March 2015 of Sanya Fenghuang Xincheng, sewage pipelines of Sanya Fenghuang Xincheng was found to have unauthorised sewage discharge into Sanya West River due to overload of pipelines.	This was primarily due to the mistake in the design of pipelines by the relevant project manager which led to the overload of pipelines.	A penalty amounting to RMB200,000 was imposed on Sanya Fenghuang Xincheng. As advised by our PRC Legal Advisers, no further penalty will be imposed in respect of this non-compliance incident and this non-compliance incident would not have a material operation or financial impact on us. As such, no other provision has been made in our financial statements.	1. Sanya Fenghuang Xincheng completed the rectification of sewage discharge and settled payment for the penalty of the judgment on 5 November 2015. 2. We have obtained Urban Drainage Permit on September 2015 for Sanya Phoenix Aqua City South Shore Phase I. 3. We have established enhanced internal control measures to ensure that we will comply with the relevant construction and environmental standards in the future. Please refer to the section headed "Business – Internal Control Measures to Ensure Future Compliance" in this prospectus for further details.

	Events of non-compliance	Reason for non-compliance	Legal consequences and maximum penalty, and current status	Remedial action(s) as well as enhanced internal control measures taken and status
3.	**Unauthorised change of the use of settled foreign exchange capital** During 2012, Sanya Zhong Ze Kai entered into several advertising and construction design service agreements with related parties suppliers and applied for the settlement of foreign exchange capital amounted to USD4,800,707.14 and the said amount of foreign exchange capital had been settled. Subsequently, Sanya Zhong Ze Kai cancelled relevant service agreements with related parties suppliers without transferring the settled foreign exchange capital back to the foreign exchange account, thus constituting an unauthorised change of the use of settled foreign exchange capital.	This was primarily due to lack of understanding by the former financial controller of Sanya Zhong Ze Kai in the relevant foreign exchange laws and regulations. As such, the returned proceeds of settled foreign exchange capital from the cancelled service agreements had not been transferred back to the foreign exchange account, and the use of the relevant capital has deviated from the approved use of the settled foreign exchange capital.	An administrative fine amounting to RMB300,000, which was equivalent to approximately 1% of the exchange settlement fund used, was imposed on Sanya Zhong Ze Kai. Our PRC Legal Advisers conducted a face-to-face interview with State Administration of Foreign Exchange Hainan Branch (國家外匯管理局海南省分局) confirming that (i) Zhong Ze Kai's default in foreign exchange was not material; (ii) Zhong Ze Kai settled the administrative fine in full upon receipt of the notices issued by State Administration of Foreign Exchange Hainan Branch; (iii) no other penalty or claim would be imposed or made against Zhong Ze Kai in respect of such incident; and (iv) save for the defaults disclosed herein, Zhong Ze Kai did not breach any applicable foreign exchange laws. As advised by our PRC Legal Advisers, State Administration of Foreign Exchange Hainan Branch is the competent authority for conducting such interview and the interviewee of the aforesaid interview was the leader of the responsible department of the competent authority handling our case who was competent to draw the conclusion as mentioned above. As advised by our PRC Legal Advisers, no further penalty will be imposed in respect of this non-compliance incident and this non-compliance incident would not have a material operational or financial impact on us. As such, no provision has been made in our financial statements.	1. We had already settled the administrative fine in full on 9 November 2015. 2. We have established enhanced internal control measures to ensure that we will not violate any change of use of exchange settlement funds related laws in the future. Please refer to the section headed "Business – Internal Control Measures to Ensure Future Compliance" in this prospectus for further details.

Events of non-compliance	Reason for non-compliance	Legal consequences and maximum penalty, and current status	Remedial action(s) as well as enhanced internal control measures taken and status
4. Intercompany loans			
(i) During the Track Record Period, we advanced two loans to our related parties totalling RMB137.0 million with interest income of RMB13.1 million from the relevant related parties, and we also advanced a loan amounting to RMB345.0 million to Lingshui (a related party at the time of entering into the intercompany loan in 2011 and became an Independent Third Party in 2012) via Zhong Hui Nanjing (a related party) with interest income of RMB11.4 million from Lingshui.	This was primarily due to lack of understanding of the relevant financial controller in respect of the restrictions on inter-company loans under the Lending Provisions of the PBOC (貸款通則).	Pursuant to the Lending Provisions of the PBOC, any illegal proceeds received by the lender from the borrower may be forfeited by the PBOC and the lender may be subject to a fine of one to five times of such illegal proceeds. The penalty that we may face could be from RMB43.0 million to RMB215.0 million, being one to five times of the interest income received by our Group. The loans between us and corporate related parties or corporate Independent Third Parties may be prohibited. However, according to the *Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases* (最高人民法院關於審理民間借貸案件適用法律若干問題的規定), effective from 1 September 2015, where the legal persons face disputes and litigation with respect to the private lending contracts entered into for purposes of production and operations, the contracts shall be deemed effective by the court. During the Track Record Period and as of the Latest Practicable Date, we had not received any notice of claim or penalty in relation to the intercompany loans.	1. We ceased to engage in intercompany loans since April 2014 and all of our intercompany loans were settled on or before June 2015. 2. We have established enhanced internal control measures to ensure that we will not violate any laws in relation to lending and financing business activities in the future. Please refer to the section headed "Business – Internal Control Measures to Ensure Future Compliance" in this prospectus for further details.

Events of non-compliance	Reason for non-compliance	Legal consequences and maximum penalty, and current status	Remedial action(s) as well as enhanced internal control measures taken and status
(ii) During the Track Record Period, Sanya Fenghuang Xincheng advanced a loan to Nanjing Bai Rui Ze with amount of RMB105.0 million. The relevant interest was RMB18.5 million. This intra-group interest income was fully eliminated in the combined financial statements. (iii) During the Track Record Period, we received a loan from our related party with amount of RMB500.0 million and the interest expenses recorded was RMB21.4 million. (iv) During the Track Record Period, we received non-interest bearing advances from an independent third party with amount of RMB58.0 million.		Although the inter-company loans did not comply with the requirements of the Lending Provisions of the PBOC, such loans were in the nature of internal capital arrangements among the relevant companies at the relevant time. All funds concerned were used for normal business operation instead of for profit-making purpose. Our Group had settled all the balances. 2 loans (i.e. the RMB345 million loan advanced to Lingshui and the RMB500 million loan received from our related party) of the 6 inter-company loans were settled more than 2 years ago which in accordance with the PRC Administrative Penalties Law (《中華人民共和國行政處罰法》), the limitation period for imposing penalty on the aforesaid settled loans has passed. As at the Latest Practicable Date, no penalty had been imposed on us and there was no investigation against us in respect of the inter-company loans. Based on above, our PRC Legal Advisers are of the view that the likelihood of the competent authority imposing penalty on us in respect of the inter-company loans is low. In addition, our Controlling Shareholders have entered into the Deed of Indemnity in favour of the Company with regard to any loss we may suffer or incur as a result of such non-compliance. Based on the consideration above and our PRC Legal Advisers' advice, our Directors consider that this non-compliance would not have a material operational or financial impact on us. As such, we did not make any provisions in our financial statements for potential penalties in this regard.	

	Events of non-compliance	Reason for non-compliance	Legal consequences and maximum penalty, and current status	Remedial action(s) as well as enhanced internal control measures taken and status
5.	**Commencement of construction prior to obtaining permit for Government's landscape bridge**			
	In April 2014, Sanya Fenghuang Xincheng commenced construction of landscape bridge in Sanya Phoenix Aqua City South Shore Phase II prior to obtaining the Construction Works Commencement Permit.	Due to improper project management of the then project manager, and the inadvertent oversight of the relevant regulations by the construction companies, Sanya Fenghuang Xincheng commenced construction prior to obtaining permit.	A maximum penalty of RMB147,640.50 (equivalent to 1% to 2% of the contract price of the project) could be imposed to the project developer; Our Company has obtained the Construction Works Commencement Permit issued by the Housing and Urban-Rural Construction Bureau on 13 November 2014. And the landscape bridge was built for and transferred to the Sanya Government. Upon consideration of the above, our Directors are of view, and our PRC Legal Advisers are of the opinion, that the likelihood of penalty being imposed by the relevant government authorities is remote.	1. Our Company has obtained the Construction Works Commencement Permit issued by the Sanya Housing and Urban-Rural Construction Bureau on 13 November 2014. 2. We have established enhanced internal control measures to ensure that we will not violate any laws in relation to unauthorised construction in the future. Please refer to the section headed "Business – Internal Control Measures to Ensure Future Compliance" in this prospectus for further details.

	Events of non-compliance	Reason for non-compliance	Legal consequences and maximum penalty, and current status	Remedial action(s) as well as enhanced internal control measures taken and status
6.	**Deviation from Construction Works Planning Permit** In January 2014, Sanya Fenghuang Xincheng completed the development of 378 units for Block F3 of Sanya Phoenix Aqua City South Shore Phase I, which exceeded the total GFA allowed under Construction Works Planning Permit by 198 sq.m.	The then project manager of Sanya Fenghuang Xincheng misinterpreted the relevant plot ratio calculation set by the Ministry of Housing and Urban-Rural Development of which the air conditioner platform, should be calculated in GFA.	On 23 January 2014, an administrative fine which represented the forfeited income with respect to unauthorised GFA amounting to RMB3,663,792 was imposed on Sanya Fenghuang Xincheng. As advised by our PRC Legal Advisers, no further penalty will be imposed in respect of this non-compliance incident and accordingly, our Directors consider that this non-compliance would not have a material operation or financial impact on us. As such, no other provision has been made in our financial statements.	1. Sanya Fenghuang Xincheng paid the penalty and handed over the income in a timely manner. Pursuant to the "*Approval Opinions in relation to the Additional Construction of Block F3 of Sanya Fenghuang Xincheng*" (San Gui Fa Gong Shen [2014] No. 1) issued by Sanya Municipal Urban Planning Bureau on 12 May 2014, consent was given for the construction planning of the increased GFA of 198 sq.m., 2. We have established enhanced internal control measures to ensure that we will not violate the terms of the approved plans and approved requirements in construction of building. Please refer to the sections headed "Business – Internal Control Measures to Ensure Future Compliance" in this prospectus.

	Events of non-compliance	Reason for non-compliance	Legal consequences and maximum penalty, and current status	Remedial action(s) as well as enhanced internal control measures taken and status
7.	**Fined for tax non-compliance occurred prior to Track Record Period** In the period between 2008 and 2012, Sanya Fenghuang Xincheng failed to pay the following taxes in the aggregate amount of approximately RMB12,684,701, comprising: (i) Business tax in the aggregate amount of approximately RMB360,270; (ii) Stamp duty in the aggregate amount of approximately RMB825,309; (iii) Land use tax in the aggregate amount of approximately RMB9,227,028; (iv) Property tax in the aggregate amount of approximately RMB885,226; and (v) Deed tax in the aggregate amount of approximately RMB1,337,535. (vi) Others taxes in the aggregated amount of approximately RMB49,333, comprised of urban maintenance and construction tax, education surtax and local education surtax. The non-compliance event was happened prior to the Track Record Period and the underpaid taxes of RMB3,392,411 identified by the Hainan Local Taxation Bureau during the tax audit represented 1.4% of the total tax payable during the period between 2008 and 2012.	(i) Business tax: Due to inadvertent mistakes of the former financial controller of Sanya Fenghuang Xincheng, Sanya Fenghuang Xincheng failed to pay business tax in a timely and accurate manner during 2009 to 2012. (ii) Stamp duty: Due to inadvertent mistakes of the former financial controller of Sanya Fenghuang Xincheng, certain contracts signed were not stamped, resulting in stamp duty being underpaid during 2008 to 2012. (iii) Land use tax: Pursuant to the provisions in the "Notice regarding the Land Use Tax Issue of Hainan Local Tax Bureau" (Qiong Di Shui Fa [2009] No.57), which has been repealed in 2010, a taxpayer could apply for a confirmation of no land use tax payable from the Hainan Local Tax Bureau if the taxpayer's inability to use the land which it has obtained land use right was due to government planning. The former financial controller of Sanya Fenhuang Xincheng considered that the inability of our Group to commence construction of Sanya Phoenix Aqua City South Shore Phase II as a result of government planning fell within the ambit of the notice but due to inadvertent mistake, no application has been made for the confirmation. Moreover, due to the inadvertent mistakes of the former financial controller of Sanya Fenghuang Xincheng, the area of land used by Sanya Fenghuang Xincheng, being the tax base of land use tax, calculated by us was inaccurate. As such, Sanya Fenghuang Xincheng failed to pay land use tax in a timely and accurate manner during 2008 to 2012. (iv) Property tax: Mainly due to misinterpretation by the former financial controller of Sanya Fenghuang Xincheng on the provisions of the relevant tax laws and regulations regarding the definition of "completed properties", of which the value is the tax base of property tax. As certain properties of Sanya Phoenix Aqua City South Shore Phase I had not yet obtained ownership certificate and construction completion certificate during the relevant years, we misinterpreted that the value of such properties should not be subject to property tax temporarily, while the tax authority was of the view that such properties were subject to property tax once the relevant property was used. As such, Sanya Fenghuang Xincheng failed to pay property tax in a timely and accurate manner during 2008 to 2012.	Tax late payment charges amounting to RMB8,212,420 and administrative fines amounting to RMB358,276 were imposed on Sanya Fenghuang Xincheng pursuant to the notices issued by The Second Inspection Bureau of Hainan Local Taxation Bureau on 9 July 2014 and 21 July 2014 respectively. Our PRC Legal Advisers conducted a face-to-face interview with The Second Inspection Bureau of Sanya Local Taxation Bureau and the Bureau confirmed that, (i) Sanya Fenghuang Xincheng had fully settled the underpaid tax amount, the tax late payments charges and the administrative fines timely; (ii) Sanya Fenghuang Xincheng's default in tax payment was not intentional; and (iii) save for the defaults disclosed herein, Sanya Fenghuang Xincheng did not breach any application tax laws. As advised by our PRC Legal Advisers, The Second Inspection Bureau of Sanya Local Taxation Bureau is the competent authority for conducting such interview and the interviewee of the aforesaid interview was the leader of the responsible department of the competent authority handling our case who was competent to draw the conclusion as mentioned above. The underpaid taxes of RMB3,392,411 which were identified by the Hainan Local Taxation Bureau during the course of tax audit represented 1.4% of the total taxes payable for the period between 2008 and 2012. Upon consideration of the above, our Directors believe, that this non-compliance would not have a material operational or financial impact on us. Accordingly, no provision was made in our financial statements.	1. We fully settled the underpaid tax amount totaling RMB12,684,701 (comprised of underpaid taxes of RMB9,292,290 which were identified voluntarily paid by our Group and underpaid taxes of RMB3,392,411 which were identified by the Hainan Local Taxation Bureau during the course of tax audit), the tax late payment charges of RMB8,212,420 and the administrative fines of RMB358,276 as stated in the notices issued by The Second Inspection Bureau of Hainan Local Taxation Bureau on 9 July 2014 and 21 July 2014. 2. During the Track Record Period and up to the Latest Practicable Date, save as disclosed herein, we had not received or otherwise subject to any charge, order or penalty and no action had been taken by any government authorities in respect of this non-compliance event. 3. We have established enhanced internal control measures to ensure that we will not violate any tax related laws in the future. Please refer to the section headed "Business – Internal Control Measures to Ensure Future Compliance" in this prospectus.

Events of non-compliance	Reason for non-compliance	Legal consequences and maximum penalty, and current status	Remedial action(s) as well as enhanced internal control measures taken and status
	(v) Deed tax: Mainly due to misunderstanding by the former financial controller of Sanya Fenghuang Xincheng that, resettlement cost subsequent to the acquisition of land of Sanya Phoenix Aqua City South Shore Phase I and Sanya Phoenix Aqua City South Shore Phase II should not be included in the tax base in calculating the deed tax, while the tax authority was of the view that such resettlement cost should be included in the tax base of deed tax. As such, Sanya Fenghuang Xincheng failed to pay deed tax in a timely and accurate manner during 2008 to 2012. (vi) Urban maintenance and construction tax, educational surtax and local educational surtax: Due to the failure to pay business tax in time, Sanya Fenghuang Xincheng failed to pay urban maintenance and construction tax, educational surtax and local educational surtax in a timely and accurate manner during 2008 to 2012.		

Our Directors are of the view that the non-compliance incidents, individually and collectively, will not have any material adverse impact on our Group's business operations and financial position having considered that (i) the non-compliance incidents have been properly rectified and/or reported to competent government authorities; (ii) internal control measures have been in place to prevent future occurence; (iii) all of the fines/penalties imposed as a result of the non-compliance incidents have been fully settled and the amounts of which are immaterial; (iv) no provision has been made for any of the non-compliance incidents as the likelihood of us being fined is remote (details and bases of which are set out in the above table) and fully indemnified by our Controlling Shareholders; and (v) we conducts our sales mainly through the sales agency's extensive sales offices network in Sanya, which we understand to have 18 branches, following cessation of the use of the subject sales office.

Save as disclosed above, to the best knowledge of our Directors, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant laws and regulations applicable to us in all material respects concerning our operations.

Save as disclosed above, as advised by our PRC Legal Advisers, to the best of their knowledge, during the Track Record Period, we were in compliance with all material respects with the relevant PRC laws, regulations and requirements relating to our property development, including the regulations that mandate the possession of relevant and valid licences, certificates and permits.

LEGAL PROCEEDINGS

Save for the litigations disclosed below, as at the Latest Practicable Date, we were not involved in any actual or pending legal or arbitration proceedings that we believe would have a material adverse impact on our financial condition or results of operations. In particular, we were not involved in any material claims or administrative penalties in relation to our Group made or notified either by third parties against us or vice versa.

1. On 16 November 2015, a PRC company engaging in advertising planning, as claimant, filed a civil proceeding to the Sanya court against Sanya Fenghuang Shuiyun. The claimant claimed that it has fully fulfilled its obligations pursuant to a sales and marketing contract entered into between the claimant and Sanya Fenghuang Shuiyun on 9 January 2015 and required Sanya Fenghuang Shuiyun to pay the advertising service fee for the period of February 2015 to October 2015, which amounted to RMB634,000. The Sanya court ruled that Sanya Fenghuang Shuiyun shall pay to the claimant advertising service fee in the amount of RMB144,000 and interest accrued from 26 May 2015. On 25 April 2016, the claimant made an appeal against the judgement. As at the Latest Practicable Date, the appeal was still in progress.

2. On 10 December 2015, a PRC company engaging in publishing advertisements filed a civil proceeding to the Sanya court against Sanya Fenghuang Xincheng. The claimant claimed that Sanya Fenghuang Xincheng failed to pay the advertising production fee of RMB122,800 and the default fine of RMB72,043 under the advertising agreement signed by the parties on 17 May 2012. The claimant had only provided evidence for its advertisement production fee of RMB70,000. The Sanya court made a judgment on 30 March 2016 and ruled that Sanya Fenghuang Xincheng shall within 5 days of the effective date of judgment

pay to the claimant the advertising production fee of RMB70,000 and default fine of the advertising production fee at the interest rate of 24% per annual from 24 December 2015. On 13 April 2016, the claimant made an appeal against the judgement. As at the Latest Practicable Date, the appeal was still in progress.

3. On 14 April 2014, a PRC company engaging in properties management, as claimant, filed a civil proceeding to the Sanya court against Sanya Fenghuang Xincheng in relation to a management service contract and a supplemental management service contract entered into between the claimant and Sanya Fenghuang Xincheng on 10 April 2010, alleging Sanya Fenghuang Xincheng of a breach of contract as we terminated the contracts on the basis that no tendering process performed prior to engaging such PRC company, and demanding compensation and damages from Sanya Fenghuang Xincheng in the total amount of RMB9,315,330.27. Sanya Fenghuang Xincheng filed a counterclaim on 15 January 2016 for reimbursement of expenses from the claimant in the amount of RMB1,724,167.77. On 20 March 2016, the Sanya court made a judgement confirming that Sanya Fenghuang Xincheng had breached the said management service contract without granting any compensation, damages and reimbursement to the parties, and rejected all other claims of the claimant and the counterclaim of Sanya Fenghuang Xincheng. On 19 April 2016, we made an appeal to the Sanya court against the judgement for reimbursement of expenses. On 26 April 2016, the claimant made an appeal to the Sanya court against the judgement in relation to the compensation and damages. As at the Latest Practicable date, the appeal was still in progress. As advised by our PRC Legal Advisers, the court, in its initial judgement, ruled that the evidence presented by both parties was not sufficient to substantiate their claims. It is unlikely that the court will approve the appeal unless new evidence could be provided and accepted by the court. Taking into account the above, our Directors are of the view that the chance for the court to approve the appeal in favour of the claimant is low.

4. In May 2016, we received a writ where we were named as a defendant in respect of the default in payment of mortgage and interest by a purchaser of our property which we have provided guarantee. According to the writ, the outstanding mortgage loan amount was RMB284,649 and the default payment and interest totalled RMB16,098.03 as at 28 August 2015. Pursuant to the agreement with the bank, our guarantee obligation shall cease (i) when the official registration of the mortgage has been completed; and (ii) the bank has received the certificate of property ownership with record of the official registration of the mortgage. The certificate of property ownership of the relevant property with endorsement of the mortgage was issued on 15 July 2014. However, it has not been collected by the purchaser for submission to the bank. Our PRC Legal Advisers are of the view that the bank's mortgagee interests over the property have been duly registered and the bank should first seek recovery from the sale of the property. Given the claim amount is not significant, even if the bank succeeded in the claim, there shall be no material adverse effect on our financial position.

5. On 19 April 2016, a PRC Company engaging in construction filed a civil claim with the Sanya court against Sanya Fenghuang Xincheng (which our Group received on 31 May 2016) in relation to (i) payment of balance of the construction fee (which is RMB5.1 million according to our records) and the accrued interest totaling RMB17,426,238.09 (which was increased to RMB17,817,032.07 pursuant to an amended claim dated 3 June 2016 and received by us on 20 June 2016) ; (ii) late charge in an amount of RMB1,241,941; (iii) a consequential loss of RMB871,311.9; and (iv) a legal fee of RMB588,487.25.

Having considered the claims and the evidence provided by the claimant, Hainan ChangYu Law Office, the legal advisor retained by us (the "**Relevant Legal Advisor**") is of the view that (1) there were construction defects regarding the roof of properties that the claimant failed to provide the maintenance and repair pursuant to the relevant construction agreements during the warranty period leading to our additional expenses incurred of approximately RMB4.5 million which should be borne by the claimant and be deductible from the outstanding construction balance; (2) the claimant has failed to furnish supporting documents (including written contract as required under law) for the alleged construction fees in the amount of RMB2.57 million and as such, the claimed amount is unfounded; and (3) for the construction fee which was RMB13.0 million according to our records, approximately RMB7.9 million has already been settled by Sanya Fenghuang Xincheng and so the outstanding amount is RMB5.1 million, which is far less than the claim of the claimant amounting to RMB17.8 million, it is not reasonable for the claimant to initiate proceedings for such excessive claims and accordingly, the claims for accrued interest, late charge, consequential loss and legal expense do not have legal basis and should be denied by Sanya Fenhuang Xincheng.

As at the Latest Practicable date, the litigation was still in progress. We have already made accrual for the outstanding construction sum of RMB5.1 million according to the construction contracts and our records. Given that we are still negotiating with the claimant for the compensation of maintenance and repair costs of RMB4.5 million during the warranty period which should be borne by the claimant, we held up the outstanding balance of RMB5.1 million. No provision was made in respect of the alleged accrued interests, late charge, consequential loss and legal fee after the Directors taking into consideration of the view of Relevant Legal Advisor. Even if the claimant succeeded in the claim, the maximum amount to be paid by Sanya Fenghuang Xincheng will be limited to RMB20.5 million (of which RMB5.1 million has been accrued) and given our Controlling Shareholders will indemnify all our losses in relation to such claim exceeding the accrued amount, our Directors considered that the claim would not materially adversely affect the financial position of the Group.

As at the Latest Practicable date, save as disclosed above, we are not aware of any current, pending or threatened litigation, claim of arbitration against our Group which could have a material adverse effect on our financial condition or results of operations.

INTERNAL CONTROL INCIDENT

On 1 April 2012, as some local residents built illegal structures on the land parcels in Sanya Phoenix Aqua City South Shore Phase II which occupied our land affecting the progress of the overall development of Sanya Phoenix Aqua City South Shore Phase II, Sanya Fenghuang Xincheng appointed two independent earthwork construction companies, which are familiar with the culture and behaviour of local residents, on the bases that these earthwork construction companies would streamline the demolition and compensation process, and to handle the demolition and compensation at an aggregate sum of RMB66.5 million (of which RMB58.7 million has been paid to these earthwork construction companies during the period March 2012 to March 2015 for settlement with the local residents based on the supporting documents provided to us by the two earthwork construction companies, including settlement agreements entered into between local residents and the two earthwork construction companies). According to the DTZ Report, it is the industry practice for property development companies to engage third party earthwork construction companies to provide demolition and compensation works and to voluntarily compensate local residents of illegal structures on land site of development. On 4 January 2016, we were informed by the police department that two ex-employees of our Group, who were mainly responsible for such demolition and compensation, had colluded with the staff of the independent earthwork construction companies to make false statement as to the compensation amount paid to the local residents who occupied our land, and misappropriated a portion of the demolition compensation and have been detained under relevant PRC laws. There is no publicly available information and no available means regarding the amount of misappropriation and the amount of resettlement compensation paid by the independent earthwork construction companies to the local residents. Our Company has made several enquiries to the relevant government authorities and the responsible police officers for the amount of misappropriation. However, they rejected to disclose such information in accordance with relevant PRC laws as the case involves criminal offence, we were not a subject of the investigation and the case was still under investigation. Thus, the misappropriated amount and the amount of resettlement compensation paid by the independent earthwork construction companies to the local residents remained unknown as at the Latest Practicable Date.

As at the Latest Practicable Date, the aforesaid local residents had been expelled by the police and the aforesaid illegal structures had been removed. Furthermore, hoarding were erected along the land parcel to prevent local residents to build illegal structures on the land parcels on 9 January 2016 and since then, there were no incidents of local residents building illegal structures. As at the Latest Practicable Date, such land parcels in Sanya Phoenix Aqua City South Shore Phase II are entirely vacant and we can commence construction of the development of Sanya Phoenix Aqua City South Shore Phase II upon the approval of construction by relevant government which is expected to be obtained in or around September 2016.

As advised by our PRC Legal Advisers, there is no statutory obligation for Sanya Fenghuang Xincheng to resettle and compensate those local residents for the demolishment of the illegal structures. Given that (1) the continued presence of the illegal structure and the squatters on the site of Sanya Phoenix Aqua City South Shore Phase II would cause uncertainty and delay in the development, (2) the civil procedure to evict the local residents would take a lengthy time and substantial cost would be involved in enforcing the judgment, yet, we would still be required to take further action and incur cost to demolish the illegal structures and remove the local residents from the site, and (3) the administrative procedure of reporting illegal structure for the relevant government authorities to take administrative action to demolish the illegal structure would be time consuming, Sanya Fenghuang Xincheng voluntarily compensated those owners of illegal structures from the business perspective in order to smooth the progress of the development of Sanya Phoenix Aqua City South Shore Phase II and to avoid further hassle. As there is no statutory obligation for Sanya Fenghuang Xincheng to conduct the resettlement of the local residents who have erected illegal structure on such land parcels, there is no statutory obligation for Sanya Fenghuang Xincheng to compensate those local residents for the demolishment of the illegal structures, and no additional compensation would be incurred even if the voluntarily compensation we intended to pay to those local residents was appropriated by third parties.

Furthermore, as advised by our PRC Legal Advisers, taking into account that, (i) the aforesaid local residents had been expelled, the aforesaid illegal structures had been removed and the aforesaid land parcels are entirely vacant as of the Latest Practicable Date; (ii) there is no statutory obligation for our Group to resettle or compensate those local residents for the demolishment of the illegal structures; (iii) no additional compensation would be required even if the voluntarily compensation we intended to pay to those local residents was appropriated by third parties; and (iv) the approval procedures of the overall development plan of Sanya Phoenix Aqua City South Shore Phase II was in progress and we have received the Letter of Construction Criteria in April 2016 confirming that 4 parcels of our land could comprise residential and commercial use, there are no legal or practicable impediments for our Group to develop Sanya Phoenix Aqua City South Shore Phase II.

Taking into consideration of the above, our Directors are of the view that the above incident will not materially affect the development schedule of Sanya Phoenix Aqua City South Shore Phase II or adversely affect the government approval on the change of the land use. During the Track Record Period and up to the Latest Practicable Date, we had not been harassed by any persons as a result of the appropriated demolition compensation.

To prevent the recurrence of similar incident, we have enhanced our Group's policies and procedures concerning selection of construction contractors as follows:

(i) performing weekly project status review to monitor progress and any deviation to original plan;

(ii) including provisions in standard subcontracting agreement to permit our Group to perform costing and compliance audit on our construction contractors; and

(iii) including regular and ad hoc review on compliance status in our continuing evaluation of our construction contractors.

We have also enhanced our employees' integrity by building our core value "sincere, grateful, innovation and perfection" which the corporate culture and its explanations are included in our staff handbook and our Group's office automation. The staff handbook, which is distributed to staff on commencement of employment, specifies our Group's codes of conduct which advocate the relevant regulatory system, social ethics and basic staff responsibilities. In addition, the handbook has also provided guidance in relation to laws, regulations and ethics. Our Group has also established the reporting mechanism to collect information in relation to non-compliance of staff for further investigations.

INTERNAL CONTROL MEASURES TO ENSURE FUTURE COMPLIANCE

In order to ensure future compliance with applicable laws and regulations and related policies in different operational aspects, we have adopted the following remedial actions:

(i) we have established a series of internal control policies, which have been reviewed and approved by our management and the Board.

(ii) we have engaged Mr. Leung Wai Fung, Joseph (梁偉峰), a member of Hong Kong Institute of Certified Public Accountants and a Certified Enterprise Risk Manager in PRC, as our company secretary and chief financial officer to oversee our corporate administration, financial management, internal control and compliance matter. Mr. Leung has over 18 years of experience in accounting and auditing;

(iii) we have enhanced our internal control system. The enhanced internal control measures were implemented during the Track Record Period as well as during February to April 2016;

(iv) our Directors have attended trainings conducted by our Hong Kong legal adviser on 23 March 2016 on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and our Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;

(v) we have established an audit committee which comprises 3 independent non-executive Directors. The audit committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters;

(vi) we have appointed Haitong International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines.

We will continue to strengthen our internal control system and prevent the re-occurrence of our historical non-compliance incidents by taking the following measures:

(i) We will hold a customised training session at least once every year to our Directors, members of the senior management and staff to enhance their knowledge on the applicable PRC laws and regulations.

The training session shall be conducted by our PRC Legal Advisers and shall cover topics such as (i) relevant PRC laws and regulations relating to our industry; (ii) corporate governance; (iii) responsibilities and obligations of the management; and (iv) foreign exchange matters. We will, when required, engage external legal advisers to provide legal advice and will continue to provide training to our Directors, members of the senior management and staff in respect of any change in PRC property development laws and regulations applicable to our Group and to focus on the measures taken in relation to the continuous improvement on legal compliance matters from time to time;

(ii) we will provide regular trainings on our internal policies with respect to project management to our Directors, senior management, regional general managers and other key personnel of our Group in every six months or at such time as our Board deems necessary and appropriate; and

(iii) we will conduct regular internal control reviews to ensure that the governmental regulations and related policies in different operational aspects are fully complied with.

Having participated in the above actions and trainings, our Directors are fully aware of their ongoing obligations, duties and responsibilities as directors of a listed company in Hong Kong, the relevant legal and regulatory requirements applicable to them and our Group and the establishment and maintenance of a robust internal control system that includes measures to ensure effective internal communications within our Group. Our Directors will continue to receive trainings and take measures to ensure that the above objectives will continue to be observed in the future.

In order to prevent re-occurrence of our historical non-compliance incidents in the future and further strengthen our internal control system, we have taken the following enhanced internal control policies and measures to improve our corporate governance and internal control:

Non-compliance Incident	Internal control measures	Time of implementation of internal control measures	Person overseeing the implementation of the internal control measures	Person reviewing the internal control measures
Construction of unauthorised building; Commencement of construction prior to obtaining the relevant permit for Government's landscape bridge . .	Our internal policies and guidelines have been revised to require our project companies to strictly comply with relevant laws and regulations. The official construction work commencement approval must be obtained from local government prior to commencement of construction. Our Group has published an official notice via office automation system, which requires the instruction from design engineering division and written approval from on-site supervisor before the commencement of construction. After the relevant staff under the operations and development division obtained the official construction work commencement approval and all necessary certificates, such staff is required to send the scanned copy of such permit and certificates to Mr. Chen Xiang (陳祥), the head of our design engineering division and on the other hand, the original copies shall be sent to human resources administration division for filing. Upon reviewing the scanned copy of such permit and certificates, the relevant staff of design engineering division shall inspect the construction site. Upon all conditions for construction commencement has been fulfilled, the relevant staff of design engineering division shall give instruction to the construction company to compile and provide the construction commencement report to the project director* sent on site for supervision for review. The construction work can only officially begin after the project director* sent on site for supervision signed the construction commencement report. Our Group has assigned design and engineering division to monitor project companies regularly. To implement the supervision of the work, the design and engineering division shall perform spot check of construction conditions of the project companies in each quarter. Such compliance of construction conditions shall be an important basis of assessment of the project director*.	15 May 2015 and 20 July 2015	Ms. Fan Wen Yi (范文燚)	Mr. Huang Annan (黃安南)

* The project director for Sanya Phoenix Aqua City South Shore, Sanya Phoenix Aqua City Left Shore and Haikou Phoenix Aqua City is Mr. Chen Xiang (陳祥), while the project director for Danzhou Phoenix Aqua City is Ms. Fan Wen Yi (范文燚).

Non-compliance Incident	Internal control measures	Time of implementation of internal control measures	Person overseeing the implementation of the internal control measures	Person reviewing the internal control measures
Unauthorised sewage discharge	Our design engineering division has published an official notice *"Regarding the Regulation of Environment and Sewage Discharge Issues of Various Projects of our Company "*(《關於規範公司各項目環保排污問題的通知》) to regulate future project construction of our Group. The notice requires all business units to strictly comply with the relevant PRC laws and regulations in regards to sewage discharge, drainage design and construction for future projects. The design engineering division is required to consider carefully the actual operating needs of the property in its design phase to ensure unobstructed sewage discharge and avoid overload of pipelines. Mr. Chen Xiang (陳祥), the head of our design engineering division shall be responsible for the assessment of the design proposal and construction proposal, as well as the supervision of the entire process of construction according to the project management policy and guidelines and monitor procedures of our Group to ensure that the design proposal is satisfactory and the construction can be completed according to the design proposal. In the event of any failure in satisfying sewage discharge needs due to defects in design or any deviation in construction from the design proposal, Mr. Chen Xiang (陳祥), being the head of our design engineering division shall be held accountable.	29 February 2016	Ms. Fan Wen Yi (范文燚)	Mr. Huang Annan (黃安南)

Non-compliance Incident	Internal control measures	Time of implementation of internal control measures	Person overseeing the implementation of the internal control measures	Person reviewing the internal control measures
Fined for tax non-compliance occurred prior to Track Record Period	Our internal policy and tax management system have been revised to require that: for the filing of annual settlement and payment of enterprise income tax, a third party tax advisory firm which is a registered tax adviser in the PRC shall be engaged by the end of April in the following year to issue the annual settlement and payment report on enterprise income tax. For other taxes including business tax, urban construction and maintenance tax, education surcharge, stamp duty, land use tax, real estate tax and deed tax, a third party tax advisory firm which is a registered tax adviser in the PRC shall be engaged by the end of February in the following year to issue a special tax audit report on the last annual tax return. The report issued by the third party tax advisory firm shall be reviewed and approved by Mr. Chou Ling (仇凌), the tax manager of the financial management division of our Group for timely filing of tax return. In order to equip our staff with the necessary knowledge and latest development of the tax practice, we have and will continue to organise trainings periodically regarding the interpretation of tax laws and new policies for our staff members of financial management division who are responsible for tax filings and tax payments.	September 2014 and 2 March 2016	Ms. Wu Lijuan (吴莉娟)	Mr. Leung Wai Fung, Joseph (梁偉峰)
Unauthorised change of use of settled foreign exchange capital. . .	We have established a foreign exchange capital management policy and issued an official notice via our office automation system, which specified the application, review and approval procedures for the use of foreign exchange capital. The foreign exchange capital management policy specified in details the required procedures for the setup, transfer and settlement of the foreign exchange capital account of our relevant subsidiaries. Any settlement and transfer shall be made within the specified scope and reported usage. In the event that the use of foreign exchange capital changed from its original usage as applied to State of Administration of Foreign Exchange, the financial management division of our Group shall firstly consult with the relevant bank(s) as well as the Administration of Exchange Control on the procedures to be carried out. We shall act in strict compliance with the instructions or guidelines given and relevant laws and regulation.	24 February 2016	Ms. Wu Lijuan (吴莉娟)	Mr. Leung Wai Fung, Joseph (梁偉峰)

Non-compliance Incident	Internal control measures	Time of implementation of internal control measures	Person overseeing the implementation of the internal control measures	Person reviewing the internal control measures
Intercompany loans . .	We have formulated policies on inter-company lending matters which prohibit direct and indirect provision of loans or advances to any subsidiaries, related parties and Independent Third Parties and prohibit and receipt of direct or indirect loans or advances from non-financial institutions, except for entrusted loans from non-financial institutions that meet the state's requirements and policies. The policies provide that all applications for making or receiving an advance or loan must be initiated by the finance department of the project company and submitted to the project director* for review and approval. After the approval from the general manager of the project company being obtained, application shall be further submitted to Ms. Wu Lijuan (吳莉娟), the head of financial management of our Group. All applications shall be finally approved by Mr. Leung Wai Fung, Joseph (梁偉峰), the chief financial officer and Mr. Huang Annan (黃安南), the chief executive officer of our Group. We have designated an officer from the financial management division of our Group to regularly process the loan applications of the project company every quarter Ms. Wu, the head of financial management division of our Group, to review the applications, and ensure that these applications are in compliance with the above requirements. As such, we will only receive permissible advances or loans from authorised financial entities or where advances or loans are made available by a non-financial institution in the form of an entrusted loan, which is permitted under PRC laws.	2 March 2016 and 8 April 2016	Ms. Wu Lijuan (吳莉娟)	Mr. Leung Wai Fung, Joseph (梁偉峰)

* The project director for Sanya Phoenix Aqua City South Shore, Sanya Phoenix Aqua City Left Shore and Haikou Phoenix Aqua City is Mr. Chen Xiang (陳祥), while the project director for Danzhou Phoenix Aqua City is Ms. Fan Wen Yi (范文燚).

Non-compliance Incident	Internal control measures	Time of implementation of internal control measures	Person overseeing the implementation of the internal control measures	Person reviewing the internal control measures
Deviation from Construction Works Planning Permit . . .	We have issued "Design and Construction Plan Management Flow" stipulating the review flow of construction plans to ensure that the construction will not deviate from the design. The design engineering division shall arrange internal review meetings on the first draft of the design and construction plans. Parties participating in the internal review meetings shall include: commercial operations division, design engineering division, purchasing cost division, property company(ies), renovation company(ies) and external experts may attend if needed. A "Design Review Minutes" shall be prepared after the internal review meeting. The design engineering division shall adjust the first draft of the design and construction plan in accordance with the "Design Review Minutes". After internal review by the design engineering division, the relevant staff shall finalise an official design and construction plan documents which will be reported to Mr. Chen Xiang (陳祥), the head of our design and engineering division for his authorisation. Furthermore, we shall assign on-site engineers to supervise the construction process, requiring construction work to be consistent with the final design and construction plans strictly. Any construction work which is deviate from the design and construction plans after inspection will be required to modify such deviation and our engineer in charge and Mr. Chen Xiang (陳祥), the head of our design and engineering division will be held accountable.	15 May 2015	Ms. Fan Wen Yi (范文鎂)	Mr. Huang Annan (黃安南)

Mr. Chen Xiang (陳祥), the head of our design engineering division and the project director of Sanya Fenghuang Xincheng, Sanya Fenghuang Shuiyun and Hainan Nanhai Xiang Long. Mr. Chen graduated from China University of Geosciences in the PRC majoring in civil engineering in July 2008. He was accredited as a grade one constructor by the Ministry of Construction of The People's Republic of China in October 2005, and accredited as a cost engineer by the Ministry of Housing and Urban-Rural Development of the People's Republic of China in October 2010. Mr. Chen joined our Group on 1 January 2013 and has been participating in construction and cost management related works and has experiences in management and control of development projects of all stages.

Mr. Chou Ling (仇凌), the tax manager of the financial manager division of our Group. Mr. Chou has over 8 years of experience in accounting and tax related compliance. Prior to joining our Group in August 2015, Mr. Chou was a tax manager in Yang Zhong Shi Zhong Yang Hong Xing Properties Company Limited (揚中市中揚紅星置業有限公司). He was a project finance director in Xu Zhou District Company of Jia Kai Cheng Group Shanghai Zhong Kai Properties Development Management Company Limited (嘉凱城集團上海中凱房地產開發管理有限公司徐州區域公司) during January 2008 to May 2014 where he was responsible for finance and tax matters and accumulated extensive experience in accounting and tax related compliance. Mr. Chou obtained the Master of Business Administration from Nanjing

University in 2004. He was accredited as a senior accountant by Human Resources and Social Security Department of Jiang Su Province (江蘇省人力資源和社會保障廳) in 2008 and as a certified accountant by MOF of the PRC (中國財政部) in 2006, as well as accredited as a certified internal auditor by the China Institute of Internal Audit with authorization from the institute of Internal Auditors in 2009.

We have designated our executive Director and project director of Danzhou Shuang Lian, Ms. Fan Wen Yi (范文燚) and the head of financial management division of our Group, Ms. Wu Lijuan (吳莉娟) to oversee the implementation of our internal control measures. Ms. Fan will be responsible for implementation of the internal control measures in relation to our operation while Ms. Wu will be responsible for implementation of the internal control measures in relation to our financial system. Ms. Fan was accredited as an intermediate accountant by MOF of the PRC (中國財政部) in May 2005. Ms. Fan has been participating in our Group's operation since she joined our Group in September 2007. She is also the chairman and the deputy general manager of certain subsidiaries of our Company which she acquired extensive experiences in relation to our operation, internal control and related compliance matters. Ms. Wu was accredited as a senior accountant by Human Resources and Social Security Department of Jiangsu Province (江蘇省人力資源和社會保障廳) in October 2011. She had worked in Verdure International consecutively as a finance manager, financial controller and general finance manager since 2005 until December 2012. She is also the chief financial officer of certain subsidiaries of our Company which she acquired extensive experiences in relation to our finance, tax and related compliance matters. Ms. Wu is the current financial controller of Sanya Fenghuang Xincheng, who will oversee the tax matters. For details of Ms. Fan and Ms. Wu's qualifications and experiences, please refer to the section headed "Directors and Senior Management" in this prospectus.

We engaged an independent internal control consultant which is a reputable accounting firm with international practice, to review the effectiveness of the internal control measures relating to our business operations with a view to identifying irregularities and furnishing internal control recommendations on remedial actions in order to enhance our internal control system generally. The review process took place from 28 May 2015 to 26 June 2015, and a follow-up review on the implementation status of these remedial actions took place from 22 January 2016 to 29 January 2016 and 8 April 2016. Our remedial actions set out above are consistent with the key findings of the internal control consultant's review process. Based on the findings, recommendations and test results of the review process performed by such internal control consultant, no material deficiency has been identified. The work performed by such internal control consultant did not involve an assurance engagement in relation to our internal controls.

After considering the above remedial actions taken by our Group and our business nature and operation scale, our Directors are satisfied that our internal control system is adequate and effective for our current operation environment and consider that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules. We have designated our executive Director and chief executive officer, Mr. Huang Annan (黃安南) and our company secretary and chief financial officer, Mr. Leung Wai Fung, Joseph (梁偉峰) to be responsible for conducting annual review on our internal control measures and system and reporting their findings to our audit committee and our Board. Mr. Huang obtained his bachelor of engineering degree (工學學士) in packaging engineering (包裝工程) from Jilin University (吉林大學) in the PRC in July 1991. Mr. Huang completed the Executive Master of Business Administration Programme at Cheung Kong Graduate School of Business in the PRC and was awarded the degree of Executive Master of Business

Administration from Cheung Kong Graduate School of Business in September 2010. Prior to joining our Group, Mr. Huang worked in Beijing Jin Yu Jia Ye Properties Company Limited (北京金隅嘉業房地產開發公司), a subsidiary company of BBMG Corporation (北京金隅股份有限公司) as the executive director and general manager (from January 2006 to March 2015). BBMG Corporation (北京金隅股份有限公司) is a joint stock company with its A shares and H shares listed on the Shanghai Stock Exchange (stock code: 601992) and the Main Board of the Stock Exchange (stock code: 2009) respectively. Mr. Huang has acquired extensive experience from working in a listed property development group in relation of profit management and internal control in various operational aspects.

Mr. Leung has been a Certified Public Accountants accredited by the Washington State Board of Accountancy, the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants since 23 April 2002, 31 May 2002 and 1 January 2003 respectively. Mr. Leung has later become a Fellow Certified Public Accountant on 14 May 2013 in Hong Kong. Mr. Leung completed Enterprise Risk Quantitative Analysis Research Course (企業風險量化分析高級研修課程) from Peking University in August 2012. He was admitted as a Certified Enterprise Risk Manager in PRC by the Asia Association of Risk and Crisis Management in February 2014. For details of Mr. Huang and Mr. Leung's qualifications and experiences, please refer to the section headed "Directors and Senior Management" in this prospectus.

Our Directors are of the view, and the Sole Sponsor concur that, our internal control is sufficient and effective to prevent the occurrence of the non-compliance incidents in the future:

- having considered the reasons for each of the historical non-compliance incidents set out in the section headed "Business – Non-Compliance" in this prospectus;
- the fines and penalties imposed were immaterial;
- our Group had established and enhanced the internal control policies and put in place a number of internal control measures as set out above;
- having reviewed the enhanced internal control measures of our Group;
- having considered the remedial actions, and the relevant statuses as at the Latest Practicable Date, and progress of our Group's implementation of the newly enhanced internal control measures to prevent recurrence of non-compliance incidents and the senior management was not aware of any further deficiencies on our Group's internal control systems; and
- there was no recurrence of the non-compliances subsequent to the implementation of the enhanced internal control measures.

Our Directors are of the view, and the Sole Sponsor concur that, (i) the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and (ii) our Directors are willing and able to manage our Group's business in a law-abiding manner and that they are suitable to act as directors of a listed company based on the following:

(i) the occurrence of the non-compliance incidents was solely due to past inadvertent mistakes or oversight by respective responsible employees or handling staff of our Group, and their unfamiliarity with the relevant laws and regulations or misinterpretation of the relevant rules and standards, as well as weaknesses in our internal control. Our Directors have no intention to breach laws and the incidents did not involve dishonesty or fraud on the part on our Directors or impugn their integrity or competence. Subsequent to these non-compliance incidents, the relevant employees were no longer with our Group.

(ii) our Directors are focused on the overall business planning and strategic development of our Group and had delegated the responsibility of the daily operation of the project companies to the respective project managers and/or finance managers. As such, our Directors had not been aware of the breaches at the material time. As soon as our Directors were made aware of the occurrence of the non-compliance incidents, whether in the past or during the preparation of the Listing, they immediately proceeded to rectify the non-compliance incidents to the extent applicable and enhance the internal policies and procedures.

(iii) our Directors have proactively engaged an external internal control consultant to recommend effective remedial measures and as a result of these measures which were initiated and implemented by our Directors, our Company has properly rectified the issues concerned to the satisfaction of internal control consultants, without material legal or commercial consequences.

(iv) among the non-compliance incidents, 4 of the incidents were related to our Group's business operations, namely, construction of unauthorised buildings, unauthorised sewage discharge, commencement of construction prior to obtaining permit for Government's landscape bridge and deviation from construction works planning permit. All of these non-compliance incidents related to our Group's business operations were one-off incidents and did not repeat or persist.

(v) with the occurrence of Non-compliance Incidents, our Directors attach great importance to compliance matters and are mindful and alert to any issues that might result in any non-compliance, and various measures has been implemented to prevent the recurrence of non-compliance as disclosed in the section headed "Business-Internal control measures to ensure future compliance" in this prospectus. The last non-compliance incident related to our Group's business operations as mentioned in (iv) above occurred in March 2015 and no such non-compliance incident occurred since then, which further substantiated that our Directors have the integrity and ability to avoid the recurrence of non-compliance incidents, and are willing and able to manage our Group's business in a law-abiding manner.

(vi) with the training sessions provided to our Directors, our Directors are fully aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations.

INSURANCE

There are no national mandatory provisions under the relevant PRC laws and regulations requiring property developers to maintain insurance coverage with respect to their operations. The major types of insurance that we maintain include (i) property risk insurance, (ii) employer liability insurance for our employees, and (iii) public liability insurance in respect of accidents to visitors. As of the Latest Practicable Date, we had not experienced any significant loss or damage to our properties.

Under general industry practice, we maintain risks and third party insurance policies for all our property development projects under construction. We do not maintain insurance policies for properties that have been sold and delivered to our customers. Instead, the third party property management companies will maintain all risks property insurance and public liability insurance for common areas and amenities of these properties. We have also taken out defined contribution basic pension insurance for our employees. For further details, please refer to the section headed "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" in this prospectus.

Further, we also require the contractors we engaged in our property development projects to maintain insurance coverage on their employees and equipment. We will continue to closely monitor the quality and safety measures being implemented on our construction sites in order to minimise the risks of damage to our property and other liabilities that may be attributable to us. We believe that we have maintained adequate insurance coverage for our operations and that the scope of the coverage is in line with industry norms. However, there are certain risks for which we are not insured, and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations. Please refer to the section headed "Risk Factors – Risk relating to our businesses in general – Our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase" in this prospectus for further details. In addition, according to our construction contracts, any liability that may arise from tortious acts committed on work sites will be borne by the construction companies. However, there are certain risks for which we are not insured, and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations. Please refer to the section headed "Risk factors – 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" in this prospectus for further details.

WARRANTY AND PRODUCT RETURNS

We provide our customers with a warranty for the quality of the structure of the building pursuant to the Measures on the Sales of Commodity Housing (商品房銷售管理辦法) and Regulations for the Operations of Urban Property Development (城市房地產開發經營管理條例). We provide different warranty and maintenance periods to our property purchasers in respect of different parts of the construction projects of the building according to the "Implementation Regulation of Residence Quality Guarantee and Residence Manual System on Commercial Housing" (商品住宅實行住宅質量保證書和住宅使用說明書制度的規定) or "Measures on the Warranty and Maintenance of Building Construction Projects" (房屋建築工程質量保修辦法).

Our customers are entitled to return to us the properties in the event of material quality problem, late delivery of properties and material deviation in actual GFA being delivered, according to the terms of the sales and purchase contracts and our internal policy. During the

Track Record Period and up to the Latest Practicable Date, we recorded one product return incident of a property unit of Sanya Phoenix Aqua City South Shore Phase I due to quality problem. We entered into a settlement agreement with relevant customer on 16 July 2015 with a refund amount of RMB5.1 million, being the purchase price of such property unit by the relevant buyer, together with all expenses incurred. The deregistration of the relevant purchase and sales agreement was completed and we have refunded the RMB5.1 million in full to the relevant customer as at the Latest Practicable Date.

The warranties given to our property purchasers for all of our property development projects are set below:

Warranty	Maintenance period
Foundation works and construction of the main structure	In accordance with the relevant design documents
Waterproofing engineering	5 years
Heating and cooling supply system	2 heating and cooling supply periods
Installation of pipeline facilities	2 years
Renovations	2 years

EMPLOYEES

As at Latest Practicable Date, we had approximately 40 employees, amongst which 5, 16, 19 employees and nil employees for Hainan Nanhai Xiang Long, Sanya Fenghuang Xincheng, Sanya Fenghuang Shuiyun and Danzhou Shuang Lian, respectively. The remuneration package of our employees included salaries and bonuses.

The table below sets forth the number of our full-time employees by functions as at 31 December 2015 and as at the Latest Practicable Date:

Functions	Number of employees as at 31 December 2015	Number of employees as at Latest Practicable Date
commercial operations division	1	2
sales management division	4	3
customers services management division	3	3
operation and development division	3	2
purchasing cost division	3	4
design engineering division	1	2
human resources administration division	7	6
financial management division	7	7
project management	9	7
project companies leaders	6	4
	44	40

We intend to establish a people oriented human resources structure to recruit and retain appropriate and suitable personnel to serve our Group. At the end of each year, we assess our human resources based on the Company development strategy to set out our human resources plan and to determine whether additional manpower is required to cope with our business development.

We formulate our recruitment policy based on market conditions, our business demands and expansion plans. We primarily recruit personnel from open market. We offer different remuneration package include salary and possible bonus to our staff based on their position and responsibility.

Our Directors believe that we maintain good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we had not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. During the Track Record Period and up to the Latest Practicable Date, there was a labour union established by our Group's employees.

To uphold our brand image and to ensure the quality of our service, all our new staffs are required to attend a pre-job training and provided with a new staff handbook. We provide our employees with work safety handbook to enhance their safety awareness.

We have complied with the applicable labour laws and regulations in the PRC, save for the matters as disclosed in paragraph headed "Business – Non-compliance" above. We make contributions to the social security scheme and the housing provident fund for our employees in the PRC. As advised by our PRC Legal Advisers, we received confirmation from the relevant authorities confirming that we have not been punished for any violation of the applicable labour laws in the PRC in all material respects during the Track Record Period.

During the Track Record Period, our total staff costs were approximately RMB7.0 million, RMB9.5 million, and RMB9.5 million, respectively.

OVERVIEW

Immediately following completion of the Global Offering and the Capitalisation Issue, Zhong Jia (International) and Zhong Ze (International) will be beneficially interested in approximately 74.78% and approximately 0.22% of the issued Shares, respectively. Zhong Jia (International) and Zhong Ze (International) are wholly-owned by Mr. Yeung. Accordingly, Mr. Yeung, Zhong Jia (International) and Zhong Ze (International) are our Controlling Shareholders.

OUR BUSINESS

As at the Latest Practicable Date, our Group is a property developer primarily focusing on residential property development in the Hainan Province. For further details of our principal business, please see the section headed "Business" in this prospectus.

In contemplation of the Listing and in order to ensure clear delineation of business between our Group and the Excluded Businesses (as described below), we underwent the Reorganisation, pursuant to which our Group comprises project companies which hold and develop our property development projects in the Hainan Province and their respective holding companies. As at the Latest Practicable Date, we had six property development projects under various stages of development in the Hainan Province, including three in Sanya, two in Haikou and one in Danzhou. As at 30 April 2016, we had completed property projects with a total GFA of approximately 493,438.3 sq.m., property projects under development with a total of GFA of approximately 126,743.9 sq.m., a total GFA of approximately 11,952.3 million sq.m. was held for investment and a total planned GFA of 1,370,066.6 sq.m. was held for future development. For further details, please refer to the section headed "Business – Our Development Projects" in this prospectus.

EXCLUDED BUSINESSES

Mr. Yeung, our ultimate Controlling Shareholder, Chairman and an executive Director, engages in real estate development through our Group and the Private Group comprising various companies controlled by Mr. Yeung which does not form part of our Group. In order to achieve the geographical segregation between the property development projects of the Private Group and our Group and to ensure clear delineation, the Private Group will conduct its property business only in the Non-Target Cities Projects, which will not form part of our Group. The Private Group also holds the Excluded Hainan Projects.

Excluded Hainan Projects

As at the Latest Practicable Date, the Excluded Hainan Projects held by the Private Group comprised two properties development projects in Wenchang and Haikou in the Hainan Province. Further details of which are set out below.

Location	Description	Status as at the Latest Practicable Date
Wenchang Dongjiao Coconut Forest (文昌東郊椰林) . . .	On 8 January 2010, Chung Wai Holding, and the People's Government of Wenchang entered into a co-operation framework agreement, pursuant to which the People's Government of Wenchang agreed that, among others (i) all expenses and developmental construction costs for the primary land development of the land reclamation of 400 mu would be borne by Chung Wai Holding, (ii) to establish a project company namely, Wenchang City Construction Investment Company Limited which was owned as to 40% by the People's Government of Wenchang and 60% by Chung Wai Holding (which was owned as to 30%, 40% and 30% by Chung Wai Holding, the People's Government of Wenchang and Nanjing Yu Ming Hang respectively as at the Latest Practicable Date), and (iii) Wenchang City Construction Investment Company Limited will be invited to participate in the tendering for and the reclaimed land will be sold via tender, auction, or listing-for-sale procedures with reference to the agreed land reclamation cost and would be determined between Chung Wai Holding and the People's Government of Wenchang.	Despite the land reclamation work had been completed, as at the Latest Practicable Date, the People's Government of Wenchang had yet to proceed with the bidding, invitation, auction and listing for the land use rights of the relevant reclaimed land in accordance with the co-operation framework agreement. There is uncertainty as to when and whether the reclaimed land could be obtained.
Gui Lin Yang Bin Hai Tourism Area (桂林洋濱海旅游區) in Haikou.	On 9 March 2007, Haikou Bo Tai Long entered into a land grant contract with the relevant competent authority for, among other matters, acquisition of the land use rights in a piece of land located in the west of Gui Lin Yang Bin Hai Tourism Area (桂林洋濱海旅游區) with a site area of 642,350 sq.m. On 7 January 2008, Haikou Bo Tai Long obtained the construction land planning permit (建設用地規劃許可證) for the said piece of land. Such permit has expired and Haikou Bo Tai Long has not filed any renewal application. On 19 July 2007, Chung Wai (China) Property (as transferee), entered into an agreement with the then equity holders of Haikou Bo Tai Long (as transferors), all being Independent Third Parties , for the acquisition of 60% interests in Haikou Bo Tai Long at the consideration of 179,210,000. In March 2010, the counterparties to the agreement filed a claim to the relevant PRC court to rescind the agreement by the reason that among other matters, Chung Wai (China) Property failed to proceed with the required procedures for approvals of foreign investment and showed no intention to honor its investment in Haikou Bo Tai Long, which had led to a fundamental breach of the agreement. The People's Supreme Court had reject the claim on 11 December 2013.	On 26 April 2016, the relevant court approved the dissolution of Haikou Bo Tai Long. As advised by our PRC Legal Advisers, the decision of the court is subject to appeal. In the event that there were no appeal during the prescribed time or the appeal were to be rejected by the court, Haikou Bo Tai Long could proceed with the dissolution. Whether the piece of land could be obtained by Chung Wai (China) Property will depend on further negotiation among the equity interest holders of Haikou Bo Tai Long during the dissolution process.

Location	Description	Status as at the Latest Practicable Date
	Due to the dispute among the equity holders, the operation of Haikou Bo Tai Long has fallen into a deadlock. On 5 May 2015, Chung Wai (Hainan) filed a claim to the relevant court to dissolve Haikou Bo Tai Long.	

Reasons for exclusion of the Excluded Hainan Projects in our Group

As advised by our PRC Legal Advisers, there are uncertainties for further development of the Excluded Hainan Projects due to: (i) the uncertainly of when the People's Government of Wenchang will proceed with the tender, auction, or listing-for-sale for the land use rights of the relevant reclaimed land in Wenchang Dongjiao Coconut Forest (文昌東郊椰林) and whether the reclaimed land could be obtained at all; and (ii) the uncertainty of whether the dissolution of Haikou Bo Tai Long will be subject to any appeal against the approval by the court of the dissolution and in the event that the dissolution proceeds, when it will be completed and to whom the ownership of the land will vest which shall be based on the negotiation among the equity interest holders of Haikou Bo Tai Long during the dissolution. Taking into account the advice by our PRC Legal Advisers and the preliminary stage of development of the projects, our Directors are of the view that it is prudent for our Group not to acquire the aforesaid projects before the Listing.

Under the Deed of Non-competition, our Controlling Shareholders have granted us the first right of refusal for acquisition of the Excluded Hainan Projects, further details of which are set out in the paragraph headed "Non-competition Undertakings" in this section below.

Our Directors are of the view that the competition among our Group and the Excluded Hainan Projects is remote as the projects are at their early development stage without substantial operation and adequate measures have been incorporated in the Deed of Non-competition to minimise potential competition in the future.

Non-Target Cities Projects

As at the Latest Practicable Date, the Private Group had 6 Non-Target Cities Projects, further details of which are set out below:

Project Name	Location	Description	Status as at the Latest Practicable Date	Total GFA (sq.m.)	Site area (sq.m.)
Zi Qi Yun Gu (紫氣雲谷)	Nanjing, Jiangsu Province	Residential	Partly completed, partly under development and partly vacant land for future development	728,332.9 (including GFA of undeveloped land of project calculating with a 30% plot ratio for villa and the actual GFA of which shall be subject to the government's final approval)	790,519.62

Project Name	Location	Description	Status as at the Latest Practicable Date	Total GFA (sq.m.)	Site area (sq.m.)
Xin Gang Financial Centre (新港金融中心)	Nanjing, Jiangsu Province	Commercial, office and guesthouses	Under development	134,765.4	24,513.9
Bo En Garden (博恩花園)	Nanjing, Jiangsu Province	Residential	Partly completed, partly under development and partly vacant land for future development	1,046,040.5	641,728.8
Cui Ping Cheng Yuan (翠屏誠園)	Nanjing, Jiangsu Province	Ordinary Residential	Partly under development and partly vacant land for future development	534,176.3	271,992.5
Tuo Le Jia (托樂嘉)	Nanjing, Jiangsu Province	Residential and commercial	Partly completed and partly under development	747,951.8	435,199.7
Gong Jue Town (公爵小鎮)	Huizhou, Guangdong Province	Residential	Partly under development and partly vacant land for future development	271,840.0	218,665.5

Based on the unaudited combined management accounts of the Private Group for the year ended 31 December 2015 provided by the Private Group and after reasonable enquiries made by our Directors, the approximate aggregate unaudited revenue and the approximate aggregate unaudited net profit derived from the Private Group were over RMB3,800 million and RMB400 million, respectively for the year ended 31 December 2015.

Reasons for exclusion of the Non-Target Cities Projects in our Group

We have taken into account of the following reasons in the exclusion of the Non-Target Cities Projects:

(i) Different target customers between our Group's development projects and the Non-Target Cities Projects

Our Group's properties development projects are located in Sanya, Haikou and Danzhou, being well-known tourist attractions and the only tropical province of low air pollution and convenient access for visitors, which we believe will enable our Group to target on buyers from north-east part with much colder weather and other parts of the PRC as our major source of customers. In the contrast, the Non-Target Cities Projects are mainly residential properties which targets to capture the demand for properties of local residents in Nanjing and Huizhou. Our business operations are purely on tourism cities as it is our Group's strategic plan and positioning to benefit from the growth potentials of developing property projects in these cities. Our target customers comprise middle to high income tourists who purchase their second properties for vacation use, which is different from the Non-Target Cities Projects' target customers who mainly buy the properties for residential use.

(ii) Business strategy of our Group

It is our Group's strategy to focus on the development of large scale quality residential properties in the Hainan Province, one of the top tourist destination in the PRC, to benefit from its growing tourism industry and real estate investment. Our property development projects are designed to appeal to tourists by apartment types suitable and attractive to tourists such as small-size apartments, service apartments and vacation villas. As our potential buyers are usually tourists who plan to stay in the Hainan Province for vacation, we cater the needs of our potential buyers who stay for vacation when designing our development projects with well equipped ancillary facilities such as leisure facilities and education facilities which the Non-Target Cities Projects do not have to take into account during their design stage. As such, the Non-Target Cities Projects are not in line with our business strategy and thus not considered to be included in our Group. We intend to continue to focus on the development of residential and commercial properties in the Hainan Province. Despite we have the right to expand our property development business in the Non-Target Cities, we have no current intention to expand our property development business in the Non-Target Cities. Nevertheless, we may expand our property development business in the PRC other than the Non-Target Cities, should the opportunities arise.

(iii) Clear geographical delineation between our Group and the Private Group

The business of our Group and the Private Group is clearly delineated by reference to their respective geographical locations. In order to ensure clear business delineation between our Group and the Private Group, except for the Excluded Hainan Projects as mentioned above, we have selected the existing six projects in the Hainan Province, where the Private Group does not currently have any property development projects, and has undertaken not to tap into. All of the development projects retained by our Group are located in the Hainan Province while the Non-Target Cities Projects are located in Nanjing, and Huizhou. The Non-Target Cities Projects are considered to be located outside our geographical areas of focus and therefore excluded from our Group's development projects and retained by the Private Group. Our Directors consider that the geographical delineation between our Group's development projects and the Non-Target Cities Projects is essential and effective in ring-fencing the business of our Group and the Private Group.

Our Controlling Shareholders have undertaken to our Group that save for the aforesaid projects, they (together with their respective close associates) will not engage in any property development business, other than in the Non-Target Cities unless as otherwise permitted under the Deed of Non-competition, further details of which are set out in the paragraph headed "Non-competition Undertakings" in this section below.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group's business independently from our Controlling Shareholders and their close associates after the Global Offering.

Management and administrative independence

The Board consists of 8 Directors, of whom 4 are executive Directors, 1 is a non-executive Director and the remaining 3 are independent non-executive Directors. Mr. Yeung, the executive Director and Chairman is also the sole director of Zhong Jia (International) and Zhong Ze (International). Each of our Directors is aware of his/her fiduciary duties as a

Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum. The 3 independent non-executive Directors will also bring independent judgement to the decision-making process of the Board. Senior management of our Company have undertaken supervisory responsibilities in the business of our Group. The responsibilities of the senior management team of our Company include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group. Further details of our Directors and senior management are set out in the section headed "Directors and Senior Management" in this prospectus.

Among our Directors, Mr. Yeung and Ms. Zhou Li, are also directors of certain Private Group companies and will remain in their directorship in such Private Group companies after the Listing. Details of the roles and responsibilities of the overlapping Directors who will continue to have roles in the Private Group are set out as follows:

Director	Roles/responsibilities in our Company	Roles/responsibilities in the Private Group companies
Mr. Yeung	Chairman and executive Director/Overall strategic planning of our Group	Director/Overall management of the operations of the Private Group
Ms. Zhou Li	Executive Director/In charge of marketing management of our Group	Director/Overall management of the operations of the Private Group

Our Directors consider that the management of our Group will be able to function independently from the Private Group, notwithstanding that the aforesaid Directors will continue to hold positions in the Private Group:

(i) six out of eight members of our Board will not hold any position in the Private Group upon the Listing. Accordingly, a vast majority of the members of our Board are independent from the Private Group and Mr. Yeung and Ms. Zhou Li, being our Directors who will continue to hold positions in the Private Group, will not have an absolute majority to pass any resolution of our Board;

(ii) there is no overlapping of senior management personnel between our Company and the Private Group. Our Company's senior management is independent from the employment by and operations of the Private Group who will bring with them experience in the property development projects;

(iii) three out of eight Directors, which is, over one-third of our Board, are independent non-executive Directors and there is no overlapping of the independent non-executive directors of our Company and the Private Group. All three independent non-executive Directors are independently appointed to our Board and do not have obligations in the Private Group. None of the independent non-executive Directors has any position or role in the Private Group and none of the criteria affecting independence under Rule 3.13 of the Listing Rules apply to them. Our independent non-executive Directors either have appropriate academic qualifications or extensive experience in their respectable specialty areas, or are appointed for the diversity in skills and background they may add to our Board. Our independent non-executive Directors will be expected to bring impartial and independent judgment to our Board and to take the lead in matters to be discussed by our Board where potential conflicts of interests between the Private Group and our Group may arise. In addition, all members of the audit committee and the majority of the members of the nomination committee and remuneration committee of our Company are independent non-executive Directors; and

(iv) our Company has in place arrangements and corporate governance measures to manage actual or potential conflicts of interest, ensure independent decision making, safeguard the protective measures under the Deed of Non-competition, and ultimately, protect the interests of our Shareholders:

(i) the common director of the Private Group and our Company will, in case of any conflict of interest arising, abstain from voting on the relevant resolution(s) in the relevant meeting of the Board and/or disclose his/her interest at the relevant meeting of the board of directors of the Private Group, as the case may be, in accordance with and subject to the constitution documents of our Company and the Private Group, as well as the laws of jurisdiction of our Company;

(ii) pursuant to the Articles, there are provisions to the effect that a Director shall not vote on a resolution of our Board approving any contract or arrangement in which he/she or any of his/her associates is materially interested;

(iii) our independent non-executive Directors who have no material interest in the transaction should be present at all board meetings at which such transaction is to be resolved; and

(iv) our independent non-executive Directors will be reviewing the compliance of the Private Group with the Deed of Non-competition.

Our Directors believe that the presence of directors from different backgrounds provides a balance of views and opinions and, having taking into account the above factors, our Company is satisfied that our Directors will be able to perform their roles in our Group independently, and that our Group is capable of managing its business independently from the Private Group upon the Listing.

Financial independence

Our Company has an independent financial system and accounting functions and makes financial decisions independently according to our Group's own business needs. As at the Latest Practicable Date, all guarantees provided by the Private Group or Mr. Yeung were released and replaced by our guarantee or collateral. During the Track Record Period, we had certain amounts due to or from members of the Private Group. For details, please refer to note 31 in the sections headed "Accountants' Report" in Appendix I to this prospectus. As at the Latest Practicable Date, such amounts due to or from members of the

Private Group were fully settled. Our Directors believe that our Group is capable of obtaining financing from Independent Third Parties, if necessary, without reliance on our Controlling Shareholders after the Listing. Therefore, our Group will be financially independent from our Controlling Shareholders after the Listing.

Operational independence

Our Group has established our own organisational structure made of individual departments, each with specific areas of responsibilities. We have a clear business delineation with our Controlling Shareholders and save for the transactions as set out in the section headed "Connected Transactions" in this prospectus, as at the Latest Practicable Date, our Group did not share any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates.

During the Track Record Period, we had certain transactions with our related parties. For further details, please refer to the section "Financial Information – Material related party transactions". Our Directors (including our independent non-executive Directors) have confirmed that these related party transactions have been entered into in the ordinary and usual course of our business and are based on arm's length negotiation and on normal commercial terms that are in the interests of our Group and our Shareholders as a whole. Save as disclosed in the section headed "Connected Transactions" in this prospectus, none of the historical related party transactions with the connected persons as defined in the Listing Rules are expected to continue after the Listing.

Our Group has also established a set of internal control measures to facilitate the effective operations of its business. Our Group's customers and suppliers (save as those disclosed in the sections headed "Connected Transactions" and "Financial Information – Material related party transactions" in this prospectus) are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their respective close associates and have its independent access to customers and suppliers. Our Directors consider that our operations do not depend on our Controlling Shareholders because our Group will not be relying on any guarantee provided by any of our Controlling Shareholders in respect of bank borrowings nor have our Group given any guarantee for the benefit of any of our Controlling Shareholders upon Listing.

On the basis of the matters disclosed above, our Directors believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates.

RULE 8.10 OF THE LISTING RULES

Save as disclosed in this section, our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

Our Controlling Shareholders have no current intention to inject into our Group the Excluded Businesses in the near future. If there is any change in such information after the Listing, our Company will disclose the relevant information by way of an announcement in accordance with the Listing Rules.

INDEMNITY BY CONTROLLING SHAREHOLDERS

Our Controlling Shareholders have given indemnities in favour of our Group in connection with, inter alia, any default, failure or delay of our PRC subsidiaries in making contributions towards all kinds of contributions under the laws in the PRC for the benefits of its employees, including social insurance and housing provident fund contributions, and any non-compliance with the applicable laws, rules or regulations of Hong Kong and the PRC on all matters and any non-compliance disclosed in this document by any member of our Group which took place before the Listing.

Our Directors are satisfied that our Controlling Shareholders have sufficient financial resources to honour their obligations to provide indemnities in respect of the aforesaid non-compliance incidents against our Group based on that from the unaudited combined management accounts of the Private Group, (i) the total assets and net current assets of the Private Group as at 31 December 2015 were over RMB9,700 million and RMB2,700 million, respectively; and (ii) the net profit of the Private Group for the year ended 31 December 2015 was over RMB400 million.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group and our Controlling Shareholders, the Covenantors entered into the Deed of Non-competition with our Company (for itself and for the benefit of each other member of our Group) on 29 June 2016. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, as long as the Deed of Non-competition remains effective, he/it shall not, and shall procure his or its close associates (other than any member of our Group), whether on its own account or under the name of others, not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether on its own account or with each other or in conjunction with or on behalf of any person or company or otherwise, the development, sale, lease and management of any property development projects in the PRC, except for in the Non-Target Cities, or in any business in competition with or likely to be in competition whether directly or indirectly, with the existing business activity of any member of our Group or such other business activity our Group may engage from time to time in future.

Each of the Covenantors further undertakes that if he/it or his/its close associates other than any member of our Group is offered or becomes aware of (i) any business opportunity which may compete with the business of our Group; or (ii) any business opportunities to participate in any property development project in the PRC except for the Non-Target Cities Projects; he/it shall (and he/it shall procure his/its close associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity.

Each of the Covenantors further undertakes that he/it will and he/it shall procure that his/its close associates (other than any member of our Group) will notify us of the aforesaid business opportunities and use his/its best endeavors to procure that the business opportunities is first offered to our Group on terms and conditions no less favorable than those offered to the Covenantors or their close associates.

Within 30 Business Days (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time) after receipt of written notice concerning offer of any business opportunity from the Covenantors, our

Company shall notify the Covenantors whether we intend to accept the offer. If our Group declines any such offer, the Covenantor or their associates who offered the business opportunity shall then be allowed to acquire the interests offered on terms no more favorable than those offered to our Group. Whether we shall accept or decline the offer of business opportunity shall be solely determined by our independent non-executive Directors.

In respect of the Excluded Hainan Projects held by Mr. Yeung and his associates as set out in the paragraph headed "Excluded Businesses" in this section, each of the Covenantors undertakes that

(i) he/it shall notify our Group in writing quarterly upon the Listing (or as when required by our Group) on the progress of the projects together with all information concerning the projects as reasonably requested by our Group; and

(ii) in the event that the uncertainties impediments concerning the Excluded Hainan Projects have been cleared, our Group shall have the first right of refusal to acquire or participate in the Excluded Hainan Projects (as the case may be) at cost. In the event that our Group decided not to acquire or participate in the aforesaid projects, the Covenantors undertakes to use their best endeavors to procure the aforesaid projects to be sold to Independent Third Party(ies) within six months upon receipt of our notice that our Group will not exercise the first right of refusal.

The aforesaid first right of refusal shall be exercisable by our Group upon any of the Covenantors' written notice to us that the uncertainties concerning the Excluded Hainan Projects have been cleared (on which our Group is entitled to seek PRC legal opinion at the expense of the Covenantor(s)). Our Group shall exercise the first right of refusal to acquire or participate in the aforesaid projects (as the case may be) within 30 Business Days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), and notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

The relevant Covenantor(s) and the other interested Directors or potential interested Directors (if any, including our independent non-executive Directors) shall abstain from participating in all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our Board for considering whether or not to exercise the first right of refusal. Whether to exercise the first right of refusal shall be solely determined by our independent non-executive Directors. Upon request by our Directors, our Company will engage independent financial advisers at our own expense for advising on the proposed exercise of the first right of refusal.

In the event that our Group decided not to acquire or participate in the aforesaid projects, the Covenantors undertakes to use their best endeavors to procure the aforesaid projects to be sold to Independent Third Party(ies) within six months upon receipt of our notice that our Group will not exercise the first right of refusal.

The non-competition undertakings under the Deed of Non-competition shall not restrict any Covenantor (or any of their respective close associates), either by himself/herself/itself or any other person, from holding interests in the shares of a company which is listed on a recognised stock exchange provided that:

(a) any business that competes or is likely, directly or indirectly, to compete with our Group conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

(b) the total number of the shares held by all the Covenantors and/or their respective close associates in aggregate does not exceed 5% of the issued shares of that class of that company in question and such Covenantors and/or their respective associates are not entitled to appoint a majority of the directors of that company and/or at any time, there should exist at least another shareholder of the company who holds more shares in that company than such Covenantors and/or their respective close associates in aggregate.

The undertakings contained in the Deed of Non-competition are conditional on the Listing of our Company. If such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on (i) the Covenantors, together with his/its close associates, taken together, cease to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) more of the entire issued share capital of our Company; or (ii) the date on which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and its Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

(a) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Controlling Shareholders (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;

(b) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;

(c) the Board is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement. Our Company has appointed 3 independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section “Directors and Senior Management” in this prospectus;

(d) our Company has appointed Haitong International Capital Limited as the compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and internal controls. Please refer to the section "Directors and Senior Management – Compliance Adviser" in this prospectus for details in relation to the appointment of compliance adviser;

(e) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and

(f) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition. Findings of such review will be disclosed in our annual report after the Listing.

We have entered, and will enter, into certain agreements with entities that will constitute our connected persons upon the Listing and such arrangements will constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules upon the Listing on the Stock Exchange.

RELEVANT CONNECTED PERSONS

Under the Listing Rules, the following persons and entities, amongst others, will be regarded as connected persons of our Company upon Listing:

Mr. Yeung, an executive Director, the Chairman and our ultimate Controlling Shareholders, will hold 75.0% of the total issued share capital of our Company upon Listing. Under Rule 14A.07(1) and 14A.07(4) of the Listing Rules, Mr. Yeung and his associates are our connected persons. Accordingly, upon Listing, Zhong Hui Nanjing, being a company indirectly owned as to 100% by Mr. Yeung, and Nanjing Huizhi, being a company indirectly owned as to 100% by Mr. Yeung, will become our connected person and the continuing transactions entered into between Nanjing Huizhi and our Group as well as between Zhong Hui Nanjing and our Group will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Group, which are fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Tenancy Agreements

On 1 November 2015, Nanjing Bai Rui Ze, as tenant, and Zhong Hui Nanjing, as landlord, entered into Tenancy Agreement A in respect of the premises located at Room 101, Block 2-1, No. 20 Jiangjun Avenue, Jiangning District, Nanjing, Jiangsu Province, the PRC, which is for our office use, with a total gross floor area of 10 sq.m.. Pursuant to Tenancy Agreement A, Zhong Hui Nanjing agreed to lease the said premises to Nanjing Bai Rui Ze for a term commencing from 1 November 2015 to 31 October 2017 with a monthly rent of RMB1,050 (i.e. an annual rent of RMB12,600). Our Property Valuer, taking into account the market condition and the terms of Tenancy Agreement A, confirmed that (i) the rental payable under Tenancy Agreement A is within the general market range; (ii) Tenancy Agreement A is on normal commercial terms and consistent with the prevailing market terms and conditions; and (iii) Tenancy Agreement A is on terms that are fair and reasonable.

On 1 November 2015, Nanjing Jia Pei, as tenant, and Zhong Hui Nanjing, as landlord, entered into Tenancy Agreement B, in respect of the premises located at Room 1101, Block 6, VerDure International City, No. 20 Jiangjun Avenue, Jiangning District, Nanjing, Jiangsu Province, the PRC, which is for office use, with a total gross floor area of 12 sq.m.. Pursuant to Tenancy Agreement B, Zhong Hui Nanjing agreed to lease the said premises to Nanjing Jia Pei for a term commencing from 1 November 2015 to 31 October 2017 with a monthly rent of RMB1,260 (i.e. an annual rent of RMB15,120). Our Property Valuer, taking into account the market condition and the terms of Tenancy Agreement B, confirmed that (i) the rental payable under Tenancy Agreement B is within the general market range; (ii) Tenancy Agreement B is on normal commercial terms and consistent with the prevailing market terms and conditions; and (iii) Tenancy Agreement B is on terms that are fair and reasonable.

Our Directors (including our independent non-executive Directors) have confirmed that the transactions contemplated under the Tenancy Agreements are in the ordinary and usual course of business of our Group, the terms therein are on normal commercial terms or better, fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Listing Rules Implications

As the Tenancy Agreements were all entered into by the Group with Zhong Hui Nanjing, the continuing connected transactions thereunder have been aggregated pursuant to Rule 14A.81 of the Listing Rule.

Based on the total annual rent payable under the Tenancy Agreements, as each of the applicable percentage ratios for the Tenancy Agreements is less than 0.1%, the transactions contemplated thereunder constitute de minimis continuing connected transactions which are exempt from reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1)(a) of the Listing Rules.

Trademark License Agreement

On 8 April 2016, our Company entered into a Trademark License Agreement with Zhong Hui Nanjing, pursuant to which Zhong Hui Nanjing agreed to grant to our Group a non-exclusive license to use all of the trademarks set forth in the section headed "Statutory And General Information – B. Further Information about the Business – 2. Intellectual property rights – (c) Trademarks licensed to our Group" in Appendix V to this prospectus in the PRC without royalty or cost. The Trademark License Agreement is for a term of 3 years commencing on 8 April 2016.

Pursuant to the Trademark License Agreement, (i) the license period will be renewed to another 3 years automatically for unlimited times unless our Company terminate the Trademark License Agreement by a written notice to Zhong Hui Nanjing so that we will be able to use the trademarks as we deem necessary; (ii) unless with our consent or there were serious illegal use of the trademarks by us, Zhong Hui Nanjing is not allowed to terminate the Trademark License Agreement unilaterally; and (iii) the license period will not be renewed and the Trademark License Agreement will expire upon it expiration date in the event that Mr. Yeung ceases to be a Controlling Shareholder.

We have been using some of the aforesaid trademarks in connection with our business conducted over the years. As such, in order to maintain the consistency of our market image, we will continue to use the relevant trademarks after the Listing. We are in the process of applying our own trademarks, further details of which are set out in the section headed "Statutory And General Information – B. Further Information about the Business – 2. Intellectual property rights – (c) Trademarks licensed to our Group" in Appendix V to this prospectus. We intend to stop using the trademarks licensed under the Trademark License Agreement upon successful registration of our own trademarks. During such transition period and taking into account that the trademarks licensed under the Trademark License Agreement are used by Zhong Hui Nanjing for its operation and accordingly, will not be injected into our Group, our Directors are of the view that entering into the Trademark License Agreement is in the interest of our Company and our Shareholders as a whole.

As there is no consideration payable by us in respect of the trademark license agreement, the transaction contemplated thereunder constitutes a *de minimis* continuing connected transaction exempt from reporting, announcement and independent shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Construction Cooperation Framework Agreement

Transaction Details

In our ordinary course of business, Nanjing Huizhi has been our sub-contractor and providing construction services to our Group since 2011. During the Track Record Period, it provided the Construction Services to the Group to certain of our property projects pursuant to a series of construction contracts.

Nanjing Huizhi has entered into a Construction Cooperation Framework Agreement with our Company, Sanya Fenghuang Xincheng, Sanya Fenghuang Shuiyun, Hainan Nanhai Xiang Long and Danzhou Shuang Lian on 8 April 2016 with the principal terms set out as below.

Parties	:	Our Company Sanya Fenghuang Xincheng Sanya Fenghuang Shuiyun Hainan Nanhai Xiang Long Danzhou Shuang Lian Nanjing Huizhi (as subcontractor)
Date	:	8 April 2016
Term	:	the Construction Cooperation Framework Agreement shall be effective from the Listing Date up to 31 December 2018
Services to be provided	:	Nanjing Huizhi has agreed, where it is selected following the relevant tender processes, to provide the Construction Services to us according to the construction contracts to be entered into between Nanjing Huizhi and us from time to time.
Construction Fees and Payment Terms	:	to be specified in the construction contracts to be entered into between Nanjing Huizhi and us from time to time.

Historical Transaction Amounts

The following table sets out the total construction fees incurred by us for the Construction Services provided by Nanjing Huizhi during the Track Record Period:

(RMB'000)

For the year ended 31 December		
2013	**2014**	**2015**
220,274	225,699	247,054

The above construction fees represented approximately 34.5%, 29.1% and 32.1% of our total construction costs incurred during the same period.

Annual Caps

(i) Existing uncompleted construction projects/project phases

As at the Latest Practicable Date, Nanjing Huizhi had undertaken 10 uncompleted construction projects/project phases with us. As part of its construction services, Nanjing Huizhi had procured some of the construction materials for us during the Track Record Period and such purchase amounts were, and will continue to be, included in the total construction fees paid and payable by us to Nanjing Huizhi.

Details of the 10 uncompleted construction projects/project phases undertaken by Nanjing Huizhi and the estimated amounts of construction fees payable by us to Nanjing Huizhi in relation to such projects/project phases according to the executed construction contracts for each of the three years ending 31 December 2018 are as follows:

		Estimated amounts of construction fees payable by us to Nanjing Huizhi (RMB'000)		
		For the year ending 31 December		
Project Phase	**Stage of Development**	**2016**	**2017**	**2018**
Sanya Phoenix Aqua City Left Shore	Construction of all buildings have been completed and will be ready for delivery after interior decoration and gardening being completed	30,634	36,478	16,412

(ii) New construction projects

In relation to our new construction projects which the construction company has not yet been selected, subject to the fulfillment of (i) the requirements of the selection of construction companies under the relevant PRC laws and regulations; and (ii) the selection criteria under the tender process as set out in the paragraph headed "Selection process of construction companies" in this section below, it is expected that our Group may continue to engage Nanjing Huizhi or other independent construction companies to provide the Construction Services to some of our new property projects.

Taking into account (i) the estimated construction schedule of our new property development projects that our Group expects to undertake, in particular, the commencement of construction of Sanya Phoenix Aqua City South Shore Phase II in November 2016, Haikou Phoenix Aqua City Phase II in January 2017 and of Danzhou Phoenix Aqua City in March 2017, respectively, which are expected to incur substantial amount of construction fees, (ii) the anticipated inflation and increase in development cost from 2016 to 2018 and (iii) our intention to diversify our service providers, the estimated amounts of construction fees payable by us to Nanjing Huizhi in relation to new construction projects for the three years ending 31 December 2018 which are set out as follows:

Estimated amounts of construction fees payable by us to Nanjing Huizhi in relation to new construction projects (RMB'000)

Year ending 31 December		
2016	**2017**	**2018**
19,906	362,926	485,310

Aggregate Annual Caps

Based on (i) the actual construction fees payable by us to Nanjing Huizhi in relation to the existing uncompleted construction projects/project phases of RMB10.6 million from 1 January 2016 up to 30 April 2016 and (ii) the estimated amounts of construction fees payable by us to Nanjing Huizhi in relation to the existing uncompleted construction projects/project phases and new construction projects in future as set out above, the aggregate estimated amounts of construction fees payable by us to Nanjing Huizhi for each of the three years ending 31 December 2018 are as follows:

Annual Caps (RMB'000)

Year ending 31 December		
2016	**2017**	**2018**
50,540	399,404	501,722

As we aim to maintain the proportion of transaction with Nanjing Huizhi to be in a stable and decreasing trend for the three years ending December 2018, we estimated and have undertaken that the total amount of construction fees payable by us to Nanjing Huizhi for each of the three years ending December 2018 will not exceed 32%, 32% and 30%, respectively, of the estimated total amount of construction fees payable by our Group for the same period. Our tendering team has been designated and will verify the cumulative construction fees payable to Nanjing Huizhi for the year against the annual cap before sending out tender invitation to ensure that Nanjing Huizhi will not be included in the tender if the total estimated cumulative construction fees payable for the year will reach the annual cap.

The above annual caps is estimated taking into account (i) the existing uncompleted construction projects/project phases; (ii) the estimated construction schedule of our new property development projects that our Group expects to undertake, in particular, the commencement of construction of Sanya Phoenix Aqua City South Shore Phase II in November 2016 with a site area of 356,572.1 sq.m. and being our core development project during the three years ending 31 December 2018, Haikou Phoenix Aqua City Phase II in January 2017 and Danzhou Phoenix Aqua City in March 2017, respectively, which are expected to incur substantial amount of construction fees and we expect to incur total construction fee of approximately RMB157.9 million in 2016, RMB1,248 million in 2017 and RMB1,672 million in 2018; (iii) historical construction fees of Nanjing Huizhi accounted for 32.1% of our total construction cost in 2015; (iv) the anticipated inflation and increase in development cost; and (v) our intention to diversify our service providers as mentioned above.

After 31 December 2018, our Group will continue to adopt corporate governance measures in the selection of construction contractors and review our list of construction contractors from time to time so as to evaluate its working relationship with other third-party construction contractors.

Pricing Policy

The construction fees will be determined by reference to the prevailing market prices of similar construction service taking into consideration of the experience, terms of service and expected quality rendered by Nanjing Huizhi. To ascertain the prevailing market price and ensure that the terms of service offered by Nanjing Huizhi are no less favourable to our Group than those available from Independent Third Parties, our Group will obtain quotations for comparable services from other independent service providers shortlisted and approved by us, in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner.

Selection process of construction companies

Under the Tendering and Bidding Law (招標投標法) and the Measures for the Bid Invitation and Bid Tendering for Construction and Engineering Projects (工程建設項目施工招標投標辦法), tenders are classified into public tenders and invitation tenders. All our tenders are by invitations.

For invitation tenders, we shall issue tender invitations to at least three specified legal persons or other organizations with the capability to undertake construction projects as well as good reputation and credibility.

Under the requirements of the relevant PRC laws and regulations, for a project for which a tender must be made in respect of construction works, if the number of bidders submitting tender documents is less than three, the tenderer shall make a new tender after analyzing the reason for the failure of the tender and adopt corresponding measures in accordance with the law. If the number of bidders for the new tender is still less than three, the tenderer may decide not to make the tender again with the approval of the competent authority if the project is a construction project subject to approval, or may decide on its own not to make the tender again for other construction projects.

In view of Nanjing Huizhi's extensive industry experience in completing sizeable project development and their quality of construction work provided to us, our Directors (including our independent non-executive Directors) are of the view that it is in the interests of our Group and our Shareholders as a whole to continue to engage Nanjing Huizhi to provide the construction services to our property projects provided that Nanjing Huizhi has fulfilled (i) the requirements of the selection of construction companies under the relevant PRC laws and regulations; and (ii) the selection criteria under the tender process as set out in the paragraph headed "Selection process of construction companies" in this section above.

Our Directors (including our independent non-executive Directors) believe that the Construction Services currently provided to our Group by Nanjing Huizhi are in the ordinary and usual course of business, conducted on normal commercial terms and fair and reasonable and in the interests of our Group and our Shareholders as a whole.

In selecting our potential bidders, including Nanjing Huizhi, for a project, we consider, among others, the following factors: their fee quotes, the quality of construction work, compliance with the construction schedules, the types of qualification licences that they hold and the sizes and composition of their management teams.

During the Track Record Period, the fee quotes offered by Nanjing Huizhi for our project developments were comparable to, and not significantly different from, the other construction contractors in the market.

As a bidder may not be selected if the fee quote is not within a reasonable range and that the terms offered by Nanjing Huizhi were on terms no less favourable than those offered by other Independent Third Party construction companies, with the overall terms and services offered by Nanjing Huizhi taking into account, our Directors consider that the construction services provided by Nanjing Huizhi to our Group were on normal commercial terms during Track Record Period.

In light of the list of potential bidders participated in the bidding process of our property projects in the past, it is expected that in case Nanjing Huizhi does not submit tender bids for the provision of construction services to our future property projects, there will be other comparable construction companies available for the provision of construction services to our Group.

Listing Rules Implications

Based on the proposed annual caps of the Construction Cooperation Framework Agreement, as at least one of the applicable percentage ratios under the Listing Rules exceeds 5%, the transactions contemplated thereunder will be subject to the reporting, annual review announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Corporate Governance Relating to the Construction Cooperation Framework Agreement

Our Directors are of the view that the interests of the independent Shareholders will be adequately protected with regard to the above continuing connected transactions with Nanjing Huizhi after Listing for the following reasons:

(i) Independence in Selection Process

After Listing, our Group will adopt an independent mechanism with the following features to govern and monitor the selection process for our potential bidders:

(a) the Internal Tender Review Committee, which comprises members appointed by the independent non-executive Directors and accountable to our independent non-executive Directors, will be responsible for reviewing the terms and conditions of tenders and screen out unsuitable tenders, which shall also comply with the requirements of the relevant laws and regulations. The members of the Internal Tender Review Committee will include the heads of our Group's tender department and the relevant project general managers of our Group. The appointment of the members of the Internal Tender Review Committee by our independent non-executive Directors will be based on nominations by the executive Directors and relevant senior management of our Group. Mr. Yeung and Ms. Zhou Li shall abstain from such nomination process;

(b) objective criteria for identifying potential bidders, such as the price, quality of construction work, size of the project, construction schedule and other required services, will be prescribed by the Internal Tender Review Committee in relation to each of our projects and each criterion must be approved by the Internal Tender Review Committee;

(c) the relevant project company will contact qualified potential bidders and require them to provide information regarding their qualifications, industry experience and the size and composition of their management teams; and

(d) the relevant project company will be responsible for compiling a list of qualified potential bidders in accordance with the prescribed criteria laid down by the Internal Tender Review Committee and the relevant project company will issue tender application documents to three to five qualified bidders.

In the event that Nanjing Huizhi is chosen as one of the potential construction companies after the selection process described above and it submits a completed tender application document to the relevant project company, the relevant project company will submit Nanjing Huizhi's tender application document to the Internal Tender Review Committee for review and approval. The Internal Tender Review Committee will only approve Nanjing Huizhi's application if Nanjing Huizhi is considered to have a competitive advantage in the relevant market in which the relevant project will be situated.

Shortlisted qualified bidders shall submit tender documents to us or the tendering agency appointed by us. The assessment committee established by us is responsible for reviewing tenders and selecting a tender for acceptance. For a project for which a tender must be made in accordance with the applicable PRC laws and regulations, the assessment committee shall comprise our representative and experts in the areas of technology and economy. Under the requirements of the relevant PRC laws and regulations, the number of members of the experts in the assessment committee shall be an odd number no less than five and the experts in the areas of technology and economy shall not be less than two thirds of the total number of members. According to the Temporary Measures on the Experts and Pool of Experts for Assessment of Bids (評標專家和評標專家庫管理暫行辦法), the pool of experts must comprise at least 500 industry experts and the industry experts have the right to assess the bids independently in accordance with relevant rules without any interference. Industry experts in the pool of experts are required to possess certain qualifications under the relevant local tender laws and regulations. For example, industry experts must have a minimum of eight years' experience in the relevant professional field, be able to fulfill responsibilities with conscientiousness, fairness, honesty and integrity, and be knowledgeable in the construction tender bidding and laws, regulations, rules and measures of the PRC and the local municipality. According to the Measures on the Tender and Commencement of Construction Projects (工程項目建設施工招標投標辦法), the selected industry expert(s) will be disqualified if he/she is found to have a conflict of interest. After the assessment committee has selected a tender for acceptance, we will award the constructions contract to the successful bidder.

(ii) Independent Review of Construction Services Provided by Nanjing Huizhi

In addition, we have also put in place the following procedures with a view to monitoring the quality of construction work carried out by Nanjing Huizhi if it is selected to provide construction services to our Group after the above tender and selection procedures:

(a) monthly reports regarding the construction progress and the quality of construction services prepared by independent qualified engineering supervisory companies will be provided to our independent non-executive Directors, and the views and recommendations of our independent non-executive Directors will be adopted by our Company; and

(b) written approval from the Internal Tender Review Committee is required if Nanjing Huizhi seeks to modify the scope of work, construction schedule or other relevant information as provided in the construction contract.

Our Directors believe that the above selection and review mechanism will ensure that the terms of the Construction Cooperation Framework Agreement are conducted on normal commercial terms and are in the best interests of our Company and our independent Shareholders as a whole. In addition to the above selection and review mechanisms:

(i) Mr. Yeung and Ms. Zhou Li will abstain from voting at the board meetings of our Company on matters relating to the transactions contemplated under the Construction Services;

(ii) Mr. Yeung and Ms. Zhou Li will excuse themselves from participating in any stage of the tender process, unless expressly requested by the majority of our independent non-executive Directors;

(iii) the Construction Cooperation Framework Agreement between our Group and Nanjing Huizhi will be subject to compliance with Chapter 14A of the Listing Rules and, in particular, the approval of our independent Shareholders pursuant to Rule 14A.36 of the Listing Rules for non-exempt continuing connected transactions will be required;

(iv) the terms of the Construction Cooperation Framework Agreement between Nanjing Huizhi and our Group will be reviewed by our independent non-executive Directors on an annual basis and their views in respect of these transactions will be disclosed to our Shareholders in compliance with the Listing Rules;

(v) our independent non-executive Directors will be provided with a report by our auditors on all transactions conducted between our Group and Nanjing Huizhi on annual basis, and the content of such report will be in compliance with the requirements under Rule 14A.55 of the Listing Rules;

(vi) pursuant to Rule 14A.58 of the Listing Rules, Nanjing Huizhi has undertaken to allow our auditors sufficient access to their records for the purpose of reporting on the connected transactions with Nanjing Huizhi in accordance with Rule 14A.58 of the Listing Rules; and

(vii) our annual reports will contain summaries of the mechanisms in place in the relevant financial years and appropriate disclosure on how these mechanism have operated during the same periods.

APPLICATION FOR WAIVER

The transactions described under the paragraph headed "Non-exempt Continuing Connected Transactions" in this section above constitute our continuing connected transactions which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements/requirements under Chapter 14A of the Listing Rules.

In respect of these continuing connected transactions, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver exempting us from strict compliance with the announcement and independent Shareholders' approval requirements of the Listing Rules for the period of the three financial years ending on 31 December 2018, subject to the condition that the aggregate values of the continuing connected transactions for each financial year not exceeding the relevant annual cap amounts set forth in the respective caps (as stated above).

SOLE SPONSOR'S AND DIRECTORS' VIEWS

Our Directors (including the independent non-executive Directors) are of the view and the Sole Sponsor concurs that all transactions described under the paragraph headed "Non-exempt Continuing Connected Transactions" in this section above have been and will continue be entered into: (i) in the ordinary and usual course of our business; (ii) on normal commercial terms; and (iii) are fair and reasonable and in the interests of our Group and our Shareholders as a whole. The Sole Sponsor and our Directors (including the independent non-executive Directors) are also of the view that each of the proposed annual caps (where applicable) for such non-exempt continuing connected transactions are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

THE BOARD OF DIRECTORS

Our Board consists of 8 Directors, comprising 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. The following table sets out the information regarding the members of our Board:

Name	Age	Date of appointment as Director	Year of joining our Group	Present position(s) in our Company	Principal responsibilities	Relationship with the other Director(s) and/or senior management and substantial or controlling shareholder of our Company
Mr. Yeung	54	31 August 2015	2007	Executive Director and Chairman of our Board	Responsible for overall strategic planning of our Group	Cohabiting with Ms. Zhou Li as spouse
Mr. Huang Annan	47	12 April 2016	2015	Executive Director and Chief Executive Officer	Overall management of our Group	N/A
Ms. Zhou Li	34	12 April 2016	2007	Executive Director	In charge of marketing management of our Group	Cohabiting with Mr. Yeung as spouse
Ms. Fan Wen Yi	39	12 April 2016	2007	Executive Director	Responsible for the operation development of our Group	N/A
Mr. Wang Pei	42	12 April 2016	2015	Non-executive Director	Providing opinion to our Board	N/A
Mr. Li Zhong	46	22 June 2016	2016	Independent Non-executive Director	Responsible for overseeing the management independently and providing independent opinion to our Board	N/A
Mr. E Jun Yu	45	22 June 2016	2016	Independent Non-executive Director	Responsible for overseeing the management independently and providing independent opinion to our Board	N/A
Dr. Chen Shimin	57	22 June 2016	2016	Independent Non-executive Director	Responsible for overseeing the management independently and providing independent opinion to our Board	N/A

Executive Directors

Mr. Yeung Man (楊敏), aged 54, is the founder and strategic leader of our Group, and our executive Director and Chairman. He was first appointed as a Director on 31 August 2015 and was redesignated as an executive Director on 12 April 2016. Mr. Yeung is the chairman of our nomination committee. Mr. Yeung is also a director of Peak Well, Zhong Jia (Hong Kong), Time Being and Zhong Ze (Hong Kong), all of which are subsidiaries of our Company. Mr. Yeung is responsible for the overall strategic planning of our Group. He graduated from the Correspondence College of the Central School of the Communist Party of China (中國中共中央黨校), majoring in economics and management in December 1998. Mr. Yeung has approximately 21 years of experience in construction and real property management. Mr. Yeung was named as the "2007 Annual China Real Estate Most Influential Person" (2007年度中國房地產最具影響力人物), "1998-2007 China Real Estate 10 Year's Revolution Top 10 Contributive Person" (1998-2007中國房地產改革十年十大貢獻人物) and "2007 Fortune China Real Estate Honesty and Creditability Elitist Enterpriser" (2007年財富中國房地產誠信經營傑出企業家). Mr. Yeung was the chairman of the board of directors of Chung Wai (Nanjing) Real Estate Development Co. Ltd. (中惠(南京)房地產開發有限公司), a company established in the PRC and engaged in the development and construction of commercial properties and ancillary services and the sales of self-developed commercial properties, from July 1995 to November 2004.

Mr. Yeung was previously a director, chairman or legal representative of the companies shown in the table below before their respective dissolution and/or revocation of business licence:

Name of company	Place of incorporation/ establishment	Principal business activity immediately before dissolution and/or revocation of business licence	Position	Status	Date of dissolution and/or revocation of business licence
Nanjing Chung Wai Landscape Engineering Co. Ltd. (南京中惠園林工程有限公司)	PRC	Inactive	Legal representative and executive director	Dissolved and deregistered	9 May 2004
Shen'er (Nanjing) Computer System Engineering Co. Ltd. (申爾(南京)計算機系統工程有限公司)	PRC	Inactive	Legal representative and chairman	Business licence revoked	15 April 2003
Hong Kong New Conception Investment Limited (香港新概念投資有限公司) . . .	Hong Kong	Inactive	Director	Dissolved and deregistered	24 February 2006

The business licence of Shen'er (Nanjing) Computer System Engineering Co. Ltd. (申爾(南京)計算機系統工程有限公司) was revoked in 2003 due to its failure to undergo annual inspection as required under the relevant PRC regulations after cessation of business. Mr. Yeung also confirmed that the above companies were solvent at the time of deregistration/revocation, and he did not incur any debt and/or liabilities because of such deregistration and revocation, and that the deregistration/revocation did not have any negative effect on the Group.

As at the time of the revocation of business license of Shen'er (Nanjing) Computer System Engineering Co. Ltd. (申爾(南京)計算機系統工程有限公司), Mr. Yeung was also the legal representative, executive director and director of two other PRC companies. One of the PRC companies had been dissolved in May 2004 and Mr. Yeung had resigned as the legal representative for the other PRC company in November 2004. According to the then Company Law of the PRC and the Provisions on Administration of Enterprise Legal Person's Legal Representative Registration, Mr. Yeung should be prohibited from acting as legal representative, director, supervisor or senior management of any PRC enterprise for a period of three years from the revocation date of Shen'er (Nanjing) Computer System Engineering Co. Ltd. (申爾(南京)計算機系統工程有限公司) i.e. from 15 April 2003 to 14 April 2006. As advised by our PRC Legal Advisers, Mr. Yeung had breached the relevant PRC laws and regulations by acting as the legal representative, executive director and director for other PRC companies during the aforesaid three-year period. The stipulated maximum penalty for such breach is RMB100,000, and the revocation of business licence and business registration of the relevant PRC Company. There is no legal consequence on our Company for the breach as Shen'er (Nanjing) Computer System Engineering Co. Ltd. (申爾(南京)計算機系統工程有限公司) is not a member of our Group and penalty will only impose on the relevant PRC Company. Mr. Yeung is not subject to any penalty as the penalty is not imposed on person under the relevant PRC laws and regulations. Given that the three-year prohibition period for Mr. Yeung to act as a director has expired and there is no circumstance under the prevailing PRC Company Law which forbids Mr. Yeung to act as a director, as advised by our PRC Legal Advisers, Mr. Yeung is qualified to act as a director of a PRC company. Moreover, as penalty will only apply to the relevant PRC company which Mr. Yeung acted as a director, our PRC Legal Advisers are of the view that there will be no legal consequence on us in connection with the aforesaid breach of Mr. Yeung. As advised by Mr. Yeung, the breach of the relevant laws and regulations was due to (i) his unfamiliarity with the relevant laws and regulations and lack of timely professional advice as he wasn't aware the implication of such business license revocation as Shen'er (Nanjing) Computer System Engineering Co. Ltd. had no business operation of at the material time and intended to revoke the business license of Shen'er (Nanjing) Computer System Engineering Co. Ltd.; and (ii) companies which Mr. Yeung being legal representative, executive director and director at the material time had never been notified to remove Mr. Yeung from the relevant positions at the relevant time.

Mr. Yeung and Ms. Zhou Li, one of our executive Directors, have declared that they are cohabiting as spouse and have a daughter.

Mr. Huang Annan (黃安南), aged 47, was appointed as an executive Director on 12 April 2016 and a member of our remuneration committee on 22 June 2016. Mr. Huang was also appointed as the Chief Executive Officer of our Group on 22 June 2016. Mr. Huang is also the general manager of Sanya Fenghuang Xincheng, Sanya Fenghuang Shuiyun and Hainan Nanhai Xiang Long, all of which are subsidiaries of our Company. Mr. Huang is responsible for the overall management of our Company. Mr. Huang obtained his bachelor of engineering degree (工學學士) in packaging engineering (包裝工程) from Jilin University (吉林大學) in the PRC in July 1991. Mr. Huang completed the Executive Master of Business Administration Programme at Cheung Kong Graduate School of Business in the PRC and was awarded the degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business in September 2010. Prior to joining our Group, Mr. Huang worked consecutively in Beijing Jin Yu Jia Ye Properties Company Limited (北京金隅嘉業房地產開發公司), a subsidiary of BBMG Corporation (北京金隅股份有限公司) (BBMG Corporation (北京金隅股份有限公司) is a joint stock company with its A shares and H shares listed on the Shanghai Stock Exchange (stock code: 601992) and the Main Board of the Stock Exchange (stock code: 2009) respectively) as an officer (科員) of Gan Lu Yuan Xiao Qu

Development Office (甘露園小區開發辦公室) (from August 1992 to September 1995), project manager (項目經理) of East Liulitun Development Office (東六里屯開發辦公室) (from September 1995 to October 1996), deputy general manager (副總經理) (from October 1996 to December 2004), executive deputy general manager (常務副總經理) (from December 2004 to January 2006), and the executive director and general manager (from January 2006 to March 2015).

Mr. Huang was previously a legal representative, chairman and general manager of the company shown in the table below before its dissolution:

Name of company	Place of establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution
Beijing Jinyu Zhaode Real Estate Co. Ltd. (北京金隅昭德置業有限公司)	PRC	Inactive	Legal representative, chairman and general manager	Dissolved and deregistered	16 December 2013

Mr. Huang confirmed that the above company was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Group.

Ms. Zhou Li (周莉), aged 34, was appointed as an executive Director on 12 April 2016 and a member of our remuneration committee and nomination committee on 22 June 2016. Ms. Zhou is also a director of Lian Yun Gang Long Ji Properties and the general manager of Sanya Hui Xin Trading, and the deputy general manager of Sanya Fenghuang Xincheng, Sanya Fenghuang Shuiyun and Hainan Nanhai Xiang Long, all of which are subsidiaries of our Company. Ms. Zhou attended a long-distance course of Masters of Business Administration at the Sino-Dutch International Business Center of Nanjing University from December 2005 to December 2008, and obtained a Master of Business Administration degree from Maastricht School of Management in December 2008. Prior to joining our Group, Ms. Zhou was appointed as deputy manager in Chung Wai (Jiangsu) Decoration Park Project Company Limited (中惠(江蘇)裝飾園林工程有限公司) from March 2000 to September 2004. Ms. Zhou was the chairperson of Zhonghui Engineering Group (中惠工程產業集團) between October 2004 to July 2007.

Ms. Zhou was previously a legal representative, chairman or director of the companies shown in the table below before their respective dissolution and/or revocation of business licence:

Name of company	Place of establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution and/or revocation of business licence
Beijing Taiyin Hengchi Investment Co. Ltd. (北京泰銀恒持投資有限公司)	PRC	Inactive	Director	Dissolved and deregistered	15 February 2015
Ma'anshan Chung Wai Electronic Technology Co. Ltd. (馬鞍山中惠電子科技有限公司)	PRC	Inactive	Legal representative	Business licence revoked	19 March 2008

Name of company	Place of establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution and/or revocation of business licence
Chung Wai (Lianyungang) Infrastructure Construction Co. Ltd. (中惠(連雲港)基礎建設開發有限公司)	PRC	Inactive	Chairman	Dissolved and deregistered	18 May 2009

The business licence of Ma'anshan Chung Wai Electronic Technology Co. Ltd. (馬鞍山中惠電子科技有限公司) was revoked in 2008 due to its failure to undergo annual inspection as required under the relevant PRC regulations. Ms. Zhou confirmed that the above companies were solvent at the time of deregistration/revocation, and she did not incur any debt and/or liabilities because of such deregistration and revocation, and that the deregistration/revocation did not have any negative effect on the Group.

As at the time of the revocation of business license of Ma'anshan Chung Wai Electronic Technology Co. Ltd. (馬鞍山中惠電子科技有限公司), Ms. Zhou was also the legal representative and executive director of one other PRC company which had been dissolved in May 2009. According to the then Company Law of the PRC and the Provisions on Administration of Enterprise Legal Person's Legal Representative Registration, Ms. Zhou should be prohibited from acting as legal representative, director, supervisor or senior management of any PRC enterprise for a period of three years from the revocation date of Ma'anshan Chung Wai Electronic Technology Co. Ltd. (馬鞍山中惠電子科技有限公司) i.e. from 19 March 2008 to 18 March 2011. As advised by our PRC Legal Advisers, Ms. Zhou had breached the relevant PRC laws and regulations by acting as an executive director for other PRC companies during the aforesaid three year period. The stipulated maximum penalty for such breach is RMB100,000, and the revocation of business licence and business registration of the relevant PRC Company. There is no legal consequence on our Company for the breach as Ma'anshan Chung Wai Electronic Technology Co. Ltd. (馬鞍山中惠電子科技有限公司) is not a member of our Group and penalty will only impose on the relevant PRC Company. Ms. Zhou is not subject to any penalty as the penalty is not imposed on person under the relevant PRC laws and regulations. Given that the three-year prohibition period for Ms. Zhou to act as a director has expired and there is no circumstance under the prevailing PRC Company Law which forbids Ms. Zhou to act as a director, as advised by our PRC Legal Advisers, Ms. Zhou is qualified to act as a director of a PRC company. Moreover, as penalty will only apply to the relevant PRC company which Ms. Zhou acted as a director, our PRC Legal Advisers are of the view that there will be no legal consequence on us in connection with the aforesaid breach of Ms. Zhou. As advised by Ms. Zhou, the breach of the relevant laws and regulations was due to (i) her unfamiliarity with the relevant laws and regulations and lack of timely professional advice as she wasn't aware the implication of such business license revocation as Ma'anshan Chung Wai Electronic Technology Co. Ltd. had no business operation of at the material time and intended to revoke its business license; and (ii) companies which Ms. Zhou being the legal representative and executive director at the material time had never been notified to remove Ms. Zhou from the relevant positions at the relevant time.

Ms. Zhou and Mr. Yeung, the Chairman and one of our executive Directors, declared that they are cohabiting as spouse and have a daughter.

Ms. Fan Wen Yi (范文燚), aged 39, was appointed as an executive Director on 12 April 2016. Ms. Fan has been the head of operation (運營總監) and deputy general manager of our Group since 3 September 2007. Ms. Fan is the chairman of Sanya Fenghuang Xincheng, Sanya Fenghuang Shuiyun, Sanya Zhong Ze Kai and Danzhou Shuang Lian and the deputy general manager of Lian Yun Gang Tai Sheng Development, Lian Yun Gang Long Ji Properties, Hainan Nanhai Xiang Long and Sanya Hui Xin Trading, all of which are subsidiaries of our Company. Ms. Fan graduated from Shanxi External Services Training Academy (陝西對外服務培訓學院) majoring in foreign oriented secretary (涉外文秘) in the PRC in 1996. Ms. Fan was accredited as an intermediate accountant by MOF of the PRC (中國財政部) in May 2005. Prior to joining our Group, Ms. Fan worked as an assistant to general manager of Hainan Xinjia Tourism Co., Ltd. (海南新佳旅業開發有限公司) from November 2005 to February 2007.

Ms. Fan was previously a director of the company shown in the table below before its dissolution:

Name of company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution
Sanya Fenghuang Hai Yuan . .	PRC	Inactive	Director	Dissolved and deregistered	1 December 2015

Ms. Fan confirmed that the above company was solvent at the time of deregistration, and she did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Group.

Non-executive Director

Mr. Wang Pei (王培), aged 42, was appointed as a non-executive Director on 12 April 2016. Mr. Wang is responsible for providing opinion to our Board. Mr. Wang obtained his bachelor degree in Economics majoring in International Economics (國際經濟) from Peking University in the PRC in July 1997. Prior to joining our Group, Mr. Wang served as an executive supervisor (行政主管) of the general manager office of Nanjing Vanke Property Co., Limited (from September 2001 to May 2002), the human resources officer (人事專員) of the human resources department (from May 2002 to August 2003) and head of the general office of (主任) of Nanjing Vanke (南京萬科總經理辦公室) (from August 2003 to May 2008). Mr. Wang worked at Verdure International Holding Company Limited (翠屏國際控股有限公司) consecutively as head (總監) of human resources administrative centre (人事行政中心) (from May 2008 to December 2009), general manager (總經理) of Nanjing Zhu Cheng Properties Development Company Limited (南京築城置業發展有限公司) (from January 2010 to October 2012), deputy general manager (副總經理) of Nanjing District Company (南京區域公司) (from October 2012 to October 2013), deputy general manager (副總經理) of Ning Nan City Company (寧南城市公司) (from June 2014 to April 2015) and has been the deputy general manager of the Shanghai office of Zhonghui Financial Holding (Shenzhen) Company Limited (中惠金融控股(深圳)有限公司) since May 2015.

Mr. Wang was previously a director of the companies shown in the table below before their respective dissolution:

Name of company	Place of establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution
Nanjing Xin Cang Fu Real Estate Consultation Co. Ltd. (南京新富倉置業顧問諮詢有限公司)	PRC	Inactive	Director	Dissolved and deregistered	28 April 2011
Chung Wai (Ma'anshan) Real Estate Development Co. Ltd. (中惠(馬鞍山)房地產開發有限公司) .	PRC	Inactive	Director	Dissolved and deregistered	15 March 2012

Mr. Wang confirmed that the above companies were solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Group.

Independent non-executive Directors

Mr. Li Zhong (李忠), aged 46, was appointed as an independent non-executive Director on 22 June 2016, a member of our audit committee, remuneration committee and nomination committee on 22 June 2016. He graduated from the faculty of architecture of Tongji University in the PRC (同濟大學) in July 1994, majoring in architecture. Since November 2013, he has been the deputy chairman (副主任) of the board of experts of the Beijing City Development Research Institute (北京城市發展研究院專家委員會). Mr. Li has been a member of the advisory board of the Architectural Planning Committee of the Architect division of the Architectural Society of China (中國建築學會建築師分會建築策劃專委會顧問委員) since May 2015.

During 1994 to 1996, Mr. Li started up his personal workshop. Mr. Li worked in Henderson (China) Investment Company Limited (恒基(中國)投資有限公司) as a deputy manager during 1996 to 1997, and worked in Vigers (China) Limited (威格斯(中國)有限公司) (a subsidiary company of Lafe Corporation Limited, a company listed on Singapore Exchange Limited, Stock Code: L05) as a general manager during 1998 to 2002. Mr. Li served as the managing director of Regal Lloyds International Real Estate Consultants Beijing Co., Ltd. (華高萊斯國際地產顧問(北京)有限公司) since June 2003. He has also been appointed as an independent director of Kun Ding Investment Management Group Co., Ltd (坤鼎投資管理集團股份有限公司) (a company listed on the National Equities Exchange and Quotations, Stock Code: 833913) since May 2015.

Mr. E Jun Yu (鄂俊宇), aged 45, was appointed as an independent non-executive Director on 22 June 2016, the chairman of our remuneration committee and a member of our audit committee, and nomination committee on 22 June 2016. Mr. E obtained an Executive Master's degree of Business Administration from Cheung Kong Graduate School of Business in the PRC in August 2006. Mr. E was awarded "The Young Leader of Chinese Property Market" (中國房地產青年領袖) in August 2005 and "The Meritorious People of Chinese Property Market in 2013-2014" (2013-2014 中國房地產功勛人物) in January 2014.

Mr. E worked in Hong Kong Lian Hua Investment Group (香港聯華投資集團) as the Beijing representative (北京代表) during January 1991 to March 1994. He then worked as assistant to general manager (總經理助理) in Everbright Real Estate Development Limited (中國光大房地產開發公司) during March 1994 to June 2002. From July 2002 to March 2009, he worked for Yeland Group Co.,Ltd (億城集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, Stock Code: SZ000616) and took up various positions including deputy manager, director and president. Mr. E has been appointed as a director of Beijing Hua Fu Sheng Shi Property Investment & Management Company Limited (北京華府盛世置業投資管理有限公司) since June 2009.

Mr. E was previously a director and/or general manager of the companies shown in the table below before their respective dissolution:

Name of company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution and/or striking off
Beijing Qianqiu Jiye Investment Consulting Co. Ltd. (北京千秋基業投資顧問有限公司)	PRC	Inactive	Director and general manager	Dissolved and deregistered	1 February 2008
Tian Long (Hong Kong) International Investment Holdings Limited (天龍(香港)國際投資集團有限公司)	Hong Kong	Inactive	Director	Dissolved by striking off	27 September 2002
Heartland Capital (Hong Kong) Investment Holding Limited (華府資本(香港)投資控股有限公司)	Hong Kong	Inactive	Director	Dissolved and deregistered	9 May 2014

Mr. E confirmed that the above companies were solvent at the time of deregistration/revocation, and he did not incur any debt and/or liabilities because of such deregistration and revocation, and that the deregistration/striking off did not have any negative effect on the Group.

Dr. Chen Shimin (陳世敏), aged 57, was appointed as our independent non-executive Director on 22 June 2016, the chairman of our audit committee and a member of our remuneration committee and nomination committee on 22 June 2016. Dr. Chen obtained a bachelor's degree and master's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in the PRC in January 1983 and October 1985 respectively, before obtaining a doctorate degree in philosophy from University of Georgia in the United States of America in August 1992. He was recognised as a Certified Management Accountant by The Institute of Certified Management Accountants of the Institute of Management Accountants, United States of America, on 9 January 2008.

Dr. Chen is currently serving as a Professor of Accounting, the Associate Dean and Director of the MBA Programme in China Europe International Business School (中歐國際工商學院). Dr. Chen has also been appointed as a committee member of the Shanghai MBA Programme Postgraduate Education Steering Committee (上海工商管理專業學位研究生教育指導委員會委員) by Shanghai Graduate Institute of Education (上海市研究生教育學會) and Shanghai Academic Degrees Committee Office (上海市學位委員會辦公室) in 26 June 2014, and Honorary Chairman of Pudong, Shanghai branch of the Institute of Management Accountants (美國管理會計師協會上海浦東分會) in April 2015.

Dr. Chen was appointed as an independent director of Shanghai Oriental Pearl (Group) Co., Ltd. (上海東方明珠(集團) 股份有限公司) (a deregistered company formerly listed on the Shanghai Stock Exchange, Stock Code: 600832) in June 2008, and has been appointed as an independent director of Shanghai Oriental Pearl Media Co., Ltd. (上海東方明珠新媒體股份有限公司) (a company listed on the Shanghai Stock Exchange, Stock Code: 600637) since June 2015, Huafa Industrial Co., Ltd. Zhuhai (珠海華發實業股份有限公司) (a company listed on the Shanghai Stock Exchange, Stock Code: 600325) since July 2013, Zhejiang Wolwo Bio-Pharmaceutical Co., Ltd (浙江我武生物科技股份有限公司) (a company listed on Shenzhen Stock Exchange, Stock Code: 300357) since 28 January 2011, and Hangzhou Shunwang Technology Co., Ltd (杭州順網科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, Stock Code: 300113) from November 2009 to March 2016; an independent non-executive director of China High Speed Transmission Equipment Group Co., Ltd. (中國高速傳動設備集團有限公司) (a company listed on the Stock Exchange, Stock Code: 658) since 8 June 2007 and Sun.King Power Electronics Group Limited (賽晶電力電子集團有限公司) (a company listed on the Stock Exchange, Stock Code: 580) since 19 August 2010.

Mr. Chen was previously an independent non-executive director of the company shown in the table below before its dissolution:

Name of company	Place of establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution
Shanghai Oriental Pearl (Group) Co. Ltd. (上海東方明珠(集團)股份有限公司) . . .	PRC	Tourist, trading, media and property development	Director	Deregistered after merger with another company	19 June 2015

Mr. Chen confirmed that the above company was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Group.

Disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors confirms with respect to him/her that he/she (i) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; (ii) did not hold other positions in our Company or members of our Group as of the Latest Practicable Date; (iii) save as disclosed in the section headed "Statutory and General Information – C. Further Information about Substantial Shareholders, Directors and Experts – 1. Disclosure of interests" in Appendix V to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information relating to our Directors that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and (v) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters concerning our Directors' appointment that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Name	Age	Year of joining our Group	Present position(s) in our Company	Date of Appointment to position	Principal responsibilities
Ms. Wu Lijuan . . .	40	2013	Head of financial management division 財務管理部總監	January 2013	Responsible for the financial management of our Group
Mr. Leung Wai Fung, Joseph . .	45	2015	Company Secretary and Chief Financial Officer	June 2016	Financial planning, financial risks management, financial reporting, treasury and Company secretarial work

Ms. Wu Lijuan (吳莉娟), aged 40, has been the head of financial management division (財務管理部總監) of our Group since January 2013. Ms. Wu is also the chief financial officer (財務總監) of Lian Yun Gang Tai Sheng Development, Lian Yun Gang Long Ji Properties, Sanya Fenghuang Xincheng, Sanya Fenghuang Shuiyun, Hainan Nanhai Xiang Long and Sanya Hui Xin Trading and the general manager (總經理) of Nanjing Jia Pei, all of which are subsidiaries of our Company. Ms. Wu graduated from Nanjing Political College, the PRC (中國南京政治學院) and obtained bachelor's degree in economics, majoring in economics and administrative management (經濟與行政管理) in June 2013. Ms. Wu was accredited as a senior accountant by Human Resources and Social Security Department of Jiangsu Province (江蘇省人力資源和社會保障廳) in October 2011. Ms. Wu worked as financial accountant in Nanjing Da Di Construction Group (南京大地建設集團) from August 1994 to June 2001. From July 2002 to October 2004, Ms. Wu worked as chief financial officer in Nanjing Huaning State Construction Company Limited (南京華寧市政工程有限公司). Ms Wu worked in Verdure International consecutively as a finance manager, financial controller and general finance manager since 2005 until December 2012.

Mr. Leung Wai Fung, Joseph (梁偉峰), aged 45, was appointed as our company secretary and chief financial officer of our Group in September 2015.

Mr. Leung graduated from Concordia University in Canada with a bachelor degree of Commerce, major in accountancy, in May 1997. He has been a Certified Public Accountants accredited by the Washington State Board of Accountancy, the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants since 23 April 2002, 31 May 2002 and 1 January 2003 respectively. Mr. Leung has later became a Fellow Certified Public Accountant on 14 May 2013 in Hong Kong. Mr. Leung completed Enterprise Risk Quantitative Analysis Research Course (企業風險量化分析高級研修課程) from Peking University in August 2012. He was admitted as a Certified Enterprise Risk Manager in PRC by the Asia Association of Risk and Crisis Management in February 2014.

Mr. Leung has over 19 years of experience in accounting and auditing. Mr. Leung worked at PricewaterhouseCoopers (and formerly at Coopers Lybrand) from February 1997 to January 2006, first as an associate, and was promoted several times, the latest being to the position of senior manager. From January 2006 to December 2007, Mr. Leung worked at Wing Tai Properties Limited (永泰地產有限公司), (formerly known as United Success International Limited (富聯國際有限公司)) (a company listed on the Stock Exchange, Stock Code: 369) as internal audit manager. From December 2007 to February 2014, Mr. Leung worked in China Agri-Industries Holdings Limited (中國糧油控股有限公司) (a company listed on the Stock Exchange, Stock Code: 606) as the head of internal audit department. From March 2015 to before joining our Group, Mr. Leung worked at Changsheng (Holdings) Company Limited (昌盛集團有限公司) as its chief financial officer.

COMPANY SECRETARY

Mr. Leung Wai Fung, Joseph is the company secretary of our Company. Details of his qualifications and experience are set out in the paragraph headed "Senior management" above in this section.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

During the three financial years ended 31 December 2013, 2014 and 2015, the remuneration payable by our Company to our Directors is approximately RMB1,396,000, RMB1,440,000 and RMB2,267,000, respectively. During the three financial years ended 31 December 2013, 2014 and 2015, the remuneration payable by our Company to our senior management is approximately RMB940,000, RMB984,000 and RMB1,150,000, respectively. During the three financial years ended 31 December 2013, 2014 and 2015, the aggregate remuneration (including salaries, benefits in kind and/or discretionary bonus) paid to our five highest paid individuals, including the 2 directors stated above, was approximately RMB3,067,675, RMB2,564,637 and RMB2,440,833, respectively.

During the Track Record Period, no remuneration was paid by our Group to any of our Directors or the five largest-paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office. In addition, none of our Directors has waived any emoluments during the Track Record Period.

Under the arrangements in force as at the date of this prospectus, it is estimated that the remuneration payable to our Directors and senior management in respect of the financial year ending 31 December 2016 will be approximately RMB4,700,000 and RMB1,710,000 in aggregate, respectively.

Except as disclosed above, no other payments have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

After Listing, the Remuneration Committee will review and make recommendation as to the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance in our Group.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 22 June 2016 with its written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process, risk management and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee of our Company consists of three members, being Dr. Chen Shimin, Mr. Li Zhong and Mr. E Jun Yu, all being our Independent Non-executive Directors. Dr. Chen Shimin currently serves as the chairperson of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 22 June 2016 with its written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to make recommendations on the remuneration of our Company's senior management and to recommend members of the Board.

The remuneration committee of our Company consists of five members, being Mr. E Jun Yu, Mr. Huang Annan, Ms. Zhou Li, Mr. Li Zhong and Dr. Chen Shimin. Mr. E Jun Yu currently serves as the chairperson of the remuneration committee.

Nomination committee

Our Company established a nomination committee on 22 June 2016 with its written terms of reference by reference to the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee of our Company consists of five members, being Mr. Yeung, Ms. Zhou Li, Mr. Li Zhong, Mr. E Jun Yu and Dr. Chen Shimin. Mr. Yeung currently serves as the chairperson of the nomination committee.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, our Company intends to comply with the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules after Listing.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

COMPLIANCE ADVISER

We have agreed to appoint Haitong International Capital Limited to be our compliance adviser upon Listing on the Stock Exchange in compliance with Rules 3A.19 of the Listing Rules. We have entered into a compliance adviser's agreement with the compliance adviser prior to the Listing Date, the material terms of which are as follows:

- the term of appointment of the compliance adviser will commence on the Listing Date of our Company and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 31 December 2017), or until the agreement is terminated, whichever is earlier;

- the compliance adviser will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;

- our Company will consult with and, if necessary, seek advice from Haitong International Capital Limited as our compliance adviser in the following circumstances:

  (a) before the publication of any regulator announcement, circular or financial report;

  (b) where a transaction which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

  (c) where our Company intends to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviates from any forecast, estimate or other information in this prospectus;

  (d) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules; and

- the compliance adviser will serve as a channel of communication with the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering, the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Our Company

		As at the date of this prospectus		Immediately after completion of the Capitalisation Issue and the Global Offering	
Name	Capacity/Nature of interest	Number of Shares held/ interested in	Percentage of shareholding	Number of Shares held/ interested in	Approximate percentage of shareholding
Zhong Jia (International) *(Note 1)*	Beneficial owner	997	99.7%	224,325,000	74.78%
Mr. Yeung *(Notes 1 & 2)*	Interest in controlled corporation	1,000	100%	225,000,000	75%
Ms. Zhou Li *(Note 3)*	Interest of spouse	1,000	100%	225,000,000	75%

Notes:

1. Mr. Yeung beneficially owns 100% of the issued share capital of Zhong Jia (International). Therefore, Mr. Yeung is deemed, or taken to be interested in 224,325,000 Shares held by Zhong Jia (International) for the purposes of the SFO. Mr. Yeung is the sole director of Zhong Jia (International).

2. Among the 225,000,000 Shares, 224,325,000 Shares are held by Zhong Jia (International) and 675,000 Shares are held by Zhong Ze (International). Mr. Yeung beneficially owns 100% of the issued share capital of Zhong Ze (International). Therefore, Mr. Yeung is deemed, or taken to be interested 675,000 our Shares held by Zhong Ze (International) for the purpose of the SFO. Mr. Yeung is the sole director of Zhong Ze (International).

3. Mr. Yeung and Ms. Zhou Li have declared that they are cohabiting as spouse. Accordingly, Ms. Zhou Li is deemed, or taken to be, interested in the Shares in which Mr. Yeung is interested for the purpose of the SFO.

Save as disclosed in the table above, we are not aware of any other person who will, immediately following the completion of the Capitalisation Issue and the Global Offering, have an interest or a short position in our Shares or the underlying Shares which will fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SHARE CAPITAL

Authorised share capital		Nominal value HK$
2,000,000,000	**Shares of HK$0.01 each**	20,000,000

Our share capital immediately following the completion of the Capitalisation Issue and the Global Offering will be as follows:

Shares issued or to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering:

Shares		HK$
1,000	Shares in issue as at the date of this Prospectus	10
224,999,000	Shares to be issued pursuant to the Capitalisation Issue	2,249,990
75,000,000	Shares to be issued pursuant to the Global Offering	750,000
300,000,000		3,000,000

According to Rule 8.08 of the Listing Rules, at the time of the listing and at all times thereafter, we must maintain the "minimum prescribed percentage" of 25% of our issued share capital in the hands of the public.

MINIMUM PUBLIC FLOAT

At least 25% of the total issued share capital of our Company must at all times be held by the public. The 75,000,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank pari passu in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 22 June 2016, subject to the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors are authorised to allot and issue a total of 224,999,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on 23 June 2016 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK$2,249,990 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure of the Global Offering – Conditions Of The Hong Kong Public Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares subject to the requirement that the number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under any share option scheme of the Company or any Share allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrange in accordance with the Articles of Association or pursuant to a specific authority granted by the Shares or pursuant to the Capitalisation Issue and the Global Offering) shall not exceed:

(a) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering; and

(b) the total number of Shares repurchased pursuant to the authority granted to our Directors referred to in the paragraph "General Mandate to Repurchase Shares" in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue. This general mandate to issue Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company; or

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For details of this general mandate, please refer to the section headed "Statutory and General Information Further Information About Our Company – 3. Written Resolutions of our Shareholders Passed on 22 June 2016" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed "Structure of the Global Offering – Conditions Of The Hong Kong Public Offering" in this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers of the Company to repurchase Shares of not more than 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering.

This mandate only relates to repurchases made on the Stock Exchange, and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information Further Information About Our Company – 6. Repurchase of our Shares by our Company" in Appendix V to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company; or

(b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For details of this general mandate, please refer to the sections headed "Statutory and General Information Further Information About Our Company – 3. Written Resolutions of our Shareholders Passed on 22 June 2016" and "Statutory and General Information Further Information About Our Company – 6. Repurchase of our Shares by our Company" in Appendix V to this prospectus.

Save for the Incentive Equity Interest under the Pre-IPO Equity Interest Incentive Scheme, our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other shares.

As a matter of Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in Appendix IV to this prospectus.

PRE-IPO EQUITY INTEREST INCENTIVE SCHEME

The Group adopted the Pre-IPO Equity Interest Incentive Scheme on 5 January 2016 for the benefits of its senior management personnel. A summary of the principal terms of the Pre-IPO Equity Interest Incentive Scheme is set out in the section headed "Statutory and General Information – D. Pre-IPO Equity Interest Incentive Scheme" in Appendix V to this prospectus.

The following discussion should be read in conjunction with the combined financial information together with the accompanying notes in the Accountants' Report of our Group, the text of which is set forth in "Appendix I – Accountants' Report" to this prospectus. Our financial information is prepared in conformity with HKFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. You should read the whole Accountants' Report of the Group and not rely merely on the information contained in this section. Unless the context otherwise requires, financial information in this section is described on a combined basis.

The following discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include, without limitation, those discussed in the sections headed "Risk Factors" and "Business" and elsewhere in this prospectus.

OVERVIEW

We are a property developer primarily focusing on residential property development in the Hainan Province.

Our target customers mainly include Chinese nationals from other provinces. According to DTZ Report, we were the tenth largest property developer in Sanya in terms of sales for the years 2014 and 2015 and accounted for 0.4% and 0.5% of the market share of the Hainan property development industry for the respective periods. The Hainan Province in turn accounted for 1.2% and 1.1% respectively, of the market share in China's real estate market in 2014 and 2015.

Our property development projects are located in (i) Sanya, which is at the southernmost tip of Hainan Island; (ii) Haikou, which is in northern Hainan Island; and (iii) Danzhou, which is in the northwest part of Hainan Island. As at the Latest Practicable Date, we had six property development projects at various stages of development. The table below sets forth a brief summary of our development projects:

Projects	Project Company, % owned by our Company	Location of the projects	Status	Site Area (approximate) sq.m.
Sanya Phoenix Aqua City South Shore Phase I	Sanya Fenghuang Xincheng, 100% owned	Sanya	Partly completed and partly under development*	189,921.7
Sanya Phoenix Aqua City South Shore Phase II	Sanya Fenghuang Xincheng, 100% owned	Sanya	Future development	356,572.1
Sanya Phoenix Aqua City Left Shore	Sanya Fenghuang Shuiyun, approximately 97.0% owned	Sanya	Partly completed and partly under development	139,797.7

* The residential properties of Sanya Phoenix Aqua City South Shore Phase I was completed and only the carparks and ancillary facilities were under development.

Projects	Project Company, % owned by our Company	Location of the projects	Status	Site Area (approximate) sq.m.
Haikou Phoenix Aqua City Phase I .	Hainan Nanhai Xiang Long, 100% owned	Haikou	Completed	25,490.2
Haikou Phoenix Aqua City Phase II .	Hainan Nanhai Xiang Long, 100% owned	Haikou	Future development	61,761.0
Danzhou Phoenix Aqua City	Danzhou Shuang Lian, 60% owned	Danzhou	Future development	399,657.2

For each of the three years ended 31 December 2013 and 2014 and 2015, revenue for our Group was approximately RMB192.5 million, RMB790.4 million and RMB1,557.0 million, respectively, and (loss)/profit attributable to equity shareholders of our Company was approximately RMB(75.6) million, RMB128.2 million and RMB191.8 million, respectively, during the respective years.

BASIS OF PRESENTATION

In preparation for the Global Offering, our Company was incorporated in the Cayman Islands on 31 August 2015 as an exempted company with limited liability under the Companies Law. Pursuant to the Reorganisation, the existing Shareholders transferred to our Group all their interests in property development that our Group now conducts, further details of which are set out in the section headed "History, Reorganisation and Group's Structure – Major Developments and Milestones" in this prospectus.

As all the companies now comprising our Group that took part in the Reorganisation were controlled by the Controlling Shareholders before and after the Reorganisation, there was a continuation of the risks and benefits to the Controlling Shareholders. The Reorganisation is considered to be a business combination under common control. Accordingly, this section has been prepared as if our Group had always been in existence.

The combined statement of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group as set out in the section headed "Accountants' Report" in Appendix I to this prospectus include the results of operations of our Company and its subsidiaries for the Track Record Period (or where the Company and its subsidiaries were incorporated/established/acquired at a date later than 1 January 2013, for the period from the date of incorporation/establishment/acquisition to 31 December 2015) as if the Reorganisation was completed at the beginning of the Track Record Period. The combined statements of financial position of our Group as at 31 December 2013, 2014 and 2015 have been prepared to present the financial position of our Company and our subsidiaries as if the entities now comprising our Group had been combined as at those dates (or where the companies were acquired/incorporated/established at a date later than 1 January 2013, as if the combination has occurred from the date when the companies first came under the control of our Controlling Shareholders).

Nevertheless, given the shareholders of Danzhou Shuang Lian have agreed that the other shareholder of Danzhou Shuang Lian shall continue to develop and undertake fully the risk and reward of Danzhou Phase I until its completion and separate divisional ledgers and bank accounts were set up for Danzhou Phase I and Danzhou Phoenix Aqua City, and our Group does not share any of the profit and loss, assets and liabilities arising from Danzhou Phase I, the discussion in this section only refers to the Development Projects segment, unless otherwise stated. Please refer to note 2 of "Accountants Report" in Appendix I to this prospectus for details of the breakdown of operation results and financial positions of the two segments.

KEY FACTORS AFFECTING OUR PERFORMANCE

Our business, results of operations and financial condition are affected by a number of factors, many of which operate beyond our control. Please refer to the section headed "Risk Factors" in this prospectus for more details. Some of these factors are described below.

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

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

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

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For more than three decades, the PRC Government has implemented economic reform measures to utilise market forces in the development of the PRC economy. With the hike in price of property in the recent decade, the PRC government has promulgated administrative measures which have keep cool the property market in general. Nevertheless, given our unique market in the Hainan province, the effect on our business is considered not significant. We cannot predict whether further changes in the PRC's economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

Ability to acquire suitable land at reasonable prices

Our continuing growth in property development will heavily depend on our ability to secure quality land at prices that can offer reasonable returns. Based on our current development plans, we believe that we have sufficient land reserves for property developments for the next several years. If the PRC economy continues to grow at a relatively high speed and if demand for residential properties remains relatively strong, we expect that competition among developers for suitable land for property development will intensify. In addition, the public tender, auction and listing practice in respect of the grant of State-owned land use rights is also likely to increase competition for development land and to increase our land acquisition costs.

Availability and cost of financing

Bank borrowings have been, and we expect will continue to be, an important source of funding for us. As of 31 December 2013, 2014, 2015 and 30 April 2016, our outstanding bank borrowings amounted to RMB1,046.5 million, RMB1,056.8 million, RMB927.3 million and RMB1,448.3 million, respectively. As commercial banks and other financial institutions in China link the interest rates on their bank loans to benchmark lending rates published by PBOC, any increase in such benchmark lending rates will increase the interest costs related to our developments. In addition, increases in interest rates adversely affect the appeal of mortgage financing to potential purchasers of our properties, which will in turn affect demand for our properties.

In addition, we regularly consider and solicit additional or expanded bank borrowings to support our growing property development businesses. To the extent the PRC Government acts to limit the availability of debt or other capital to our industry, or to the extent the banks with which we customarily deal decide to change their lending focus away from our industry, availability and cost of financing to us could be adversely impacted. Without additional debt capital being available to us, our property development businesses cannot expand in the absence of new sources of equity capital.

Pre-sales

As permitted by PRC laws and regulations, we pre-sell properties upon satisfaction of certain requirements before completion of construction. We are required to use the pre-sales proceeds in the development of the same project. Since the pre-sales proceeds constitutes another important source of our operating cash flow during the progress of our project developments, any interruption or other delay in the amount or availability of cash flow from pre-sales could adversely affect us. Factors affecting pre-sales include timing and other restrictions on pre-sales imposed by the PRC Government, market demand for our properties and the number of properties we have available for pre-sale. Reduced cash flow from pre-sales of our properties would increase our reliance on external financing and adversely affect our ability to repay project-specific loans.

Progress of our property development projects

Our capacity for property development is constrained by the substantial amount of capital required to fund property development which include, (i) the costs of land acquisition and resettlement, and (ii) the cost of property construction. Our results of operations depend on the number of properties we developed and are prepared to market in a given period, which in turn depends on the number of projects we have under development, the construction schedule for these projects, and our related ability to time pre-sales and subsequent deliveries. While the pre-sale of a property generates positive cash flow for us in the period in which it is made, no sale is recognised in respect of such property until its development is completed and the property is delivered to the purchaser. As market demand is not stable, revenue in a particular period depends on our ability to time both the expected market demand for a project and the expected start and completion of the project's construction as well as the time when the purchaser actually takes delivery of the property. As a result, our results of operations are dependent upon events beyond our control and upon our business judgment as to both demand and our ability to deliver a property efficiently and timely.

Interim fluctuation of results of operations

Our results of operations tend to fluctuate from period to period. The number of properties that we develop or complete during any particular period is limited due to the substantial amount of capital required for land/project acquisition, preparation and resettlement in advance of actual development because of the lengthy development cycle during which the development itself takes place. Consequently, positive cash flow, revenue and profit from any one project may not occur for a long period of time. Often, our properties are developed in multiple phases over the course of more than one year, and the completion of one project followed by the concurrent commencement of another project is difficult to schedule. The selling prices of properties in larger scale property developments tend to increase as the overall development comes closer to completion. Seasonal variations have, in addition, caused significant fluctuations in pre-sales. Furthermore, variations in credit availability and cost of credit to our customers also may impact the timing of our sales. In addition, economic conditions in the PRC and our geographic areas of concentration bear direct impact on the demand for our products. As the result of these and other factors, our cash flow, revenue, and profit will fluctuate from period to period and the results of operations for any interim period may not be indicative of our actual annual results or results of our development projects.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain critical accounting policies and estimates that are significant to the preparation of our combined financial statements and important for an understanding of our financial position and results of operation. Our significant accounting policies are set forth in Note 1 to "Appendix I – Accountants Report" to this prospectus.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 32 to "Appendix I – Accountants Report" to this prospectus.

COMBINED RESULTS OF OPERATIONS

Our combined results of operation during the Track Record Period as extracted from the Accountants' Report as set out in Appendix I to this prospectus are summarised as below.

	Year ended December		
	2013	**2014**	**2015**
	RMB'000	**RMB'000**	**RMB'000**
Turnover	192,451	790,369	1,556,962
Cost of Sales	(116,583)	(401,837)	(1,128,778)
Gross profit	75,868	388,532	428,184
Other income	360	557	3,126
Change in fair value of investment properties	–	–	4,773
Selling and distribution expenses	(66,634)	(49,031)	(36,625)
Administrative expenses	(46,618)	(50,747)	(57,337)
Other expenses	(9,351)	(10,724)	(5,367)
Operating (loss)/profit	(46,375)	278,587	336,754
Finance income	12,319	1,246	13,467
Finance costs	(37,162)	(2,072)	(14,374)
Net Finance (cost)/income	(24,843)	(826)	(907)
Share of losses of an associate	(3,120)	(2,077)	(640)
Gain from disposal of joint ventures	–	–	6,922
Gain from disposal of subsidiaries	–	–	12
(Loss)/profit before taxation from continuing operations	(74,338)	275,684	342,141
Income tax	(2,856)	(164,937)	(157,988)
(Loss)/profit from continuing operations	(77,194)	110,747	184,153
Discontinued operations			
(Loss)/profit from discontinued operations, net of tax	(2,938)	924	1,210
(Loss)/profit and total comprehensive income for the year	(80,132)	111,671	185,363

Turnover

Our turnover consists primarily the proceeds from the sales of properties. For each of the three years ended 31 December 2013, 2014 and 2015, we recognised revenue of RMB192.5 million, RMB790.4 million and RMB1,556.4 million, respectively for sales of properties. We also commenced leasing of car parks and apartments in 2015 and revenue derived therefrom amounted to RMB536,000 for the year ended 31 December 2015.

The following table sets forth the revenue generated during the Track Record Period:

	Year ended 31 December								
	2013			2014			2015		
Projects	GFA delivered(1)	Revenue(2)	Average Selling Price per sq.m.	GFA delivered(1)	Revenue(2)	Average Selling Price per sq.m.	GFA delivered(1)	Revenue(2)	Average Selling Price per sq.m.
	sq.m.	RMB'000	RMB	sq.m.	RMB'000	RMB	sq.m.	RMB'000	RMB
Sales of properties									
Development Projects	**9,058**	**192,451**	**21,247**	**40,675**	**790,369**	**19,431**	**48,815**	**1,402,150**	**28,724**
1. Sanya Phoenix Aqua City South Shore Phase I	**9,058**	**192,451**	**21,247**	**40,675**	**790,369**	**19,431**	**31,193**	**989,159**	**31,711**
Low-rise apartments	1,926	61,797	32,085	169	5,913	34,988	373	11,597	31,091
Multi-storey apartments	–	–	–	90	930	10,333	22,766	810,967	35,622
Medium-rise apartments	–	–	–	–	–	–	7,606	159,708	20,998
High-rise apartments	7,132	130,654	18,319	40,416	783,526	19,387	448	6,887	15,373
2. Sanya Phoenix Aqua City Left Shore	**–**	**–**	**–**	**–**	**–**	**–**	**17,622**	**412,991**	**23,436**
Multi-storey apartments	–	–	–	–	–	–	9,999	279,185	27,921
Medium-rise apartments	–	–	–	–	–	–	7,623	133,806	17,553
Total (exclusive of Danzhou Phase I)	9,058	192,451	21,247	40,675	790,369	19,431	48,815	1,402,150	28,724
Danzhou Phase I	**–**	**–**	**–**	**–**	**–**	**–**	**N/A(3)**	**154,276**	**N/A(3)**
Total	9,058	192,451	21,247	40,675	790,369	19,431	N/A(3)	1,556,426	N/A(3)
Rental income									
1. Sanya Phoenix Aqua City Left Shore	–	–	–	–	–	–	–	536	–

Notes:

(1) GFA delivered refers to areas of properties which are eligible for revenue recognition, i.e. the properties are completed and delivered to customers.

(2) As at 31 December 2013, 2014 and 2015, proceeds from the pre-sales and sales of our properties which amounted to RMB2,071.6 million, RMB1,649.9 million and RMB583.4 million respectively were not eligible for revenue recognition and were recorded as receipt in advance.

(3) GFA information is not available in respect of Danzhou Phase I as Danzhou Phase I was managed and developed solely by other equity interest holders of Danzhou Shuang Lian with no involvement from our management nor do we share any risk and reward, we cannot ascertain the accuracy of the operating data which is contained in separate books, thus the operating data is not presented in this prospectus.

During the Track Record Period, our GFA delivered and revenue recognised, as well as the average selling price fluctuated from period to period depending on the types and size of the property units we delivered.

Subject to satisfying the legal requirements for pre-sales in the PRC, we seek to sell our properties prior to the completion and delivery. For details please refer to the section "Business – Our Development Projects – Pre-sales and Sales". Generally, we experience a time difference ranging from twelve months to eighteen months between the time we commence pre-selling of properties under development and the delivery of properties to purchasers. As a portion of the purchase price for a property is generally paid by the buyers in one or more installments prior to delivery of properties, each paid installment is reflected in our balance sheet as a liability (receipts in advance) and not as revenue.

Results of operations for a given period are dependent upon the type and GFA of properties we delivered during that period, the market demand for those properties, the price we are able to obtain for such properties and the terms of sale. Revenue from sales of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyers. Our Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. For details, please refer to the paragraph headed "Key Factors Affecting Our Performance" in this section above and the section headed "Risk Factors" in this prospectus.

Cost of Sales

Cost of sales in connection with sales of properties consists of costs incurred for property development, including land costs and resettlement costs, development costs, capitalised interest and indirect costs.

The table below reflects the components of our costs of properties sold during the Track Record Period:

	Year ended 31 December					
Cost of Sales	**2013**		**2014**		**2015**	
	RMB'm	**%**	**RMB'm**	**%**	**RMB'm**	**%**
Land costs and resettlement costs	20,589	17%	33,257	8%	240,483	21%
Development costs	84,825	73%	314,682	78%	814,226	72%
Capitalised interest	9,230	8%	50,785	13%	53,827	5%
Indirect costs	1,939	2%	3,113	1%	20,242	2%
Total	116,583		401,837		1,128,778	

The table below reflects our unit cost by each component (exclusive of Danzhou Phase I) during the Track Record Period:

	Year ended 31 December		
Unit Cost of Our Development Projects	**2013**	**2014**	**2015**
GFA delivered (sq.m.)[1]	9,058	40,675	48,815
Unit cost (RMB/sq.m.)[2]	**12,871**	**9,879**	**20,246**
Land costs and resettlement costs (RMB/sq.m.)	2,273	818	4,639
Development costs (RMB/sq.m.)	9,365	7,736	14,302
Capitalised interest (RMB/sq.m.)	1,019	1,248	996
Indirect costs (RMB/sq.m.)	214	77	309

Notes:

(1) GFA information is not available in respect of Danzhou Phase I as Danzhou Phase I was managed and developed solely by other equity interest holder of Danzhou Shuang Lian with no involvement from our management nor do we share any risk and reward, we cannot ascertain the accuracy of the operating data which is contained in separate books, thus the operating data is not presented in this prospectus.

(2) The unit cost of sales per sq.m. of high-rise apartments were the lowest amongst all four categories of properties sold by us given the associated land costs and resettlement costs were shared amongst a larger number of high-rise apartment's units.

Land Costs and Resettlement Costs. Land costs represent costs relating to acquisition of the rights to occupy, use and develop land, including land grant premiums and fair value adjustment in relation to acquisition of project companies that held land use rights and other land-related taxes and government surcharges. Resettlement costs represent costs relating to payments made for demolition of existing buildings and resettlement of existing residents in accordance with relevant PRC laws and regulations.

Development Costs. Development costs include costs for the design and construction of a property development project, consisting primarily of fees paid to contractors, including fees relating to construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. Our construction costs are affected by a number of factors such as price movements of construction materials, location and types of properties, choices of materials and the types of ancillary facilities. Substantially all of the costs of construction materials, whether procured by ourselves or by our contractors, are accounted for as part of the contractor fees upon settlement with the relevant contractors.

Capitalised Interest. We capitalise a portion of our interest costs to the extent that such costs are directly attributable to the construction of a project. In general, we capitalise interest costs incurred from the commencement of the construction of a project until the completion of the project. The interest costs incurred before the commencement or after the completion of the project are not capitalised but they are accounted for in our combined income statements as finance cost in the period in which they are incurred.

Indirect Costs. Indirect costs refers to costs incurred for the project management teams and other indirect costs allocated to specific projects.

The following table sets out a sensitivity analysis of hypothetical fluctuations in our average selling price of our properties sold and delivered, and development costs, with other assumptions held constant, and their effect on our revenue and profit (if any) for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
Increase in average selling price	10%	20%	10%	20%	10%	20%
Impact on revenue (RMB'000)	19,245	38,490	79,037	158,074	155,643	311,286
Impact on profit or loss for the year (RMB'000)	14,434	28,868	59,278	118,556	116,732	233,464
Decrease in average selling price	10%	20%	10%	20%	10%	20%
Impact on revenue (RMB'000)	(19,245)	(38,490)	(79,037)	(158,074)	(155,643)	(311,286)
Impact on profit or loss for the year (RMB'000)	(14,434)	(28,868)	(59,278)	(118,556)	(116,732)	(233,464)
Increase in development costs of property development	10%	20%	10%	20%	10%	20%
Impact on profit or loss for the year (RMB'000)	(6,362)	(12,724)	(23,601)	(47,202)	(61,067)	(122,134)
Decrease in development costs of property development	10%	20%	10%	20%	10%	20%
Impact on profit or loss for the year (RMB'000)	6,362	12,724	23,601	47,202	61,067	122,134

Gross Profit

The following table sets out our total gross profit and gross profit margin during the Track Record Period:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
		Gross Profit	
Sales of Properties	75,868	388,532	427,648
Rental Income	–	–	536
Total Gross Profit	75,868	388,532	428,184
		Gross Profit Margin %	
Sales of Properties	39.4%	49.2%	27.5%
Rental Income	–	–	100%

Selling and Distribution Expenses

Selling and distribution expenses primarily include expenses relating to advertising and marketing, sales commissions, salary and welfare directly attributable to sales personnel and office expenses directly attributable to distribution. Selling and distribution expenses in connection with our property development are generally accrued during the pre-sale period. A breakdown of the selling and distribution expenses during the Track Record Period is as follows:

	Year ended 31 December					
	2013		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	370	0.6	1,255	2.6	1,322	3.6
Travel and entertainment expenses	237	0.4	466	1.0	1,415	3.9
Advertising and marketing expenses	45,605	68.4	27,401	55.7	14,495	39.5
Sales commission *(Note)*	14,225	21.3	11,699	23.9	12,347	33.7
Office expenses	1,604	2.4	1,064	2.2	503	1.4
Transaction administrative fees and levies	664	1.0	2,116	4.3	2,638	7.2
Others	3,929	5.9	5,030	10.3	3,905	10.7
	66,634	100.0	49,031	100.0	36,625	100.0

Note: Sales commission is charged at a percentage to the purchase price of the property as set out in the pre-sale agreement or sales and purchase contract and payable upon receipt in full of the purchase price.

Administrative Expenses

Administrative expenses primarily include expenses relating to staff cost, travel and entertainment expenses, fixed assets depreciation, intangible assets amortisation, consultation fees, audit fees, listing expenses, property management fees, tax, office administrative expenses and others.

	Year ended 31 December					
	2013		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	14,129	30.2	14,912	29.4	11,745	20.5
Travel and entertainment expenses	6,471	13.9	6,209	12.2	3,298	5.8
Fixed assets depreciation	3,112	6.7	3,730	7.4	4,340	7.6
Intangible assets amortisation	166	0.4	118	0.2	111	0.2
Consultation fees	68	0.1	997	2.0	174	0.3
Audit fees	261	0.6	245	0.5	19	0.0
Listing expenses	–	–	–	–	12,727	22.2
Property management fees	7,802	16.7	7,713	15.2	5,560	9.7
Tax	8,743	18.8	12,708	25.0	15,774	27.4
Office administrative expenses	3,731	8.0	2,649	5.2	2,570	4.5
Others	2,135	4.6	1,466	2.9	1,019	1.8
	46,618	100.0	50,747	100.0	57,337	100.0

Other Income and Other Expenses

Other Income

Other income include forfeiture of customer deposits and subsidy income:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Forfeiture of customer deposits	50	557	570
Subsidy income	310	–	2,556
	360	557	3,126

We received subsidy income from local governments in 2015 due to one-off government subsidy income obtained in relation to the use of environmental friendly solar energy boiler for the properties in Sanya Phoenix Aqua City Left Shore.

We received forfeited customer deposits when the customers ignore our reminders and fail to enter into formal sale and purchase agreement or fulfil their obligations in accordance with the terms and conditions of the formal sale and purchase agreements entered with us.

Other Expenses

A breakdown of other expenses during the Track Record Period is as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Land premium late payment charges	6,372	6,207	4,767
Tax late payment charges	1,251	–	–
Compensation	1,597	–	–
Administrative fines	–	3,664	500
Others	131	853	100
	9,351	10,724	5,367

Other expenses include late payment charges, compensation, administrative fines and other expenses such as donations. Land premium late payment charges was due to the additional land premium arisen from the increase in the GFA for in Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City South Shore Phase II and Sanya Phoenix Aqua City Left Shore. For details, please refer to the section headed "Business – Our development projects – Description of our property development projects – Increase of GFA of Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City South Shore Phase II and Sanya Phoenix Aqua City Left Shore" in this prospectus. Tax late payment charge in 2013 was due to the underpaid or late paid tax prior to the Track Record Period, which has been settled in full subsequently. Compensation was paid to our customers mainly as a result of contract defaults. In 2014, we recorded administrative fine of RMB3.7 million in respect of our actual GFA of the terrace of a block of apartment exceeding the approved GFA by 198 sq.m. We were fined RMB300,000 in 2015 as a result of unauthorised change of the use of settled foreign exchange capital by a subsidiary. An administrative fine of RMB200,000 was recorded in 2015, which was imposed on Sanya Fenghuang Xincheng due to unauthorised sewage discharge into West River, Sanya. As at Latest Practicable Date, incidents related to such administrative fines have been fully settled. For details of these non-compliance events, please refer to the section headed "Business – Non-Compliance" in this prospectus. We made donations to charitable organisations and to various social welfare organisations which include, amongst others, a RMB500,000 donations to the Hainan Province Department of Civil Affairs in 2014. Donations were made on a case by case basis. We do not have any obligation to make such donations, nor do we plan to maintain our level of donations at a certain amount in the future.

Finance Income

Finance income represents interest income from bank deposits and interest bearing amounts due from related parties.

Finance Costs

Finance costs represent interest on borrowings, net of interest capitalised that are recognised in the cost of property development. The borrowing costs have been capitalised at rates 4.60%, 6.75% and 5.89% per annum for the three years ended 31 December 2013, 2014 and 2015, respectively.

Income Tax

The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Current tax			
PRC corporate income tax ("CIT")	4	26,605	97,881
PRC land appreciation tax ("LAT")	22,132	124,285	116,101
Deferred tax			
CIT	(15,892)	17,669	(10,911)
LAT	(4,246)	(3,307)	(44,540)
Total tax charge for the year			
– from continuing operations	2,856	164,937	157,988
– from discontinued operation	(858)	315	543

CIT

Our subsidiaries are subject to corporate income tax in China. Under the Corporate Income Tax Law and its implementation rules, the statutory tax rate for all of our PRC subsidiaries has been unified to 25.0% since 1 January 2012.

LAT

We estimate and make provisions for the full amount of applicable LAT when the corresponding revenue is required in accordance with the requirements set out in the relevant PRC tax laws and regulations. We prepay 2.0% to 5.0% of the sales and pre-sale proceeds each years as required by the local tax authorities in accordance with prevailing market practice which varies by locality and property type.

Hong Kong Profit Tax

No provision for Hong Kong Profits Tax was made as our Hong Kong subsidiaries did not earn any income subject to Hong Kong profits tax.

Cayman Island Income Tax

Currently, we are not subject to Cayman Islands income tax. For more details please refer to the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix IV to this prospectus.

ADJUSTED NET PROFIT/(LOSS)

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use adjusted net profit/(loss) as additional financial measure. We present this financial measure because they are used by our management to evaluate our operating performance. We also believe that this non-HKFRS measure provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted net profit/(loss), as we present it, represents operating profit/(loss), adjusted to exclude fair value gain from investment properties, subsidy income, finance income and cost relating to intercompany loans, gain from disposal of joint ventures and subsidiaries, share of loss of an associate, listing expenses, profit/(loss) from discontinued operation and related tax effect. Items excluded from adjusted net profit/(loss) have been and may continue to be significant factors in our business prior to the completion of the Global Offering. Each of these items should also be considered in the overall evaluation of our results. The term of adjusted net profit/(loss) is not defined under HKFRS. The use of adjusted net profit/(loss) has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the year.

We compensate for these limitations by reconciling the financial measure to the nearest HKFRS performance measure, all of which should be considered when evaluating our performance. The following table reconciles our adjusted net profit/(loss) for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is net profit/(loss) attributable to equity shareholders of our Company:

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
(Loss)/Profit attributable to equity shareholders of our Company	(75,625)	128,182	191,812
Less:			
Fair value gain from investment properties	–	–	(4,773)
Subsidy income	(310)	–	(2,556)
Finance income[(1)]	(11,385)	–	(13,147)
Finance cost[(1)]	21,370	–	–
Gain from disposal of joint ventures	–	–	(6,922)
Gain from disposal of subsidiaries	–	–	(12)
Add:			
Share of losses of an associate	3,120	2,077	640
Listing expense			12,727
Net tax effect	(3,199)	(519)	5,812
Less:			
Loss/(Profit) from discontinued operation	2,938	(924)	(1,210)
Adjusted net (loss)/profit attributable to equity shareholders of our Company	(63,091)	128,816	182,371

Note:

(1) The financial income and finance cost refer to those relating to intercompany loans.

In light of the foregoing limitations for other financial measures, when assessing our operating and financial performance, you should not consider adjusted net profit/(loss) in isolation or as a substitute for our profit/(loss) for the year or any other operating performance measure that is calculated in accordance with HKFRS. In addition, because these measures may not be calculated in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies.

DISCUSSION OF RESULTS OF OPERATIONS

Year ended 31 December 2015 compared to year ended 31 December 2014

The following table sets forth the revenue generated from and the cost of sales of each project for the year ended 31 December 2014 and 2015, respectively.

	Year ended 31 December									
	2014					2015				
Projects	GFA delivered[1]	Revenue[3]	Average selling price per sq.m.	Cost of sales	Average cost of sales per sq.m.[2]	GFA delivered[1]	Revenue[3]	Average selling price per sq.m.	Cost of sales	Average cost of sales per sq.m.[2]
	sq.m.	RMB'000	RMB/ sq.m.	RMB'000	RMB	sq.m.	RMB'000	RMB/ sq.m.	RMB'000	RMB
Sales of properties										
Development Projects	**40,675**	**790,369**	**19,431**	**401,837**	**9,879**	**48,815**	**1,402,150**	**28,724**	**988,296**	**20,186**
1. Sanya Phoenix Aqua City South Shore Phase I	**40,675**	**790,369**	**19,431**	**401,837**	**9,879**	**31,193**	**989,159**	**31,711**	**722,371**	**23,158**
Low-rise apartments	169	5,913	34,988	4,188	24,781	373	11,597	31,091	9,234	24,756
Multi-storey apartments	90	930	10,333	935	10,389	22,766	810,967	35,622	609,225	26,760
Medium-rise apartments	–	–	–	–	–	7,606	159,708	20,998	99,586	13,093
High-rise apartments	40,416	783,526	19,387	396,714	9,816	448	6,887	15,373	4,326	9,656
2. Sanya Phoenix Aqua City Left Shore	**–**	**–**	**–**	**–**	**–**	**17,622**	**412,991**	**23,436**	**265,925**	**14,967**
Multi-storey apartments	–	–	–	–	–	9,999	279,185	27,921	159,291	15,931
Medium-rise apartments	–	–	–	–	–	7,623	133,806	17,553	106,634	13,727
Total (exclusive of Danzhou Phase I)	40,675	790,369	19,431	401,837	9,879	48,815	1,402,150	28,724	988,296	20,186
Danzhou Phase I	**–**	**–**	**–**	**–**	**–**	**N/A[4]**	**154,276**	**N/A[4]**	**140,482**	**N/A[4]**
Total	40,675	790,369	19,431	401,837	9,879	N/A[4]	1,556,426	N/A[4]	1,128,778	N/A[4]
Rental income										
1. Sanya Phoenix Aqua City Left Shore	N/A	–	N/A	–	N/A	N/A	536	N/A	–	N/A

Notes:

(1) GFA delivered refers to areas of properties which are eligible for revenue recognition, i.e., the properties are completed and delivered to customers.

(2) The cost of sales of each category varies with the mix of apartments delivered.

(3) As at 31 December 2014 and 2015, proceeds from the pre-sales and sales of our properties which amounted to RMB1,649.9 million and RMB583.4 million, respectively were not eligible for revenue recognition and were recorded as receipt in advance.

(4) GFA information is not available in respect of Danzhou Phase I as Danzhou Phase I was managed and developed solely by other equity interest holder of Danzhou Shuang Lian with no involvement from our management nor do we share any risk and reward, we cannot ascertain the accuracy of the operating data which is contained in separate books, thus the operating data is not presented in this prospectus.

Turnover. Our turnover increased from RMB790.4 million for the year ended 31 December 2014 to RMB1,557.0 million for the year ended 31 December 2015, representing an increase of 97.0%. The increase in turnover was attributable to (i) the increase in the average selling price per sq.m. for Development Projects from RMB19,431 for the year ended 31 December 2014 to RMB28,724 for the year ended 31 December 2015, representing an increase of 47.8% which was due to the increase in the GFA delivered for multi-storey apartments (which have a higher average selling price per sq.m.) for the year ended 31 December 2015 as compared to the year ended 31 December 2014 for which majority of GFA delivered were high-rise apartments (which have a lower average selling price per sq.m.); and (ii) the increase in the delivery area in the year ended 31 December 2015 due to the completion and delivery of the multi-storey apartments in Sanya Phoenix Aqua City South Shore Phase I, part of Sanya Phoenix Aqua City Left Shore and part of Danzhou Phase I in the year ended 31 December 2015.

Cost of Sales. Our cost of sales increased from RMB401.8 million for the year ended 31 December 2014 to RMB1,128.8 million for the year ended 31 December 2015, representing an increase of 180.9%. The increase in cost of sales was attributable to the increase in the GFA delivered for multi-storey apartments of our Development Projects (which have a higher average cost of sales per sq.m.) for the year ended 31 December 2015 as compared to the year ended 31 December 2014 for which majority of GFA delivered were high-rise apartments of our Development Projects (which have a lower average cost of sales per sq.m.) for the year ended 31 December 2014 and delivery of GFA in respect of Danzhou Phase I.

Gross Profit. As a result of the forgoing, the gross profit increased from RMB388.5 million for the year ended 31 December 2014 to RMB428.2 million for the year ended 31 December 2015, representing a slight increase of 10.2%.

Our gross profit margin decreased from 49.2% for the year ended 31 December 2014 to 27.5% for the year ended 31 December 2015. The decrease was attributable to the increase in the GFA delivered for multi-storey apartments which were of a lower gross profit margin for the year ended 31 December 2015 as compared to the year ended 31 December 2014 for which majority of GFA delivered were high-rise apartments which were of a higher gross profit margin. The unit cost of sales per sq.m. of high-rise apartments was the lowest amongst all four categories of properties sold by us given the associated land costs and resettlement costs were shared amongst a larger number of high rise-apartment units.

Rental Income. Rental income was recorded for the year ended 31 December 2015 as a result of the leasing of a block of property of Sanya Phoenix Aqua City Left Shore to a hotel management company to operate as service apartment since December 2015 and renting out of certain of our car parking spaces.

Other Income. Other income increased from RMB0.6 million for the year ended 31 December 2014 to RMB3.1 million for the year ended 31 December 2015, representing an increase of 416.7%. The increase was attributable to the one-off government subsidy income obtained in relation to the use of environmental friendly solar energy boiler for the properties in Sanya Phoenix Aqua City Left Shore for the year ended 31 December 2015 of RMB2.6 million.

Other Expenses. Other expenses decreased by 49.5% to RMB5.4 million for the year ended 31 December 2015 from RMB10.7 million for the year ended 31 December 2014. The decrease was due to the decrease in administrative fines and land premium late payment charges. We recorded an administrative fine of RMB300,000 in 2015 as a result of unauthorised change of the use of settled foreign exchange capital by a subsidiary. An administrative fine of RMB200,000 was recorded in 2015, which was imposed on Sanya Fenghuang Xincheng due to unauthorised sewage discharge into West River, Sanya. The late payment charges on overdue land premium was due to the land premium incurred from the increase in GFA in Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City South Shore Phase II and Sanya Phoenix Aqua City Left Shore. The additional land premium concerned was intended to be offset by the compensation to be received from the Sanya Municipal Government resulting from Sanya Municipal Government expropriated part of the land in Sanya Phoenix Aqua City South Shore Phase I, in Sanya Phoenix Aqua City South Shore Phase II and in Sanya Phoenix Aqua City Left Shore but have yet to receive the official notice of such offsetting resolution. The late payment charge shall be accrued until the issuance of final notice. The decrease of the amounts during the Track Record Period was due to changes in interest rate charged against the additional land premium concerned.

Selling and Distribution Expenses. Our selling and distribution expenses decreased by RMB12.4 million or 25.3% to RMB36.6 million for the year ended 31 December 2015 from RMB49.0 million for the year ended 31 December 2014, primarily due to a decrease of RMB12.9 million from RMB27.4 million for the year ended 31 December 2014 to RMB14.5 million for the year ended 31 December 2015 in advertising and promotion expenses as a result of adjustments in our marketing strategy to reduce advertising after establishing awareness among customers in the earlier stage which was partly offset by an increase in sales commission of RMB0.6 million or 5.1% from RMB11.7 million for the year ended 31 December 2014 to RMB12.3 million for the year ended 31 December 2015 as a result of increase in the pre-sales and sales of properties of RMB167.4 million or 40.3% from RMB415.9 million for the year ended 31 December 2014 to RMB583.3 million for the year ended 31 December 2015.

Administrative Expenses. Administrative expenses increased by 13.0% to RMB57.3 million for the year ended 31 December 2015 from RMB50.7 million for the year ended 31 December 2014, primarily due to the incurrence of listing expenses of RMB12.7 million for the year ended 31 December 2015 and increase in payment of land use tax for vacant land (not being idle land under relevant PRC laws and regulations) to be developed of RMB3.1 million from RMB12.7 million for the year ended 31 December 2014 to RMB15.8 million for the year ended 31 December 2015 which were partially offset by the decrease of RMB2.1 million in management fees for properties not yet sold and delivered from RMB7.7 million for the year ended 31 December 2014 to RMB5.6 million for the year ended 31 December 2015, decrease in staff costs of RMB3.2 million from RMB14.9 million for the year ended 31 December 2014 to RMB11.7 million for the year ended 31 December 2015 as a result of reduced contract labour fee of RMB1.7 million and a reduction in travel and entertainment expenses of RMB2.9 million from RMB6.2 million for the year ended 31 December 2014 to RMB3.3 million for the year ended 31 December 2015.

Finance Income. Finance income increased by 1,025.0% to RMB13.5 million for the year ended 31 December 2015 as compared to the financial income of RMB1.2 million for the year 31 December 2014. The increase in finance income in 2015 was primarily due to the increase in interest income of RMB13.1 million in respective of amounts due from Nanjing Yin Zhuo and Nanjing Yin Guang, being the joint ventures of our Group before the disposal in 2015. Such amounts were lent to these two companies in 2014 and were fully paid back with interest at the time of the disposal in 2015.

Finance Costs. Finance costs increased by 585.7% to RMB14.4 million for the year ended 31 December 2015 as compared to the finance costs of RMB2.1 million for the year ended 31 December 2014 which was primarily due to completion of part of our properties in 2015 and subsequently, the relevant interest expenses could no longer be capitalised.

Share of Losses of an Associate. There was a share of loss of RMB0.6 million for the year ended 31 December 2015 as compared to a loss of RMB2.1 million for the year ended 31 December 2014. The decrease in losses in 2015 was due to the decrease of net loss incurred by Wenchang Citi-Verdure before it was disposed of in November 2015. For details, please refer to note 15 of the Accountants' Report in Appendix I to this prospectus.

Income Tax Expense. Income tax expense decreased by 4.2% to RMB158.0 million for the year ended 31 December 2015 from RMB164.9 million for the year ended 31 December 2014. This decrease was primarily attributable to the combined effect of (i) the decrease of LAT from RMB121.0 million for the year ended 31 December 2014 to RMB71.6 million for the year ended 31 December 2015 due to the low land appreciation as a result of low profit margin of multi-storey apartments being delivered, and (ii) the increase of the PRC corporate income tax from RMB44.0 million for the year ended 31 December 2014 to RMB86.4 million for the year ended 31 December 2015 (which was mainly due to the increase in the profit from continuing operations, after deducting LAT expenses, from RMB154.7 million for the year ended 31 December 2014 to RMB270.6 million for the year ended 31 December 2015).

The effective tax rate for CIT (calculated as CIT expenses divided by profit before tax excluding LAT expenses) has slightly increased by 3.5% from 28.4% for the year ended 31 December 2014 to 31.9% for the year ended 31 December 2015.

The effective tax rate for LAT (calculated as LAT expenses divided by gross profit) decreased by 14.4% from 31.1% for the year ended 31 December 2014 to 16.7% for the year ended 31 December 2015 due to a lower appreciation rate applied to multi-storey apartments that were delivered to individual buyers in 2015. These multi-storey apartments had a low gross profit margin of 24.9%.

Profit from Continuing Operations. As a result of the foregoing reasons, our profit from continuing operations increased by 66.4% to RMB184.2 million for the year ended 31 December 2015 from a profit of RMB110.7 million for the year ended 31 December 2014.

Profit from Discontinued Operation. Profit from Sanya Bai Yue which was disposed in 2015, increased by 33.3% to RMB1.2 million for the year ended 31 December 2015 from RMB0.9 million for the year ended 31 December 2014. The increase in profit from discontinued operation was due to the gradual decrease in staff costs as a result of decrease in number of staff in the course of cessation of business.

Net Profit Attributable to Equity Shareholders of Our Company. As a result of the foregoing reasons, our net profit attributable to equity shareholders of the Company increased by 49.6% from RMB128.2 million for the year ended 31 December 2014 to RMB191.8 million for the year ended 31 December 2015.

As we continue to develop our property development business, notwithstanding our results of operations will fluctuate, for details, please refer to paragraph headed "Interim fluctuation of results of operations" in this section, we expect that our projects will be profitable in future periods.

Year ended 31 December 2014 compared to year ended 31 December 2013

The following table sets forth the revenue generated from the Development Projects for the year ended 31 December 2014 and 2013, respectively.

	Year ended 31 December									
	2013					2014				
Projects	GFA delivered[(1)]	Revenue[(3)]	Average Selling Price per sq.m.	Cost of sales	Average cost of sales per sq.m.[(2)]	GFA delivered[(1)]	Revenue[(3)]	Average Selling Price per sq.m.	Cost of sales	Average cost of sales per sq.m.[(2)]
	sq.m.	RMB'000	RMB/sq.m.	RMB'000	RMB'000	sq.m.	RMB'000	RMB/sq.m.	RMB'000	RMB'000
Sanya Phoenix Aqua City South Shore Phase I	**9,058**	**192,451**	**21,247**	**116,583**	**12,870**	**40,675**	**790,369**	**19,431**	**401,837**	**9,879**
Low-rise apartments	1,926	61,797	32,085	47,644	24,737	169	5,913	34,988	4,188	24,781
Multi-storey apartments.	–	–	–	–	–	90	930	10,333	935	10,389
High-rise apartments	7,132	130,654	18,319	68,939	9,666	40,416	783,526	19,387	396,714	9,816
Danzhou Phase I	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	9,058	192,451	21,247	116,583	12,870	40,675	790,369	19,431	401,837	9,879

Notes:

(1) GFA delivered refers to areas of properties which are eligible for revenue recognition, i.e., the properties are completed and delivered to customers.

(2) The cost of sales of each category varies with the mix of apartments delivered.

(3) As at 31 December 2013 and 2014, proceeds from the pre-sales and sales of our properties which amounted to RMB2,071.6 million and RMB1,649.9 million, respectively were not eligible for revenue recognition and were recorded as receipt in advance.

Turnover. Our turnover increased by 310.6% to RMB790.4 million for the year ended 31 December 2014 from RMB192.5 million for the year ended 31 December 2013. The increase was primarily due to a 349.1% increase in GFA delivered of Sanya Phoenix Aqua City South Shore Phase I from 9,058 sq.m. for the year ended 31 December 2013, to 40,675 sq.m. for the year ended 31 December 2014 which was slightly offset by a decrease in average selling price from RMB21,247 per sq.m. for the year ended 31 December 2013 to RMB19,431 per sq.m. for the year ended 31 December 2014. The decrease in average selling price per sq.m. was due to a change in sales mix that the revenue contribution of low-rise apartments, which were of a higher average selling price per sq.m., had decreased from 32.1% in 2013 to 0.7% in 2014.

Cost of Sales. Cost of sales increased by 244.6% to RMB401.8 million for the year ended 31 December 2014 from RMB116.6 million for the year ended 31 December 2013. The increase in cost of sales was attributable to the increase in GFA delivered in 2014, partially offset by the sale and delivery of properties with lower average cost of sales per sq.m. as a result of a change in sales mix as stated above.

Gross Profit. Gross profit increased by 411.9% to RMB388.5 million for the year ended 31 December 2014 from RMB75.9 million for the year ended 31 December 2013, primarily attributable to the increase in revenue and gross profit margin. Our gross profit margin increased to 49.2% for the year ended 31 December 2014 from 39.4% for the year ended 31 December 2013. Those changes are primarily attributable to the change in sale mix that the majority of the GFA delivered for the year ended 31 December 2014 were high-rise apartments which were of a higher gross profit margin as compared to the year ended 31 December 2013 for which we delivered a higher portion of GFA of low-rise apartments which were of a lower gross profit margin.

Other Income. Other income increased by RMB197,000 to RMB557,000 for the year ended 31 December 2014 from RMB360,000 for the year ended 31 December 2013, primarily due to the increase of forfeiture of customer deposits.

Other Expenses. Other expenses increase by 13.8% to RMB10.7 million for the year ended 31 December 2014 from RMB9.4 million for the year ended 31 December 2013. The increase was due to the combined effect of (i) the incurrence of administrative fines of RMB3.7 million for the year ended 31 December 2014 in respect of our actual GFA of a block of apartment exceeding the approved GFA by 198 sq.m.; (ii) there was no charges on overdue tax payments and compensation settlement for contract default (which were RMB1.3 million and RMB1.6 million for the year ended 31 December 2013, respectively) in 2014 and (iii) the slightly decrease in charges on overdue land premium of RMB0.2 million to RMB6.2 million for the year ended 31 December 2014 when compared with RMB6.4 million for the year ended 31 December 2013. The late payment charges on overdue land premium was due to the land premium incurred from the increase in the plot ratio in Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City South Shore Phase II and Sanya Phoenix Aqua City Left Shore.

Selling and Distribution Expenses. Our selling and distribution expenses decreased by RMB17.6 million or 26.4% to RMB49.0 million for the year ended 31 December 2014 from RMB66.6 million for the year ended 31 December 2013, as a result of a decrease in advertising and promotion expenses by RMB18.2 million or 39.9% to RMB27.4 million in the year ended 31 December 2014 from RMB45.6 million in the year ended 31 December 2013 due to the adjustments in our marketing strategy to spending less on advertising after establishing awareness among customers in the earlier stage and a reduction in sales commission of RMB2.5 million or 17.6% from RMB14.2 million for the year ended 31 December 2013 to RMB11.7 million for the year ended 31 December 2014 as a result of a reduction in pre-sale and sale of properties of RMB462.1 million or 52.6% from RMB878.0 million for the year ended 31 December 2013 to RMB415.9 million for the year ended 31 December 2014, and a decrease in office expenses of RMB0.5 million which were offset by an increase in transaction administrative fees and levies of RMB1.4 million from RMB0.7 million for the year ended 31 December 2013 to RMB2.1 million for the year ended 31 December 2014.

Administrative Expenses. Administrative expenses increased by 8.8% to RMB50.7 million for the year ended 31 December 2014 from RMB46.6 million for the year ended 31 December 2013, primarily due to the combined effect of an increase in payment of land use tax for vacant land to be developed of RMB4.0 million from RMB8.7 million for the year ended 31 December 2013 to RMB12.7 million for the year ended 31 December 2014 mainly attributable to Danzhou Phoenix Aqua City in 2014 of RMB4.9 million, an increase in staff cost of RMB0.8 million from RMB14.1 million for the year ended 31 December 2013 to RMB14.9 million for the year ended 31 December 2014 mainly due to an expanded management team to oversee the operation of Sanya Phoenix Aqua City Left Shore which development was full blown in 2014, a decrease in office administrative expenses of RMB1.1 million from RMB3.7 million for the year ended 31 December 2013 to RMB2.6 million for the year ended 31 December 2014 mainly due to effective cost saving policies and the reduction in travel and entertainment expenses of RMB0.3 million from RMB6.5 million for the year ended 31 December 2013 to RMB6.2 million for the year ended 31 December 2014.

Finance Income. The finance income decreased by 90.2% to RMB1.2 million for the year ended 31 December 2014 as compared to the finance income of RMB12.3 million for the year ended 31 December 2013. The decrease in finance income was primarily due to the interest income from an interest bearing intercompany loan via Zhong Hui Nanjing to Lingshui in 2013. We, on behalf of Lingshui, our related party at the time of the lending the intercompany loan, obtained a bank loan and on-lend to Lingshui via Zhong Hui Nanjing for its general working capital prior to Track Record Period. We charged Lingshui the interest expenses incurred by us and we recognised interest income of RMB11.4 million until such bank loan expired in 2013.

Finance Costs. The finance costs decreased by 94.4% to RMB2.1 million for the year ended 31 December 2014 as compared to the finance cost of RMB37.2 million for the year ended 31 December 2013. The decrease in finance costs in 2014 was primarily due to an increase of RMB22.8 million in interest capitalised to RMB87.7 million for the year ended 31 December 2014 from RMB64.9 million for the year ended 31 December 2013 as a result of the commencement of capitalisation along with the development of Sanya Phoenix Aqua City Left Shore and the reduction in interests expenses payable to Zhong Hui Nanjing related to Xi'an Trust upon termination of the financing arrangement in 2013. Furthermore, We recorded financial costs of RMB13.7 million for the year ended 31 December 2013 in respect of an interest bearing bank loan which we on-lend to Lingshui via Zhong Hui Nanjing and such bank loan expired in 2013.

Share of Losses of an Associate. There was a share of losses of RMB2.1 million for the year ended 31 December 2014 as compared to a loss of RMB3.1 million for the year ended 31 December 2013. The decrease of RMB1 million in losses was primarily due to cessation of business and decrease in staff of Wenchang Citi-Verdure.

Income Tax Expense. Income tax expense increased by 5,586.2% to RMB164.9 million for the year ended 31 December 2014 from RMB2.9 million for the year ended 31 December 2013. This increase was primarily attributable to the increase of profit before taxation. The PRC corporate income tax was a credit of RMB15.0 million and an expense of RMB44.0 million, respectively for the year ended 31 December 2013 and 2014. The increase of RMB59.0 million in PRC corporate income tax was primarily due to the increase in profit after deducting LAT expenses, from a loss of RMB92.2 million for the year ended 31 December 2013 to a profit of RMB154.7 million for the year ended 31 December 2014. LAT was RMB17.9 million and RMB121.0 million, respectively for the years ended 31 December 2013 and 2014. The increase of RMB103.1 million in LAT was primarily due to the increase in delivery of high-rise apartments with a high profit margin.

The effective tax rate for CIT for the year ended 31 December 2013 was 16.3%, which was lower than the statutory CIT rate of 25% due to an adjustment of certain non-deductible expenses that reduced the deductible loss for the year ended 31 December 2013. The effective rate for CIT for the year ended 31 December 2014 was 28.4% which was higher than the statutory CIT rate of 25% due to the add back of certain non-deductible expenses. Non-deductible expenses mainly include land premium late payment charges and entertainment expenses incurred for the year ended 31 December 2013 and 2014, and also include interest expenses from the Xi'an Trust loan for the year ended 31 December 2013.

The effective tax rate for LAT increased by 7.5% from 23.6% for the year ended 31 December 2013 to 31.1% for the year ended 31 December 2014 due to a higher appreciation rate applied to high-rise apartments which were delivered to individual buyers in 2014. These high-rise apartments had a high GP margin of 49.4%.

Profit/(Loss) from Continuing Operations. As a result of the foregoing reasons, there was an increase of profit from continuing operations by 143.4% to RMB110.7 million for the year ended 31 December 2014 from a loss of RMB77.2 million for the year ended 31 December 2013.

Profit/(Loss) from Discontinued Operation. The change from net loss of RMB2.9 million for the year ended 31 December 2013 to a net profit of RMB0.9 million for the year ended 31 December 2014 from discontinued operation was predominantly due to the decrease in staff costs of Sanya Bai Yue as such business has been subcontracted out at a fixed cost.

Net Profit/(Loss) Attributable to Equity Shareholders of Our Company. The change from net loss attributable from equity shareholders of our Company of RMB75.6 million for the year ended 31 December 2013 to net profit attributable from equity shareholders of our Company of RMB128.2 million for the year ended 31 December 2014 was as a result of the foregoing reasons.

We recorded loss attributable to equity shareholders for the year ended 31 December 2013, mainly due to (i) relatively less GFA being delivered in 2013 as a result of the project development and properties completion schedule of Sanya Phoenix Aqua City South Shore Phase I; (ii) selling expenses of RMB58.6 million incurred for the pre-sales of properties of Sanya Phoenix Aqua City South Shore Phase I in 2013 for which the revenue recognition took place in subsequent years upon the delivery of properties to individual buyers; (iii) interest expenses of RMB21.4 million incurred on loans borrowed from Xi'an Trust which could not be capitalised into properties under development as the loans were borrowed for the purpose of acquisition of Hainan Nanhai Xiang Long.

In accordance with the relevant PRC rules and regulation, the appropriation of statutory reserve of RMB32.5 million was made based on the statutory financial statements of Sanya Fenghaung Xincheng prepared under PRC Generally Accepted Accounting Practice issued by the Ministry of Finance of the PRC ("PRC GAAP"). Certain adjustments, which lowered the profit attributable to equity holders, have been made on such PRC GAAP financial statements, in preparing the underlying financial statements in accordance with HKFRS, based on which the Group's combined financial information was prepared. These adjustments mainly included a sales cut off adjustment which reduced the profit after tax by RMB422.5 million. In the PRC GAAP financial statements of Sanya Fenghuang Xincheng, we recognised sales revenue of RMB1,051.6 million before we obtained the completion certificates from the local government authorities although we delivered the properties to buyers before 31 December 2013. In preparing the underlying financial statements in accordance with HKFRS, we recognised these sales upon receipt of the completion certificates in subsequent year. This is in accordance with the Group's revenue recognition accounting policy that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. The adjustments also included expenses cut off adjustments of RMB18.3 million, interest capitalisation adjustment of RMB13.1 million and adjustment on under accrual of interest income of RMB10.7 million in accordance with HKFRS, which altogether increased the profit after tax by RMB42.1 million. Meanwhile, the combined net loss attributable to equity shareholders for the year ended 31 December 2013 was also partly due to the losses of other subsidiaries of our Group. As such, we made RMB32.5 million appropriation to our statutory reserve despite we recorded a combined net loss attributable to equity shareholders of RMB75.6 million for the year ended 31 December 2013.

NET CURRENT ASSETS

Set out below our current assets and current liabilities as at the financial period end dates and as at 30 April 2016:

	At 31 December			At 30 April
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Properties under development	5,080,584	5,587,990	3,672,318	3,428,062
Completed properties held for sale	103,954	96,595	1,244,114	1,480,270
Trade and other receivables	2,105,097	1,141,334	301,287	198,525
Current tax assets	129,565	123,727	41,710	78,986
Restricted cash	3,995	2,199	4,074	6,774
Cash and cash equivalents	143,997	135,695	142,991	193,191
	7,567,192	7,087,540	5,406,494	5,385,808
Current liabilities				
Trade and other payables	3,724,563	3,798,025	2,715,553	2,212,238
Loans and borrowings	183,772	505,878	485,000	808,394
Current tax liabilities	247,702	85,106	99,481	134,288
	4,156,037	4,389,009	3,300,034	3,154,920
Net current assets	3,411,155	2,698,531	2,106,460	2,230,888

As at 30 April 2016, we had net current assets of RMB2,230.9 million, consisting of RMB5,385.8 million of current assets and RMB3,154.9 million of current liabilities. As at 31 December 2015, we had net current assets of RMB2,106.5 million, consisting of RMB5,406.5 million of current assets and RMB3,300.0 million of current liabilities. As of 31 December 2014, we had net current assets of RMB2,698.5 million, consisting of RMB7,087.5 million of current assets and RMB4,389.0 million of current liabilities. As at 31 December 2013, we had net current assets of RMB3,411.2 million, consisting of RMB7,567.2 million of current assets and RMB4,156.0 million of current liabilities.

The RMB712.7 million decrease in net current assets from those as at 31 December 2013 to those as at 31 December 2014 was primarily attributable to (i) a decrease in our amounts due from related parties from RMB1,770.9 million as at 31 December 2013 to RMB863.8 million as at 31 December 2014 mainly due to the settlement of non-trade related parties balances and (ii) an increase in our loan and borrowings due within one year from RMB183.8 million as at 31 December 2013 to RMB505.9 million as at 31 December 2014 as we expanded our business and increased our financing needs. The RMB592.0 million decrease in net current assets from those as at 31 December 2014 to those as at 31 December 2015 was primarily attributable to a decrease in our amounts due from related parties from RMB863.8 million as at 31 December 2014 to RMB102.2 million as at 31 December 2015 mainly due to the continued settlement of non-trade related parties balances, partially offset by a decrease in trade payables from RMB1,120.4 million as at 31 December 2014 to RMB882.6 million as at 31 December 2015 mainly due to completed construction of (i) multi-storey apartments in Sanya Phoenix Aqua City South Shore Phase I and Sanya Phoenix Aqua City Left Shore and (ii) medium-rise apartments in Sanya Phoenix Aqua City Left Shore. The RMB124.4 million increase in net current assets from those as at 31 December 2015 to those as at 30 April 2016 was mainly due to a decrease in trade and other payables of RMB503.3 million as a result of settlement of trade related parties balance with the substantial completion of Sanya Phoenix Aqua City Left Shore and continued settlement of non-trade related parties balances, which was partially set off by an increase in loans and borrowings of RMB323.4 million and a decrease in trade and other receivables of RMB102.8 million as a result of recovered deposits from suppliers as well as staff advances.

CERTAIN BALANCE SHEET ITEMS

Our combined financial position as at the relevant financial period end dates during the Track Record Period are summarised as below:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	60,638	56,588	53,581
Investment property	–	–	165,180
Intangible assets	789	1,106	977
Interest in an associate	7,577	5,500	–
Interest in joint ventures	–	43,000	–
Available-for-sale financial assets	1,578	1,578	17
Deferred tax assets	73,065	49,371	40,606
	143,647	157,143	260,361
Current assets			
Properties under development	5,080,584	5,587,990	3,672,318
Completed properties held for sale	103,954	96,595	1,244,114
Trade and other receivables	2,105,097	1,141,334	301,287
Current tax assets	129,565	123,727	41,710
Restricted cash	3,995	2,199	4,074
Cash and cash equivalents	143,997	135,695	142,991
	7,567,192	7,087,540	5,406,494
Total assets	7,710,839	7,244,683	5,666,855

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Current liabilities			
Trade and other payables	3,724,563	3,798,025	2,715,553
Loans and borrowings	183,772	505,878	485,000
Current tax liabilities	247,702	85,106	99,481
	4,156,037	4,389,009	3,300,034
Net current assets	3,411,155	2,698,531	2,106,460
Total assets less current liabilities	3,554,802	2,855,674	2,366,821
Non-current liabilities			
Loans and borrowings	862,733	550,896	442,290
Deferred tax liabilities	612,397	603,065	538,849
	1,475,130	1,153,961	981,139
Net assets	2,079,672	1,701,713	1,385,682

Properties under development

Our properties under development generally reflect the value of properties we intend to sale but have not been completed at the given balance sheet date and therefore are significantly affected by project development schedules. Completed and undelivered properties are transferred from properties under development to completed properties held for sale or investment properties.

The table below sets forth a breakdown of the value of properties under development by project or project phase as at the dates indicated:

	As of 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Current portion			
Sanya Phoenix Aqua City South Shore Phase I	1,176,846	851,595	55,809
Sanya Phoenix Aqua City South Shore Phase II	1,435,182	1,454,621	1,470,207
Sanya Phoenix Aqua City Left Shore	1,225,290	1,893,033	1,162,105
Haikou Phoenix Aqua City Phase I	193,949	277,215	296,730
Haikou Phoenix Aqua City Phase II	176,826	177,382	177,598
Danzhou Phoenix Aqua City	495,018	509,846	509,869
Danzhou Phase I	377,473	424,298	–
Total	5,080,584	5,587,990	3,672,318

The properties under development decreased by 34.3% from RMB5,588.0 million as at 31 December 2014 to RMB3,672.3 million as at 31 December 2015, primarily due to completion of construction of part of the remaining portion of our Sanya Phoenix Aqua City South Shore Phase I, the entire Danzhou Phase I and part of Sanya Phoenix Aqua City Left Shore in 2015. The properties under development increased by 10.0% from RMB5,080.6 million as at 31 December 2013 to RMB5,588.0 million as at 31 December 2014, primarily due to the construction of Sanya Phoenix Aqua City Left Shore.

As at 31 December 2013, 2014 and 2015, RMB1,317.7 million, RMB2,348.1 million and RMB1,802.9 million of our Group's properties under development were pledged as collaterals for certain bank loans granted to our Group.

In addition, properties under development with an aggregate carrying value of RMB478.0 million, RMB608.4 million and nil as at 31 December 2013, 2014 and 2015, respectively, were pledged for certain bank loans granted to related parties and a third party. As at the Latest Practicable Date, all of these pledges had been released.

Completed properties held for sale

The table below sets forth a breakdown of the value of completed properties held for sale by project or project phase as of the dates indicated:

	As of 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Projects			
Sanya Phoenix Aqua City South Shore Phase I	103,954	96,595	104,383
Sanya Phoenix Aqua City Left Shore	–	–	812,712
Danzhou Phase I	–	–	327,019
	103,954	96,595	1,244,114

Completed properties held for sale were completed development properties that had not been contracted for sales or completed development properties that had been contracted for sales but had not been delivered to purchasers.

All completed properties held for sale are located in the PRC with land use rights of 70 years for residential properties and 40 years for commercial properties. All completed properties held for sale are stated at cost and no impairment is provided for.

The completed properties held for sale increased by 1,187.9% from RMB96.6 million as at 31 December 2014 to RMB1,244.1 million as at 31 December 2015, primarily due to completion of the remaining portion of our Sanya Phoenix Aqua City South Shore Phase I, part of Sanya Phoenix Aqua City Left Shore and Danzhou Phase I in 2015. The completed properties held for sale decreased by 7.1% from 104.0 million as at 31 December 2013 to 96.6 million as at 31 December 2014, primarily due to the delivery of certain portion of Sanya Phoenix Aqua City South Shore Phase I.

Trade and Other Receivables

The following table sets forth a breakdown of our trade and other receivables as at the end of the reporting period:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Amounts due from third parties			
– Trade receivables	1,579	2,166	1,866
Less: allowance for doubtful debts	–	–	(19)
– Non-trade receivables	101,747	114,513	121,822
– Bill receivable	2,540	1,808	1,700
Amounts due from related parties			
– Non-trade receivables	1,749,915	859,386	12,919
– Bills receivable	–	1,400	–
Advance payments to contractors			
– To third party contractors	112,748	66,152	41,723
– To related party contractors	20,991	2,990	89,289
Prepaid business tax and other taxes	115,577	92,919	31,987
Total	2,105,097	1,141,334	301,287

Amount due from third parties

Trade receivables. Our trade receivables remained stable as at 31 December 2013, 2014 and 2015. Trade receivables primarily comprise receivables due from customers in relation to the price for the difference between the actual floor area delivered and the estimated floor area stated in the sales and purchase agreement estimated in pre-sale. The trade receivables as at 31 December 2015 also include rental income receivables of RMB0.5 million.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables based on the date that trade receivables were recognised, is as follows:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Within 1 year	1,047	1,802	1,338
1 to 2 years	532	364	509
2 to 3 years	–	–	19
Total	1,579	2,166	1,866

Most of our trade receivables from third parties were within 1 year. As at 31 December 2013, 2014 and 2015, the trade receivables due within 1 year remained stable at RMB1.0 million, RMB1.8 million and RMB1.3 million.

Non-trade receivables. Our non-trade receivables from third party as at 31 December 2013, 2014 and 2015 remained stable at RMB101.7 million, RMB114.5 million and RMB121.8 million. Non-trade receivables comprised mainly of the payment on account for customers for deed tax, utilities fee, cable installation fee and other deposits, amounting to RMB48.4 million, RMB41.1 million and RMB28.7 million for the year ended 31 December 2013, 2014 and 2015 respectively. As most of our customers are tourists from other provinces who may visit Hainan from time to time, our Company usually assist them in applying the individual building ownership certificates while they are out of Hainan and prepay the related deed tax, utilities costs and installation fee on account for those customers. The rest of the non-trade receivables primarily represents deposits made to contractors and suppliers and staff advances for payment of operating expenses.

As at the Latest Practicable Date, a total amount of RMB40.2 million of non-trade receivables due from third parties as at 31 December 2015 has been settled.

Taking into consideration that, of the RMB121.8 million non-trade receivables as at 31 December 2015, RMB40.2 million has been settled as of the Latest Practicable Date, and the balance mainly represents deposits made to contractors and suppliers, which requires a relatively longer settlement period and according to the progress of construction projects or services, our Directors are of the view that the non-trade receivables as at 31 December 2015 will be able to be recovered.

Amount due from related parties

Non-trade receivables. Excepts for amounts due from Nanjing Yin Zhuo and Nanjing Yin Guang as at 31 December 2014 which borne interests at the rate of 13% per annum, amounts due from related parties are unsecured, interest free and repayable on demand. The amounts due from related parties as at 31 December 2013, 2014 and 2015 were RMB1,749.9 million, RMB859.4 million and RMB12.9 million respectively which were primarily arisen from the funding activities with related parties. The decrease of RMB890.5 million in amounts due from related parties from RMB1,749.9 million as at 31 December 2013 to RMB859.4 million as at 31 December 2014 was primarily due to the settlement of non-trade related parties balances by Zhong Hui Nanjing. The decrease of RMB846.5 million in amount due from related parties from RMB859.4 million as at 31 December 2014 to RMB12.9 million as at 31 December 2015 was primarily due to the continued settlement of non-trade related parties balances by our related parties. As of the Latest Practicable Date, the non-trade receivables due from related parties were fully settled.

Advance payments to contractors

Advance payment to third party contractors. Our advance payment to third party contractors as at 31 December 2013, 2014 and 2015 were RMB112.7 million, RMB66.2 million and RMB41.7 million, respectively. The decrease during the Track Record Period were due to gradual completion of construction project of Danzhou Phase I, thus the related advance payments settled to third party contractors respectively.

Advance payment to related party contractors. Our advance payment to related party contractors for the year ended 31 December 2013, 2014 and 2015 were RMB21.0 million, RMB3.0 million and RMB89.3 million, respectively. The decrease from 2013 to 2014 was mainly due to the renovation project for Sanya Phoenix Aqua City South Shore Phase I was completed in 2014. The increase of RMB86.3 million as at 31 December 2015 was due to the construction of Sanya Aqua City Left Shore in 2015.

Prepaid business tax and other taxes

Our prepaid business tax and other taxes as at 31 December 2013, 2014 and 2015 were RMB115.6 million, RMB92.9 million and RMB32.0 million, respectively. Prepaid business tax represents the business tax and surcharges paid for pre-sale proceeds for those properties not yet delivered to customers. The changes during the Track Record Period were due to the decrease in receipt in advance as pre-sold properties were gradually delivered to customers. The balance of receipt in advance as at the years ended 31 December 2013, 2014 and 2015 amounted to RMB2,071.6 million, RMB1,649.9 million and RMB583.4 million, respectively.

Trade and Other Payables

Our trade and other payables as at the financial period end dates of the Track Record Period are summarised as follows:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Amounts due to third parties			
– Trade payables	621,602	579,102	607,610
– Receipts in advance	2,071,640	1,649,893	583,389
– Accrued payroll	1,721	1,594	1,495
– Other payables and accruals	361,054	334,377	172,054
	3,056,017	2,564,966	1,364,548
Amounts due to related parties			
– Trade payables	335,248	541,301	275,011
– Non-trade payables	333,298	691,758	1,075,994
	668,546	1,233,059	1,351,005
	3,724,563	3,798,025	2,715,553

Trade payables

Our trade payables primarily comprise construction costs payables. The change in balance of our trade payables during the Track Record Period was mainly due to and in line with our project development progress. We recorded trade payables of RMB956.9 million, RMB1,120.4 million and RMB882.6 million as at 31 December 2013, 2014 and 2015, respectively. The trade payables with third parties as at 31 December 2013, 2014 and 2015 remained at similar level. The increase in trade payables due to related parties of RMB206.1 million as at 31 December 2014 when compared with 2013 was mainly due to construction commencement of part of Sanya Phoenix Aqua City Left Shore. The decrease in trade payables due to related parties of RMB266.3 million as at 31 December 2015 as compared with the balance as at 31 December 2014 was due to our settlement for part of the balance resulting from completed construction of multi-storey apartments in Sanya Phoenix Aqua City South Shore Phase I.

The table below sets forth an ageing analysis of the trade payables, based on the date the trade payable were recognised:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Within 3 months	750,709	753,906	550,170
3 to 6 months	6,992	14,423	142,666
6 to 12 months	872	11,553	40,040
Over 12 months	198,277	340,521	149,745
	956,850	1,120,403	882,621

Payment to contractors is by instalments according to progress and agreed milestones. Our Group normally retains 5% as retention payment for a period of 12 months. A relatively significant amount of trade payables was aged over 3 months but within 12 months as at 31 December 2015 mainly because we normally pay our trade payables according to milestones in construction and the construction periods of our property development projects were relatively long.

Trade payables with ageing over twelve months represent construction cost payable as well as accrued land grant premium for increase of GFA of Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City South Shore Phase II and Sanya Phoenix Aqua City Left Shore subsequent to our Group obtaining the land use right certificate. We expect that the payables will be offset against the compensation to be received from the government in respect of the lands being expropriated upon official notice issued.

As at the Latest Practicable Date, a total amount of RMB309.1 million of trade payables as at 31 December 2015 has been settled.

Turnover Days

The following table sets forth our trade payables turnover days during the Track Record Period:

	For the year ended 31 December		
	2013	2014	2015
	days	days	days
Trade payables turnover days	423	420	412

Note: Trade payables turnover days for each one-year period equals the average of the beginning and ending trade-related payables for that year divided by the additions of properties under development and multiplied by 365 days.

We do not have uniform settlement terms with our vendors. The credit period granted by our vendors is determined on a contract-by-contract basis. Our major suppliers generally allow us a credit period for progress payments of 20 days from a range of 5 to 30 days. We typically will have paid 95% of our obligation to a contractor by the time the construction of a project is completed. Our contractual arrangements generally provide for our withholding of a warranty fee of up to 5% of the aggregate construction costs, subject to settlement after a certain period of time as stated in the relevant contracts.

Receipts in advance. We commenced the sale of our properties and collection of proceeds from customers before the properties are completed for delivery and such proceeds are recorded as receipts in advance. We received in advance of RMB2,071.6 million, RMB1,649.9 million and RMB583.4 million respectively, as at 31 December 2013, 2014 and 2015. The decrease of RMB421.7 million from RMB2,071.6 million for the year ended 31 December 2013 to RMB1,649.9 million as at 31 December 2014 and the decrease of RMB1,066.5 million from RMB1,649.9 million as at 31 December 2014 to RMB583.4 million as at 31 December 2015 was due to the increase in GFA delivered for Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City Left Shore and Danzhou Phase I.

Other payables and accruals. We had other payables and accruals of RMB361.1 million, RMB334.4 million and RMB172.1 million, as at 31 December 2013, 2014 and 2015, respectively. The other payables and accruals include deposits of suppliers, land premium late payment charge accruals, other taxes payable, consideration payable for acquisition of equity interest of Sanya Fenghuang Shuiyun and other interest free advances. The decrease of RMB26.7 million from RMB361.1 million as at 31 December 2013 to RMB334.4 million as at 31 December 2014 was primarily attributable to the decrease in deposits of suppliers for Danzhou Phase I, offset by the temporary advances made from Sanya Hai Hui, an independent third party contractor, which was non-secured, interest free and repayable on demand. The decrease of RMB162.3 million from RMB334.4 million as at 31 December 2014 to RMB172.1 million as at 31 December 2015 was primarily attributable to the settlement of the temporary advances made, as well as the settlement of the RMB48 million consideration payable for the acquisition of 30% interest in Sanya Fenghuang Shuiyun from Suzhou Zhuo Cheng, and the debt previously assigned to Suzhou Zhuo Cheng in its acquisition of Hainan Nanhai Xiang Long.

Non-trade payables to related parties. We had non-trade payables to related parties of RMB333.3 million, RMB691.8 million and RMB1,076.0 million, as at 31 December 2013, 2014 and 2015, respectively, which were mainly arisen from the funding activities with related parties and dividends payable. The increase of RMB358.5 million from RMB333.3 million as at 31 December 2013 to RMB691.8 million as at 31 December 2014 were due to dividends payable to Zhong Hui Nanjing. The increase of RMB384.2 million from RMB691.8 million as at 31 December 2014 to RMB1,076.0 million as at 31 December 2015 were due to funding cash in from Zhong Hui Nanjing. Except for the amounts due to Nanjing San Long which was related to Danzhou Phase I of RMB146.7 million and its own proportionate contribution to the development of Danzhou Phoenix Aqua City of RMB5.7 million, the non-trade payables to related parties as at 31 December 2015 have been fully repaid at the date of this prospectus.

Property, plant and equipment

Our property, plant and equipment include buildings, vehicles, electronic devices, machines, furniture, office equipment and others. The net book value was RMB60.6 million, RMB56.6 million and, RMB53.6 million as at 31 December 2013, 2014 and 2015, respectively. The decrease of RMB4.0 million from RMB60.6 million for the year ended 31 December 2013 to RMB56.6 million for the year ended 31 December 2014 and the decrease of RMB3.0 million from RMB56.6 million for the year ended 31 December 2014 to RMB53.6 million for the year ended 31 December 2015 was mainly due to depreciation charge.

Interest in an associate

The interest in an associate was RMB7.6 million and RMB5.5 million respectively as at 31 December 2013 and 2014. The decrease in interest in this associate of RMB2.1 million from RMB7.6 million for the year ended 31 December 2013 to RMB5.5 million for the year ended 31 December 2014 represents the share of loss of Wenchang Citi-Verdure, mainly due to administrative expenses while Wenchang Citi-Verdure had not commenced operations since its incorporation. We disposed of our 30% interest in Wenchang Citi-Verdure in November 2015.

Interest in joint ventures

The interest in Joint ventures was nil, RMB43 million and nil respectively, as at 31 December 2013, 2014 and 2015.

Whilst our Group had only 12% equity interest in the Nanjing Yin Zhuo and Nanjing Yin Guang respectively as at 31 December 2014, our Group was considered to have joint control over these two entities as the decisions on the relevant activities of these two entities require the unanimous consent of all shareholders as stipulated by the charters of association of the joint ventures. Based on the set up of the entities, our Group is to share their net assets and accounts for the entities as joint ventures.

Nanjing Yin Zhuo and Nanjing Yin Guang had limited activities other than holding plots of land for development in Nanjing, Jiangsu Province since the dates of their respective establishment. Our Company has nil interest in joint ventures at the year end of 2015 due to the fact that during the year ended 31 December 2015, our Group disposed of the equity interests in these two joint ventures to Yincheng Real Estate Group Co., Ltd. as Nanjing, Jiangsu Province is not our Group's target city for property development, thereafter these two entities ceased to be joint ventures of our Group.

Sanya Huan Peng was established on 16 April 2015. Our Group had a 49% equity interest on Sanya Huan Peng prior to its disposal. Since our Group did not have the relevant experience in hotel management, in July 2015, our Group entered into a sale and purchase agreement with an Independent Third Party to dispose of its equity interest in Sanya Huan Peng for a consideration of RMB2,450,000, which was determined with reference to the registered paid-up capital of Sanya Huan Peng and was settled on 26 August 2015. Up to the date of the disposal, Sanya Huan Peng had no business operation.

Accumulated losses

We recorded accumulated losses of RMB192.2 million, RMB578.1 million and RMB420.8 million as at 31 December 2013, 2014 and 2015, respectively.

Our accumulated loss amounted to RMB84.1 million as at 1 January 2013 which was primarily related to operating losses of our subsidiaries prior to the Track Record Period, namely, Sanya Fenghuang Shuiyun and Hainan Nanhai Xiang Long of which the properties were yet to complete and deliver, as well as Sanya Fenghuang Xincheng, which had only started to deliver portions of properties since 2012.

The accumulated losses increased by RMB108.1 million from RMB84.1 million as at 1 January 2013 to RMB192.2 million as at 31 December 2013, primarily due to loss attributable to equity shareholders of RMB75.6 million and appropriation to statutory reserves of RMB32.5 million which was based on the PRC audited statutory financial statements of our subsidiaries.

The accumulated losses increased by RMB385.9 million from RMB192.2 million as at 31 December 2013 to RMB578.1 million as at 31 December 2014, primarily due to dividends of RMB489.6 million declared in 2014 from the distributable profit based on the PRC audited statutory financial statements of Sanya Fenghuang Xincheng, despite we recorded profits attributable to equity shareholders of the Company of RMB128.2 million for the year ended 31 December 2014.

The accumulated losses decreased by RMB157.3 million from RMB578.1 million as at 31 December 2014 to RMB420.8 million as at 31 December 2015, primarily due to the profits attributable to equity shareholders of the Company of RMB191.8 million for the year ended 31 December 2015 partially offset by dividends of RMB29.7 million declared in 2015 from the distributable profit based on the PRC audited statutory financial statements of Sanya Fenghuang Xincheng.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Bank loans and borrowings

We had total borrowings of RMB1,046.5 million, RMB1,056.8 million, RMB927.3 million and RMB1,448.3 million as at 31 December 2013, 2014, 2015 and 30 April 2016 respectively. Our total borrowings as at 31 December 2013 and 2014 remained relatively stable. We recorded a decrease of RMB129.5 million from 31 December 2014 to RMB927.3 million as at 31 December 2015 primarily attributable to the repayment of a loan for Zone II of Sanya Phoenix Aqua City Left Shore and Danzhou Phase I, offset by the bank loan drawn for Zone III of Sanya Phoenix Aqua City Left Shore. The increase of RMB521.0 million from RMB927.3 million as at 31 December 2015 to RMB1,448.3 million as at 30 April 2016 represented additional bank loans borrowed for the settlement of amounts due to related parties.

The following table sets forth a breakdown of our outstanding bank loans as at the dates indicated:

	At 31 December			At 30 April
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Secured				
– Current portion of non-current bank loans	183,772	505,878	485,000	808,394
	183,772	505,878	485,000	808,394
Non-current				
Secured				
– Non-current portion of bank loans	862,733	550,896	442,290	639,935
	862,733	550,896	442,290	639,935
Total bank loans and borrowings	1,046,505	1,056,774	927,290	1,448,329

Our Group's current and non-current borrowings are payable as follows:

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	183,772	505,878	485,000	808,394
After 1 year but within 2 years	542,546	401,370	442,290	639,935
After 2 years but within 5 years	320,187	149,526	–	–
	1,046,505	1,056,774	927,290	1,448,329

Terms and interest rate of outstanding loans and borrowings are as follows.

Secured bank loan	Year of Maturity	Nominal interest rate	Respective fees*	Effective interest rates	As at 31 December 2013	2014	2015
		%	RMB'000	%	RMB'000	RMB'000	RMB'000
Bank of Communication – Loan A	2014	7.07%	6,980	8.40%	138,772	–	–
Bank of Communication – Loan B	2016	6.30 % – 7.38%	4,700	7.54% – 8.90%	296,213	277,800	199,387
Industrial and Commercial Bank of China – Loan A	2017	6.30 % – 7.38%	5,500	7.47% – 8.59%	296,434	283,267	260,000
Industrial and Commercial Bank of China – Loan B	2017	6.00 % – 7.38%	5,260	7.38% – 7.99%	–	238,159	297,903
Industrial and Commercial Bank of China – Loan C	2017	6.30 % – 7.38%	3,690	7.55% – 8.21%	197,540	188,770	170,000
Industrial and Commercial Bank of China – Loan D	2015	7.20% – 7.38%	3,700	8.67% – 9.06%	117,546	68,778	–
					1,046,505	1,056,774	927,290

* Fees represent service/consulting fees paid to the lending bank under separate agreement which is associated with the respective loan agreement, usually at the time of drawdown.

The bank loans bore interest at rates ranged from 6.30% to 7.38%, 6.00% to 7.38% and 6.00% to 7.38% per annum for the years ended 31 December 2013, 2014 and 2015, respectively. The effective capitalized interest rate was 4.60%, 6.75% and 5.89% per annum for the years ended 31 December 2013, 2014 and 2015, respectively. The effective interest rates on our bank borrowings, which represent actual borrowing cost incurred during the year, for the years ended 31 December 2013, 2014 and 2015 ranged from 7.47% – 9.06%, 7.38% – 9.06% and 7.38% – 8.90% per annum, respectively.

The bank loans were secured by the following assets:

	At 31 December			At 30 April
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Properties under development (Sanya Phoenix Aqua City South Shore Phase I and Phase II, Sanya Phoenix Aqua City Left Shore, Haikou Phoenix Aqua City Phase I and Danzhou Phase I)	1,317,694	2,348,075	1,802,894	1,833,130
Completed properties held for sale (Sanya Phoenix Aqua City South Shore Phase I and Sanya Phoenix Aqua City Left Shore)	–	–	762,003	743,735
Investment properties (Sanya Phoenix Aqua City Left Shore)	–	–	165,180	165,800
Restricted cash	1,837	35	1,906	4,604
Total	1,319,531	2,348,110	2,731,983	2,747,269

The following table sets out the financial guarantees provided by a Director and a related party company for our bank and other borrowings as at dates indicated:

	At 31 December			At 30 April
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and borrowings guaranteed by a Director and a related party company	296,213	515,959	–	–

On 26 January 2016, we entered into a five-year framework agreement in respect of among others, a construction loan facility of RMB3,500 million with Industrial and Commercial Bank of China, Hainan Branch for the purpose of projects development (of which RMB2,000 million is earmarked for Sanya Fenghuang Xincheng, RMB500 million is earmarked for Nanhai Xianglong and RMB1,000 million is earmarked for Danzhou Shuang Lian). Such bank loan facility was not yet drawn down as at the Latest Practicable Date. Such framework agreement is a memorandum of cooperation to demonstrate the willingness and intention of Industrial and Commercial Bank of China, Hainan Branch to build long term business relationship with us. However, the construction loan facility will not become committed and unrestricted until the execution of construction loan agreement. Based on our previous cooperation with Industrial and Commercial Bank of China, Hainan Branch, the

drawdown of such construction loan facility will be subject to among others, entering into construction contracts and the execution of construction loan agreement and the drawdown of which in turn will be subject to certain conditions, and the material ones include:

Before first time withdraws

– the project possessing the land use rights certificate, construction land planning permit, construction works planning permit and construction work commencement permit;

– the borrower possessing the necessary property development qualification for the project;

– project funds having been timely and proportionally applied to the construction of the project;

– the borrower providing securities according to request of the bank and completing the securities procedures.

Before each withdraws

– no cost overruns for the project or such overruns having been resolved by the borrower;

– the project being progressed as scheduled and corresponding to the amount invested;

– no breach of the loan agreement or other agreements with the bank.

Upon receipt of the relevant approval for the relevant project, the relevant portion of the loan embarked for the project could be drawn down according to the relevant executed construction loan agreement irrespective of the approval process of the other projects.

Our PRC Legal Advisers are of the view that as we have obtained all the certificates of land of the designated project, and the relevant certificates and permits will be granted after completion of application procedures under relevant PRC laws and regulations, there will be no legal obstacles to obtain the relevant certificates and permits and the construction loan facility.

As disclosed in section headed "Business – Description of our property development projects – 2. Sanya Phoenix Aqua City South Shore Phase II" in this prospectus, the construction of Sanya Phoenix Aqua City South Shore Phase II is expected to commence in November 2016, being the first property development projects which we could draw down such construction loan facility. It is normal practice to sign the construction loan agreement shortly before commencing the construction work and to have construction loan to finance construction. We believe that there will be no obstacles to obtain such construction loan facility as we have never encountered any difficulty for drawdown of construction loan facility. As at 30 April 2016, our contracted commitment was RMB109 million, which consisted of RMB96 million, RMB13 million, nil and nil for Sanya Phoenix Aqua City Left Shore, Sanya Phoenix Aqua City South Shore Phase II, Haikou Phoenix Aqua City Phase II and Danzhou Phoenix Aqua City, respectively. It is expected that we would not enter into any additional material contracted commitment before obtaining the construction loan facility. In the event that we have not obtained the relevant permits as scheduled, the draw down of construction loan facility will be deferred and as such, we will defer our projects development schedule and relevant payment to contractors will also be deferred accordingly. Our Directors are of the view that in the event that our projects development schedule and the drawdown of construction loan have been delayed, we are able to honour our obligations and maintain sufficient liquidity and have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus taking into account (i) part of the loan facilities from Guo Tou Tai Kang Trust Co. Ltd. not expected to be utilized for the next 12 months from the date of this prospectus amounting to RMB300 million as buffer; (ii) the net proceed from the Global Offering; (iii) the proceeds from the sales of remaining properties of Sanya Phoenix Aqua City Left Shore and the commencement of sales of Haikou Phoenix Aqua City Phase I; and (iv) no material additional development costs to be incurred as a result in delay in project development schedule. However, if such delay in our projects development schedule and drawdown of the construction loan persist for an indefinite period, which our Directors are of the view that the likelihood is remote after taking into consideration that (i) we entered into abovementioned framework agreement with Industrial and Commercial Bank of China, Hainan Branch; and (ii) we have never encountered any difficulty for drawdown of construction loan facility; and (iii) the view of our PRC Legal Advisers above, it may have a material adverse effect on our business, financial conditions and results of operations. Please refer to section headed "Risk Factors – We may not have adequate financing to fund our future land acquisitions and property developments, and such capital resources may not be available on commercially reasonable terms, or at all." in this prospectus for further details.

On 9 March 2016, we obtained a bank loan facility of RMB150.0 million from Bank of Communication, Hainan Province Branch for the purpose of projects development of Sanya Phoenix Aqua City Left Shore, at a floating interest rate of PBOC benchmark one-year lending rate plus 20% for a term of 5 years with maturity on 9 March 2021. The bank loan facility has been fully drawn down as at the Latest Practicable Date.

On 14 April 2016, we obtained from Rural and Commercial Bank of Haikou, Jinlian Branch a bank loan of RMB400 million at a fixed interest rate of 3.915% p.a. for a term of 12 months with maturity on 14 April 2017 to repay bank loans of Sanya Fenghuang Shuiyun. As at the Latest Practicable Date, RMB27 million of the loan facility was drawn down by Sanya Fenghuang Shuiyun and the amount of RMB373 million has not been utilised.

Material covenants of our existing bank loan facilities include:

a. no dividend or distribution shall be made and no related party loan shall be repaid by the borrower prior to full repayment of bank loan and interest accrued;*

b. no transfer of shareholding to third party without lender bank's prior consent;

c. the borrower and its shareholders shall be responsible to fill any funding gap of the development to which the bank loans financed;

d. the lender bank shall be the mortgagee bank of the development;

* The expected dates of full repayment of the bank loans for Sanya Fenghuang Shuiyun and Hainan Nanhai Xiang Long as at 31 December 2015 are 9 July 2017 and 7 July 2017, respectively, while there was no outstanding bank loan for Sanya Fenghuang Xincheng and Danzhou Shuang Lian as at 31 December 2015.

e. the borrower shall maintain specific bank account with the lender for all funds related to the development, including capital, self raised fund and the proceeds of the bank loan;

f. the borrower may not engage in speculative activities on land and properties;

g. the borrower shall pay land premium on time.

On 31 March 2016, Sanya Hui Xin Trading entered into a trust financing agreement with Zijin Trust Co., Ltd., an Independent Third Party, pursuant to which Zijin Trust Co., Ltd. agreed to finance Sanya Hui Xin Trading in the aggregate principle of RMB500 million, at an interest rate of 4.133% per annum for a fixed term of 2 years commencing from the first drawdown date for use as general working capital and adjusting debt structure of our Group. Sanya Fenghuang Xincheng provided irrevocable guarantee under this trust financing agreement. As at the Latest Practicable Date, the loan was fully drawn down, with RMB5 million being deposited with Zijin Trust Co., Ltd. as security in accordance with the terms under this trust financing agreement.

On 15 April 2016, Sanya Hui Xin Trading also entered into a trust financing agreement with Guo Tou Tai Kang Trust Co. Ltd., an Independent Third Party, pursuant to which Guo Tou Tai Kang Trust Co. Ltd. agreed to finance Sanya Hui Xin Trading in the aggregate principle of RMB500 million, at an interest rate of 4.133% per annum for a fixed term of 2 years commencing from the first drawdown date for use as general working capital and adjusting debt structure of our Group. Sanya Fenghuang Xincheng provided irrevocable guarantee under this trust financing agreement. As at the Latest Practicable Date, RMB70 million of the loan facility was drawn down by Sanya Hui Xin Trading under this trust financing agreement and the amount of RMB430 million has not been utilised.

For the loans obtained in 2016 above, no consulting/service fees were charged. As such, the nominal and effective interest rates are the same.

Our Directors confirmed that there had been no breach of the financial covenants in respect of bank loans and trust financing during the Track Record Period and up to the Latest Practicable Date.

In aggregate, our Group has unutilised loan facilities of RMB803 million as at the Latest Practicable Date.

Indebtedness

As at 30 April 2016, being the latest date for the purpose of liquidity disclosure in this prospectus, we had outstanding indebtedness of RMB1,600.7 million, consisting of bank borrowings of RMB1,448.3 million, amounts due to non-controlling interests of RMB152.4 million. The amounts due to non-controlling interests represent the shareholder's loan extended to Danzhou Shuang Lian by its other shareholder. Part of the shareholder's loan in the amount of RMB146.7 million is for the development of Danzhou Phase I. Given the shareholders of Danzhou Shuang Lian have agreed that the other shareholder shall continue to develop and undertake fully the risk and reward of Danzhou Phase I until its completion and our Group does not share any of the profit and loss, assets and liabilities arising from Danzhou Phase I, the RMB146.7 million will not be settled prior to or on Listing. The remaining part of the shareholder's loan in the amount of RMB5.7 million is interest free and unsecured and in respect of its own proportionate contribution to the development of

Danzhou Phoenix Aqua City as part of the agreement between the shareholders of Danzhou Shuang Lian. Given the shareholders of Danzhou Shuang Lian agreed to contribute to such financing for its operation pursuant to the agreement, the amount will not be settled prior to or on Listing.

Save as disclosed herein, we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, debentures, charges, mortgages, material contingent liabilities or guarantees outstanding as at 30 April 2016. Our Directors confirm that there is no material change in our indebtedness position since 30 April 2016 up to the date of this prospectus. We intend to continue to finance portions of our property development projects with bank borrowings, as we deem appropriate. Except for such bank borrowings and trust financing, we currently do not have plans for other material external debt financing.

Contingent Liabilities

(a) Guarantees on mortgage facilities

During the Track Record Period, we had arranged for bank financing for certain Independent Third Party purchasers of our Group's properties in Sanya Phoenix Aqua City Left Shore and Danzhou Phase I and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the building ownership certificate to the purchaser; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, we would be responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks while our Group is entitled to take over the legal title and possession of the related properties and sell the properties to recover any amounts paid by the Group to the banks. As such, our Directors consider that it is not probable that our Group will sustain a loss under these guarantees. Our Group's guarantee period starts from the date of grant of mortgage loans and ends upon the earlier of the bank receiving the required evidence of mortgage over the relevant property in favour of the bank and the full settlement of mortgage loans by the purchaser. Taking into consideration we have only encountered two incidents of default in payment of mortgage by the purchasers, our Directors consider that the likelihood of default of payments by the purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial. The following table shows our total mortgage guarantees as at the dates indicated.

	At 31 December			At 30 April
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees in respect of mortgage for certain purchasers of our Group's properties	–	–	65,058	95,804

In January 2016, one of the purchasers default in payment of mortgage with a bank for more than three months. The bank confiscated approximately RMB25,634 from our escrow account for the guarantee provided by us. Our Group has filed a claim to the Suburban

People's Court of Sanya City (三亞市城郊人民法院) on 19 January 2016 for (i) the discharge of the sales and purchase agreement entered into between our Group and the purchaser dated 14 February 2015 and forfeiture of the deposit paid by the purchaser; (ii) the return of the property under the aforesaid sales and purchase agreement; (iii) the payment of RMB25,634 (being the amount confiscated by the bank as the guarantee provided by us) and the related interest paid by us to the bank; and (iv) the costs of the proceedings. Pursuant to the civil mediation agreement issued by the Suburban People's Court of Sanya City on 11 April 2016, it was resolved that, among others, (i) the aforesaid sales and purchase agreement was discharged; (ii) the property under the aforesaid sales and purchase agreement was returned to us; (iii) we returned the property transaction amount of RMB1,018,834 under the aforesaid sales and purchase agreement to the relevant purchaser after deducting the amount confiscated by the bank as the guarantee provided by us, the outstanding mortgage loan balance of RMB700,000 which we shall repay to the bank on behalf of the relevant purchaser and contract default penalty of RMB50,000; and (iv) we shall settle the outstanding mortgage loan amount of RMB700,000 with the relevant bank. As such, we did not suffer from any loss as a result of the default.

In May 2016, we received a writ where we were named as a defendant in respect of the default in payment of mortgage and interest by a purchaser of our property which we have provided guarantee. According to the writ, the outstanding mortgage loan amount was RMB284,649 and the default payment and interest totalled RMB16,098.03 as at 28 August 2015. Pursuant to the agreement with the bank, our guarantee obligation shall cease (i) when the official registration of the mortgage has been completed; and (ii) the bank has received the certificate recording the official registration of the mortgage. The certificate of property ownership of the relevant property with endorsement of the mortgage was issued on 15 July 2014. However, it has not been collected by the purchaser for submission to the bank. Our PRC Legal Advisers are of the view that the bank's mortgagee interests over the property have been duly registered and the bank should first seek recovery from the sale of the property. Given the claim amount is not significant, even if the bank succeeded in the claim, there shall be no material adverse effect on our financial position.

Save for the above, we did not experience any material default on mortgage guarantees during the Track Record Period and up to the Latest Practicable Date.

(b) Pledge given in respect of bank loans for related parties or third parties

Properties under development with an aggregate carrying value of RMB478.0 million, RMB608.4 million, nil and nil as at 31 December 2013, 2014 and 2015 and 30 April 2016, respectively, were pledged for certain bank loans granted to related parties and a third party. Pledge was given to bank for loans for a third party which was one of our contractors. Such loan has been fully repaid and the pledged has been released in 2015.

On 28 November 2014, Nanjing Jia Pei pledged its equity shares in Nan Hai Xiang Long as collateral for bank loans for an Independent Third Party. The pledge has been released in 2015.

Litigations

As at Latest Practicable Date, our Group was named defendant in lawsuits arising in the ordinary course of business. For details, please refer to the section headed "Business – Legal Proceedings" for the nature of and the circumstances of the litigations, the identity and background of the plaintiffs, the amount in disputes and the latest status of the litigations.

Off-Balance Sheet Commitments and Arrangements

Except for the contingent liabilities disclosed above, as at 30 April 2016, our Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities.

COMMITMENTS

As at 31 December 2013, 2014 and 2015 and 30 April 2016, we had the following commitments:

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for	687,016	456,239	126,797	108,264
Authorised but not contracted for	1,257,906	883,733	512,733	504,363

The commitments primarily represents construction contracts signed with contractors and development budget approved by the board of directors. The amount contracted but not provided for as at 30 April 2016 of RMB108 million represents those for Sanya Phoenix Aqua City Left Shore of RMB95 million and for Sanya Phoenix Aqua City South Shore Phase II of RMB13 million. The amount authorised but not contracted for as at 30 April 2016 of RMB504 million represents those for Sanya Phoenix Aqua City South Shore Phase II of RMB251 million, Sanya Phoenix Aqua City Left Shore of RMB221 million, Haikou Phoenix Aqua City Phase II of RMB32 million respectively. We expect to meet these commitments primarily through proceeds received from the sales and pre-sales of our properties. Except for contingent liabilities and commitments disclosed above, there was no other contingent liabilities and commitments outstanding as of 30 April 2016.

Material related party transactions

During the Track Record Period, we entered into transactions mainly in respect of construction services in relation to earthmoving, scenery design and engineering on our Group's properties under development from construction companies, which are controlled by the Controlling Shareholders.

(a) *Transactions value with related parties*

Set out below a summary of the transactions with related parties controlled by our Controlling Shareholders during the Track Record Period:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Advertisement and consultancy services	**14,512**	**9,498**	**–**
Nanjing Boken	4,826	4,577	–
Nanjing Tianhui	9,686	4,921	–
Construction and consultancy services	**232,411**	**248,599**	**276,732**
Nanjing Huizhi *(Note 1)*	220,274	225,699	247,054
Nanjing Zhonghui Construction *(Note 2)*	–	8,286	6,785
Nanjing Hengjida *(Note 3)*	7,880	9,329	–
Lian Yun Gang Hui Neng *(Note 4)*	–	5,185	18,930
Nanjing Maoheng *(Note 3)*	3,321	–	–
Nanjing Diken *(Note 3)*	936	–	–
Nanjing Dao Tong Investment Management Company Limited *(Note 3)*	–	100	–
Nanjing Hui Yao Decoration Engineering Company Limited *(Note 5)*	–	–	3,963
Dividend distribution	**–**	**489,630**	**29,667**

Notes:

1. provision of construction services regarding earthwork, scenery design and engineering, renovation, etc.

2. provision of construction services regarding earthwork and mechanic and electric equipment installation.

3. provision of consultancy services on construction and design.

4. provision of construction service regarding earthwork, scenery design and engineering and exterior wall coating.

5. provision of construction service for steel structure work.

Our Directors are of the view that the above transactions were conducted on normal commercial terms and/or arm's length basis, and that their terms were fair, reasonable and in the interest of our Shareholders as a whole. For details of the selection of contractors, please refer to the sections headed "Business – Pre-construction – Project construction" and "Connected Transactions – Non-exempt continuing connected transactions – Construction Cooperation Framework Agreement – selection process of construction companies" in this prospectus.

(b) Balances with related parties

Balances with related parties as at 31 December 2013, 2014 and 2015 are detailed as follows:

Amount due from related parties

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	**RMB'000**	**RMB'000**
Non-trade related:			
Zhong Hui Nanjing *(1)*	1,278,218	298,433	–
Nanjing Huizhi *(2)*	–	1,070	–
Nanjing Cuiping *(2)*	92,800	92,800	–
Nanjing Yin Guang *(1)*	–	33,654	–
Nanjing Yin Zhuo *(1)*	–	30,000	–
Nanjing Zhonghui Construction *(2)*	220,947	213,320	9,950
Lian Yun Gang Hui Neng *(2)*	143,131	169,756	–
Zhonghui (China) Investment *(2)*	10,030	10,030	–
Ms. Fan Wen Yi *(3)*	245	5,166[(6)]	68
Ms. Zhou Li *(3)*	–	710	5
Ms. Wu Lijuan *(3)*	1,580	1,580	–
Hainan Zhonghuan *(2)*	1,252	200	200
Others	1,712	2,667	2,696
	1,749,915	859,386	12,919
Bills receivable:			
Zhong Hui Nanjing	–	1,400	–

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Advance payments:			
Nanjing Zhonghui Construction *(4)* . .	964	–	–
Nanjing Huizhi *(4)*	14,758	713	87,443
Nanjing Boken *(5)*	5,171	1,329	1,329
Nanjing Tianhui *(5)*	98	98	98
Nanjing Hui Yao Decoration Engineering *(4)*.	–	480	–
Nanjing Diken *(4)*.	–	150	199
Nanjing Maoheng *(4)*	–	220	220
	20,991	2,990	89,289

Notes:

1. Such amount represents balances arise from funding activities with related parties.

2. Such amount represents payments made to us on behalf of related parties for convenience purpose.

3. Such amount represents cash advance to staff for carrying out varies business activities.

4. Such amount represents advance payments for construction services carried out by related parties.

5. Such amount represents advance payments for advertisement and consulting services carried out by related parties.

6. RMB5 million of such amount mainly represents advance to Ms. Fan Wen Yi on behalf of Mr. Yeung for a potential acquisition of a clubhouse, which had not been materialized and such amount was subsequently settled in 2015.

Amount due to related parties

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Trade related:			
Nanjing Huizhi	307,006	510,572	237,074
Nanjing Maoheng	9,848	9,810	943
Nanjing Tianhui	3,308	5,224	5,194
Lian Yun Gang Hui Neng	4,586	4,647	23,577
Nanjing Hengjida	6,655	5,000	3,236
Chung Wai (Jiangsu)	1,604	1,426	1,426
Nanjing Zhonghui Construction	–	2,847	1,875
Nanjing Diken	1,326	1,325	1,236
Leshan Huizhi	–	450	450
Nanjing Boken	515	–	–
Clear Sky Landscape Design Company Limited	400	–	–
	335,248	541,301	275,011

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Non-trade related:			
Other payables due to:			
Zhong Hui Nanjing *(1)*	–	–	328,019
Chung Wai (China) Property *(2)*	13,676	13,676	13,676
Nanjing Zhongwankai *(2)*	–	11,760	–
Lian Yun Gang Hui Ke *(2)*	49	56	36
Nanjing Hengyixinye *(2)*	20,000	20,000	–
Nanjing Huizhi *(2)*	3,872	17,983	–
Chung Wai (Hainan) *(2)*	1,479	1,479	–
Nanjing Jia Xie *(2)*	4,900	4,900	4,900
Nanjing San Long *(2)*	257,767	100,637	180,609
Cuipin Guoji *(2)*	30,469	30,469	41,972
Chung Wai (Jiangsu) *(2)*	–	–	16,279
Others	1,086	1,168	873
Dividend payable due to:			
Zhong Hui Nanjing *(3)*	–	489,630	489,630
	333,298	691,758	1,075,994

Notes:

1. Such amounts represents balances arise from funding activities with related parties.

2. Such amount represents payments made by related parties on behalf of us.

3. The dividend payable to Zhong Hui Nanjing of RMB489.6 million as at 31 December 2015 has been settled by bank borrowing and internal resources.

The trade amounts due from/to related parties as at 31 December 2013, 2014 and 2015 are expected to be recovered/repaid within one year based on credit terms and were unsecured. Except for amounts due from Nanjing Yin Zhuo and Nanjing Yin Guang as at 31 December 2014 which borne interests at the rate of 13% per annum, and for amounts due to Nanjing San Long as at 31 December 2014 and 2015 which bore interest at a rate of 7.2% to

15% per annum, the non-trade amounts due from/to related parties as at December 2013, 2014 and 2015 were interest-free, unsecured and repayable on demand. Except for the amounts due to Nanjing San Long which was related to Danzhou Phase I of RMB146.7 million and its own proportionate contribution to the development of Danzhou Phoenix Aqua City of RMB5.7 million, the non-trade amounts due from/to related parties as at 31 December 2015 have been fully recovered/repaid at the date of this prospectus.

(c) Properties under development pledged for bank loans of related parties

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Wenchang Citi-Verdure	149,854	149,854	–
Zhong Hui Nanjing	328,159	328,159	–

Properties under development pledged for bank loans of related parties have been fully released as at 31 December 2015.

(d) Liabilities guaranteed by related parties

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Bank loans and borrowings			
– Guaranteed by Mr. Yeung	–	238,159	–
– Guaranteed by Zhong Hui Nanjing	296,213	277,800	–

Guarantees given by the related parties for our Group's bank loans and borrowings have been released as at 31 December 2015.

LIQUIDITY AND CAPITAL RESOURCES

Source of Liquidity

Property developments require substantial capital investment for land acquisition and construction and it may take a number of months or years before positive cash flows can be generated. To date, we have funded our growth principally through cash generated from pre-sales and sales of our properties, bank and other borrowings and shareholder's funding. Our financing mix vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. We expect to continue to fund our operations and growth through cash generated from operations and bank and other borrowings; in addition, the proceeds from the Global Offering is intended to be one of our primary sources to fund our capital expenditures in the coming periods. Following our Global Offering, we plan to further diversify our financing channels, such as through debt or equity offerings. We expect that more diversified sources of financing will strengthen our financial capability, enable us to consider a wider range of favourable land acquisition opportunities as they arise and thus enhance Shareholders' return.

During the Track Record Period, we engaged in pre-sale of majority of our property development projects before completion of construction of the relevant projects. Cash received in such pre-sales was a notable source of our cash inflow during the Track Record Period. We expect cash generated from pre-sale of our property will continue to be a notable source of our funding in the coming period.

Cash Flows

The following table sets out selected cash flow data from our combined statements of cash flows for the periods indicated.

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Operating activities			
(Loss)/profit before taxation			
– From continuing operations	(74,338)	275,684	342,141
– From discontinued operations	(3,796)	1,239	1,753
Adjustments for:			
– Depreciation & amortisation	3,805	4,677	5,166
– Allowance for impairment loss made on trade and other receivables	–	–	19
– Finance costs	37,162	2,072	14,374
– Interest income	(12,319)	(1,246)	(13,467)
– Share of losses of an associate	3,120	2,077	640
– Gain from disposal of joint ventures	–	–	(6,922)
– Gain from disposal of subsidiaries	–	–	(12)
– Change in fair value of investment properties	–	–	(4,773)
Operating (loss)/profit before changes in working capital	(46,366)	284,503	338,919
Changes in working capital			
– (Increase)/decrease in property under development	(1,383,967)	(419,719)	1,832,783
– Decrease/(increase) in completed properties held for sale	116,583	7,359	(1,147,519)
– (Increase)/decrease in trade and other receivables	(314,491)	(59,025)	93,402
– Increase/(decrease) in trade and other payables	1,372,901	(315,235)	(1,432,496)
– Decrease/(increase) in restricted cash	1,474	(7)	(5)
Cash generated used in operations	(253,866)	(502,124)	(314,916)
Income tax paid	(117,478)	(307,646)	(117,573)
Net cash used in operating activities	(371,344)	(809,770)	(432,489)
Investing activities			
Interest received	12,319	1,246	13,467
Payment for the purchase of property, plant and equipment	(1,893)	(944)	(2,621)
Payment for purchase of other investments	(1,578)	–	–
Payment for purchase of interests in a joint venture	–	–	(2,450)
Proceeds from disposal of joint ventures	–	–	52,372
Proceeds from receipt of amounts due from related parties	–	–	63,654
Proceeds from disposal of subsidiaries, net of cash disposed	–	–	(80,147)
Acquisition of a subsidiary, net of cash acquired	11,791	–	–
Net cash generated from investing activities	20,639	302	44,275

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Financing activities			
Capital contribution	8	–	–
Capital reduction	(500,000)	–	–
Proceeds from new bank loans	994,000	272,000	58,000
Repayment of bank loans	(651,000)	(255,000)	(195,000)
Repayment of loan interests	(78,204)	(100,010)	(97,454)
Dividends paid	–	–	(29,667)
Decrease/(increase) in restricted cash	199	1,803	(1,871)
Net cash borrowed from Zhong Hui Nanjing	589,932	979,785	626,452
Net cash from/(to) Nanjing San Long	35,745	(155,412)	93,050
Net cash from/(to) Sanya Hai Hui	–	58,000	(58,000)
Net cash generated from financing activities	390,680	801,166	395,510
Net increase/(decrease) in cash and cash equivalents	39,975	(8,302)	7,296
Cash and cash equivalents at 1 January	104,022	143,997	135,695
Cash and cash equivalents at end of year	143,997	135,695	142,991

During the Track Record Period, we recorded net cash used in operating activities of RMB371.3 million, RMB809.8 million and RMB432.5 million, respectively. The main reason for the negative operating cash flow during the Track Record Period was because the Track Record Period captured only part of the cash flow over the three projects' project life cycles, i.e. Sanya Phoenix Aqua City South Shore Phase I, Sanya Phoenix Aqua City Left Shore and Danzhou Phase I. Sanya Phoenix Aqua City South Shore Phase I commenced pre-sales in 2009 and as such, substantial amount of receipt from pre-sales was received from 2009 to 2012. On the other hand, the construction of Sanya Phoenix Aqua City South Shore Phase I and Danzhou Phase I was gradually completed in early 2015 and therefore, we settled a substantial amount of construction costs payables in 2013 and 2014. We have recorded positive operating cash flow from Sanya Phoenix Aqua City South Shore Phase I over the project life span as a whole. Sanya Phoenix Aqua City Left Shore commenced construction at the end of 2012 and was substantially completed other than the decoration of property units, thus a substantial amount of trade payables was settled during the Track Record Period while only approximately 30% of the saleable area for Sanya Phoenix Aqua City Left Shore was pre-sold/sold during the Track Record Period. Up to 30 April 2016, approximately 43% and 99% of the total saleable area was pre-sold/sold for Sanya Phoenix Aqua City Left Shore and Sanya Phoenix Aqua City South Shore Phase I respectively. As such, we expect to record positive cash flow from Sanya Phoenix Aqua City Left Shore over its life span as a whole taking into account the future sales proceeds.

Cash flows from operating activities

For 2015, our net cash used in operating activities was RMB432.5 million, which primarily comprised (i) an increase in completed properties held for sale of RMB1,147.5 million due to completion of certain portion of Sanya Phoenix Aqua City Left Shore and Danzhou Phase I, (ii) a decrease in trade and other payables of RMB1,432.5 million due to the decrease in receipt in advance as a result of the delivery of properties with the completion of certain portion of Sanya Phoenix Aqua City Left Shore and Danzhou Phase I, and (iii) income tax paid of RMB117.6 million, partially offset by (i) a profit before taxation for the year of RMB343.9 million, (ii) a decrease in properties under development of RMB1,832.8 million due to completion of certain portion of Sanya Phoenix Aqua City Left Shore and Danzhou Phase I, and (iii) a decrease in trade and other receivables of RMB93.4 million mainly due to the decrease in prepaid taxation as a result of delivery of properties to customers with the completion of certain portion of Sanya Phoenix Aqua City Left Shore and Danzhou Phase I.

For 2014, our net cash used in operating activities was RMB809.8 million, which primarily comprised (i) an increase in property under development of RMB419.7 million due to the construction of Sanya Phoenix Aqua City Left Shore, (ii) a decrease in trade and other payables of RMB315.2 million mainly due to decrease in receipts in advances as a result of delivery of properties with the completion of Sanya Phoenix Aqua City South Shore Phase I, and (iii) an increase in trade and other receivables of RMB59.0 million, and (iv) income tax paid of RMB307.6 million, partially offset by a profit before taxation for the year of RMB276.9 million.

For 2013, our net cash used in operating activities was RMB371.3 million, which primarily comprised (i) an increase in properties under development in Sanya Phoenix Aqua City South Shore Phase I of RMB1,384.0 million, (ii) an increase in trade and other receivables of RMB314.5 million, mainly due to increase in amount due from related parties which were non-trade nature, (iii) income tax paid of RMB117.5 million, and (iv) a loss for the year of RMB78.1 million, which is partially offset by, (i) an increase in trade and other payables of RMB1,372.9 million was mainly due to increase in receipt in advance resulting from increase in proceed received from pre-sale of Sanya Phoenix Aqua City South Shore Phase I, and (ii) a decrease in completed properties in Sanya Phoenix Aqua City South Shore Phase I held for sale of RMB116.6 million due to an increase in properties delivered.

Despite we recorded negative net cash flows from operating activities of RMB371.3 million, RMB809.8 million and RMB432.5 million, respectively, for the years ended 31 December 2013, 2014 and 2015, we believe that we will maintain sufficient liquidity and have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus after considering that (i) proceeds from the sales of the remaining properties of Sanya Phoenix Aqua City Left Shore and the commencement of sales of Haikou Phoenix Aqua City Phase I which would further support our liquidity position; (ii) net proceeds of approximately HK$262.4 million (RMB218.7 million) (assuming an Offer Price of HK$4.15 per Offer Share, being the mid point of the indicative Offer Price range) from the Global Offering, which will be used for financing the development of Sanya Phoenix Aqua City South Shore Phase II and general working capital; and (iii) as at the Latest Practicable Date, our Group had (a) entered into a framework agreement in respect of construction loan facilities of an aggregate amount of RMB3,500.0 million and, based on our previous cooperation with relevant bank, the drawdown of such construction loan facility will be subject to, among others, entering into construction contracts and the execution of construction loan agreement which in turn will be subject to, among others, the land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit being obtained, (b) obtained a bank loan facility of RMB150 million for a term of 5 years with maturity on 9 March 2021 of which RMB100.0 million was drawn, (c) obtained a bank loan of RMB400.0 million for a term of 12 months with maturity on 14 April 2017 with an option to extend for another 12 months upon maturity for repayment of bank loans of Sanya

Fenghuang Shuiyan, (d) obtained a trust loan of RMB500.0 million from Zijin Trust Co., Ltd. for a fixed term of 2 years for use as general working capital and adjusting our debt structure which was fully drawn down, and (e) obtained a trust loan of RMB500.0 million from Tou Tai Kang Trust Co. Ltd. for a fixed term of 2 years for use as general working capital and adjusting our debt structure which was entirely undrawn.

Cash flows from investing activities

Our cash inflow from investing activities primarily reflects interest received and proceeds from disposal of our Group's equity investments. Our cash used in investing activities primarily reflects net cash outflow from purchase of subsidiaries and jointly controlled entities, cash used in the purchase of property, plant and equipment and other investment and cash outflow to Danzhou Shuang Lian.

For 2015, our net cash generated in investing activities was RMB44.3 million, which primarily comprised of receipt of amount due from Nanjing Yin Zhou and Nanjing Yin Guang, being our joint ventures before their disposal, of RMB63.7 million, proceeds from disposal of joint ventures of RMB52.4 million and interest received of RMB13.5 million, partially offset by net cash outflow in the disposal of subsidiaries of RMB80.1 million due to the disposal of Nanjing Si Yue and Nanjing Hui Yin Da, cash used for the purchase of property, plant and equipment of RMB2.6 million and cash used for the purchase of equity interest in Sanya Huan Peng of RMB2.5 million.

For 2014, our net cash generated from investing activities was RMB0.3 million, which primarily comprised of interest received of RMB1.2 million partially offset by cash used for the purchase of property plant and equipment of RMB0.9 million.

For 2013, our net cash generated from investing activities was RMB20.6 million, which primarily comprised of interest received of RMB12.3 million and net cash inflow from the acquisition of Danzhou Shuang Lian of RMB11.8 million, partially offset by payment for the purchase of property, plant and equipment of RMB1.9 million and payment for purchase of Hainan Huilin of RMB1.6 million which had been liquidated as at 31 December 2015.

Cash flows from financing activities

Our cash inflows from financing activities primarily reflect proceeds from bank borrowings and borrowings from Zhong Hui Nanjing and Nanjing San Long. Our cash outflows from financing activities primarily reflect repayment of bank loans, loan interests and payment for capital reduction.

For 2015, our net cash generated from financing activities was RMB395.5 million, which was primarily due to net cash borrowed from Zhong Hui Nanjing and Nanjing San Long, of RMB626.5 million and RMB93.1 million respectively, to finance our property development projects and proceeds from new bank loans of RMB58.0 million, partially offset by repayment of bank loans of RMB195.0 million, repayment of loan interest of RMB97.5 million, repayment to an Independent Third Party contractor of RMB58.0 million and dividend paid of RMB29.7 million.

For 2014, net cash generated from financing activities was RMB801.2 million, which was primarily due to net cash borrowed from Zhong Hui Nanjing, of RMB979.8 million and proceeds from new bank loans of RMB272.0 million to finance our property development projects, and a temporary advance from an Independent Third Party contractor of RMB58.0 million to supplement our operating cash, partially offset by repayment of bank loans of RMB225.0 million, repayment to Nanjing San Long of RMB155.4 million and repayment of loan interest of RMB100.0 million.

For 2013, net cash generated from financing activities was RMB390.7 million, which was primarily due to proceeds from new bank loans of RMB994.0 million and net cash borrowed from Zhong Hui Nanjing, of RMB589.9 million, partially offset by payment to Xi'an Trust of RMB500.0 million for capital reduction upon expiry of the financing arrangement, repayment of bank loans of RMB651.0 million and repayment of loan interest of RMB78.2 million.

Working Capital

We manage our working capital to ensure proper and efficient collection and deployment of our funds. We carefully consider our cash position and ability to obtain further financing when making significant capital commitments and arranging payments for expanding our operations.

To achieve sufficient working capital, we will continue to improve our cash inflow associated with the sales and pre-sales of our properties by executing our business strategies as well as strengthening our payment collection from our customers with respect to the property sales and pre-sales. We also intend to further optimise the payment schedules for constructions fees to match the collection of our proceeds through negotiation with our contractors. Furthermore, we will continue to control cash outflow by enhancing our development and construction schedules, property sales and land acquisition plans based on the cash inflow associated with external financing opportunities and property sales proceeds.

Sufficiency of Working Capital

As we continue to expand the scale of our operations, our cash outflow is expected to be primarily driven by (i) the increase in the number of our existing property development projects entering into development stage; and (ii) property development projects for our land bank, resulting in a higher level of future development compared with that during the Track Record Period. We expect to fund such cash outflow requirements with our existing cash and cash equivalents and cash generated from pre-sales of our current property developments projects and new bank and other borrowings.

After taking into account: (i) our Group expects to receive proceeds from the sales of the remaining properties of Sanya Phoenix Aqua City Left Shore and the commencement of sales of Haikou Phoenix Aqua City Phase I from 1 April 2017 which would further support our liquidity position; (ii) our Group expects to receive net proceeds of approximately HK$262.4 million (RMB218.7 million) (assuming an Offer Price of HK$4.15 per Offer Share, being the mid point of the indicative Offer Price range) from the Global Offering, which will be used for financing the development of Sanya Phoenix Aqua City South Shore Phase II and general working capital; and (iii) as at the Latest Practicable Date, our Group had (a) entered into a framework agreement in respect of construction loan facilities of an aggregate amount of RMB3,500.0 million and, based on our previous cooperation with relevant bank, the drawdown of such construction loan facility will be subject to entering into construction contracts and the execution of construction loan agreement which in turn will be subject to the land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit being obtained, (b) obtained a bank loan facility of RMB150 million for a term of 5 years with maturity on 9 March 2021 which was fully drawn down, (c) obtained a bank loan of RMB400.0 million for a term of 12 months with maturity on 14 April 2017 with an option to extend for another 12 months upon maturity for repayment of bank loans of Sanya Fenghuang Shuiyun of which RMB373.0 million was unutilised, and (d) obtained a trust loan of RMB500.0 million from Guo Tou Tai Kang Trust Co. Ltd. for a fixed term of 2 years for use as general working capital and adjusting our debt structure which of which RMB430.0 million was unutilised, our Directors believe, and the Sole Sponsor concurs, that we have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus.

RECONCILIATION OF FINANCIAL INFORMATION OF OUR GROUP, DEVELOPMENT PROJECTS AND DANZHOU PHASE I

For management purposes, we have two reportable operation segments as follows:-

1. Development Projects

Being the development and sales of residential property units conducted under all our Group's development projects conducted in the Hainan Province (excluding Danzhou Phase I).

2. Danzhou Phase I

The development project of Danzhou Shuang Lian is divided into phases I and II. At the time of our acquisition of Danzhou Shuang Lian in November 2013, Danzhou Phase I, with an area of approximately 89 mu, was partially under development and was in the process of pre-sale, and Danzhou Phoenix Aqua City, with an area of approximately 569 mu, was a piece of undeveloped land. There was no revenue recognised from Danzhou Phase I until March 2015. Pursuant to the agreement between the shareholders of Danzhou Shuang Lian, (i) the other shareholder of Danzhou Shuang Lian continues to manage, develop and undertakes fully the risk and reward of Danzhou Phase I until its completion and disposal; and (ii) separate ledgers and bank accounts have been set up for phases I and II.

The acquisition of Danzhou Shuang Lian has been accounted for as a business combination with Danzhou Shuang Lian fully combined into the Group's combined financial statements from the date of acquisition. As the Group does not share any risks and rewards relating to Danzhou Phase I pursuant to the abovementioned agreement, the net profit or loss, net assets or liabilities arising from Danzhou Phase I are wholly attributable to the non-controlling interests in the Group's combined statements of profit or loss and other comprehensive income and the combined statements of changes in equity. As at 31 December 2015, current liabilities of Danzhou Phase I amounted to RMB296.6 million comprising trade and other payables of RMB295.2 million, which consisted of (i) amount due to the other shareholder of Danzhou Shuang Lian of RMB157.6 million, (ii) receipt in advance of RMB73.4 million, (iii) trade payables of RMB47.6 million and (iv) other payables of RMB16.1 million, and tax payables of RMB1.4 million. Having considered that Danzhou Phase I had current assets of RMB400.3 million as at 31 December 2015 which would be able to entirely cover the outstanding current liabilities of RMB296.6 million as at 31 December 2015, we believe there would not be any shortfall of net current assets by Danzhou Phase I and thus the likelihood of our assumption of any liabilities arisen from Danzhou Phase I is remote. The details of the effects are disclosed in the segment report in Note 2 of "Accountants Report" in Appendix I to this prospectus.

As Danzhou Phase I was managed and developed solely by other shareholder of Danzhou Shuang Lian with no involvement from our management nor do we share any risk and reward, we cannot ascertain the accuracy of the operating data which is contained in separate books, thus such operating data is not presented in this prospectus.

Segment results and financial position of the Development Projects and Danzhou Phase I for the Track Record Period and as at the financial year end dates are set out below:-

Reconciliations of reportable revenues, profit or loss, assets and liabilities

	Year ended 31 December 2013		
	Development Projects	Danzhou Phase I	Total
	RMB'000	RMB'000	RMB'000
Turnover	192,451	–	192,451
Cost of Sales	(116,583)	–	(116,583)
Gross profit	75,868	–	75,868
Other income	40	320	360
Selling and distribution expense	(63,710)	(2,924)	(66,634)
Administrative expense	(43,297)	(3,321)	(46,618)
Other expenses	(9,351)	–	(9,351)
Finance income	12,265	54	12,319
Finance cost	(37,162)	–	(37,162)
Losses from investing activities	(3,120)	–	(3,120)
Loss before tax from continuing operations	(68,467)	(5,871)	(74,338)
Income tax	(4,220)	1,364	(2,856)
Loss from discontinued operations	(2,938)	–	(2,938)
Loss attributable to non-controlling interests	–	(4,507)	(4,507)
Loss attributable to equity shareholders of the company	(75,625)	–	(75,625)
Properties under development	4,703,111	377,473	5,080,584
Completed properties held for sale	103,954	–	103,954
Trade and other receivables	1,965,898	139,199	2,105,097
Current tax assets	125,868	3,697	129,565
Restricted cash	3,995	–	3,995
Cash and cash equivalents	40,750	103,247	143,997
Segment current assets	6,943,576	623,616	7,567,192
Property, plant and equipment	58,057	2,581	60,638
Deferred tax assets	65,586	7,479	73,065
Other non-current assets	9,944	–	9,944
Segment non-current assets	133,587	10,060	143,647
Trade and other payables	(3,225,359)	(499,204)	(3,724,563)
Loans and borrowings	(183,772)	–	(183,772)
Current taxation	(245,444)	(2,258)	(247,702)
Segment current liabilities	(3,654,575)	(501,462)	(4,156,037)
Interest bearing loans and borrowings	(745,187)	(117,546)	(862,733)
Deferred tax liabilities	(599,776)	(12,621)	(612,397)
Segment non-current liabilities	(1,344,963)	(130,167)	(1,475,130)
Other segment information			
Capital expenditure	6,492,347	377,473	6,869,820
Depreciation of property, plant and equipment	3,031	662	3,693
Amortisation of intangible assets	112	–	112

	Year ended 31 December 2014		
	Development Projects	Danzhou Phase I	Total
	RMB'000	RMB'000	RMB'000
Turnover	790,369	–	790,369
Cost of Sales	(401,837)	–	(401,837)
Gross profit	388,532	–	388,532
Other income	546	11	557
Selling and distribution expenses	(36,074)	(12,957)	(49,031)
Administrative expenses	(45,934)	(4,813)	(50,747)
Other expenses	(10,390)	(334)	(10,724)
Finance income	1,246	–	1,246
Finance cost	(318)	(1,754)	(2,072)
Losses from investing activities	(2,077)	–	(2,077)
Profit/(loss) before tax from continuing operations	295,531	(19,847)	275,684
Income tax	(169,715)	4,778	(164,937)
Profit from discontinued operations	924	–	924
Loss attributable to non-controlling interests	(1,442)	(15,069)	(16,511)
Profit attributable to equity shareholders of the company	128,182	–	128,182
Properties under development	5,163,692	424,298	5,587,990
Completed properties held for sale	96,595	–	96,595
Trade and other receivables	1,047,290	94,044	1,141,334
Current tax assets	116,712	7,015	123,727
Restricted cash	2,199	–	2,199
Cash and cash equivalents	123,438	12,257	135,695
Segment current assets	6,549,926	537,614	7,087,540
Property, plant and equipment	54,707	1,881	56,588
Intangible assets	1,081	25	1,106
Deferred tax assets	37,114	12,257	49,371
Other non-current assets	50,078	–	50,078
Segment non-current assets	142,980	14,163	157,143
Trade and other payables	(3,442,822)	(355,203)	(3,798,025)
Loans and borrowings	(437,100)	(68,778)	(505,878)
Current taxation	(82,175)	(2,931)	(85,106)
Segment current liabilities	(3,962,097)	(426,912)	(4,389,009)
Interest bearing loans and borrowings	(550,896)	–	(550,896)
Deferred tax liabilities	(590,444)	(12,621)	(603,065)
Segment non-current liabilities	(1,141,340)	(12,621)	(1,153,961)
Other segment information			
Capital expenditure	7,375,573	424,298	7,799,871
Depreciation of property, plant and equipment	3,805	789	4,594
Amortisation of intangible assets	75	8	83

	Year ended 31 December 2015		
	Development Projects	Danzhou Phase I	Total
	RMB'000	RMB'000	RMB'000
Turnover	1,402,686	154,276	1,556,962
Cost of Sales	(988,296)	(140,482)	(1,128,778)
Gross profit	414,390	13,794	428,184
Other income	3,046	80	3,126
change in fair value of investment properties	4,773	–	4,773
Selling and distribution expenses	(31,492)	(5,133)	(36,625)
Administrative expenses	(53,573)	(3,764)	(57,337)
Other expenses	(5,331)	(36)	(5,367)
Finance income	13,339	128	13,467
Finance cost	(1,296)	(13,078)	(14,374)
Income from investing activities	6,294	–	6,294
Profit/(loss) before tax from continuing operations	350,150	(8,009)	342,141
Income tax	(160,943)	2,955	(157,988)
Profit from discontinued operations	1,210	–	1,210
Loss attributable to non-controlling interests	(1,395)	(5,054)	(6,449)
Profit attributable to equity shareholders of the company	191,812	–	191,812
Properties under development	3,672,318	–	3,672,318
Completed properties held for sale	917,095	327,019	1,244,114
Trade and other receivables	244,694	56,593	301,287
Current tax assets	36,144	5,566	41,710
Restricted cash	4,074	–	4,074
Cash and cash equivalents	131,906	11,085	142,991
Segment current assets	5,006,231	400,263	5,406,494
Property, plant and equipment	52,644	937	53,581
Intangible assets	977	–	977
Investment property	165,180	–	165,180
Deferred tax assets	29,515	11,091	40,606
Other non-current assets	17	–	17
Segment non-current assets	248,333	12,028	260,361
Trade and other payables	(2,420,313)	(295,240)	(2,715,553)
Loans and borrowings	(485,000)	–	(485,000)
Current taxation	(98,121)	(1,360)	(99,481)
Segment current liabilities	(3,003,434)	(296,600)	(3,300,034)
Interest bearing loans and borrowings	(442,290)	–	(442,290)
Deferred tax liabilities	(530,348)	(8,501)	(538,849)
Segment non-current liabilities	(972,638)	(8,501)	(981,139)
Other segment information			
Capital expenditure	7,868,688	461,881	8,330,569
Depreciation of property, plant and equipment	4,288	749	5,037
Amortisation of intangible assets	99	30	129

Reconciliations of reportable cashflow information

	Year ended 31 December 2013			
	Development Projects	Danzhou Phase I	Elimination	Total
	RMB'000	RMB'000		
Net cash used in operating activities	(327,739)	(43,605)	–	(371,344)
Net cash (used in)/generated from investing activities	(91,206)	11,845	100,000	20,639
Net cash generated from/ (used in) financing activities	355,673	135,007	(100,000)	390,680

	Year ended 31 December 2014			
	Development Projects	Danzhou Phase I	Elimination	Total
	RMB'000	RMB'000		
Net cash used in operating activities	(770,111)	(39,659)	–	(809,770)
Net cash (used in)/generated from investing activities	(165,238)	(28)	165,568	302
Net cash generated from/ (used in) financing activities	1,018,037	(51,303)	(165,568)	801,166

	Year ended 31 December 2015			
	Development Projects	Danzhou Phase I	Elimination	Total
	RMB'000	RMB'000		
Net cash used in operating activities	(425,321)	(7,168)	–	(432,489)
Net cash generated from/ (used in) investing activities	44,147	128	–	44,275
Net cash generated from financing activities	389,642	5,868	–	395,510

DISCUSSION OF SELECTED FINANCIAL INFORMATION OF DEVELOPMENT PROJECTS (EXCLUSIVE OF DANZHOU PHASE I)

Set out below the discussion of selected financial information of Development Projects (exclusive of Danzhou Phase I). Saved as set out below, the discussion of financial information of Development Projects (exclusive of Danzhou Phase I) would not be materially differ from the discussion of financial information of our Group (inclusive of Danzhou Phase I) as disclosed above in this section.

Discussion of selected results of operations (exclusive of Danzhou Phase I)

Year ended 31 December 2015 compared to year ended 31 December 2014

Turnover (exclusive of Danzhou Phase I). Our turnover increased from RMB790.4 million for the year ended 31 December 2014 to RMB1,402.7 million for the year ended 31 December 2015, representing an increase of 77.5%. The increase in turnover was attributable to (i) the increase in the average selling price per sq.m. from RMB19,431 for the year ended 31 December 2014 to RMB28,724 for the year ended 31 December 2015, representing an increase of 47.8% which was due to the increase in the GFA delivered for multi-storey apartments (which have a higher average selling price per sq.m.) for the year ended 31 December 2015 as compared to the year ended 31 December 2014 for which majority of GFA delivered were high-rise apartments (which have a lower average selling price per sq.m.); and (ii) the increase in the delivery area in the year ended 31 December 2015 due to the completion and delivery of the multi-storey apartments in Sanya Phoenix Aqua City South Shore Phase I and part of Sanya Phoenix Aqua City Left Shore in the year ended 31 December 2015.

Cost of Sales (exclusive of Danzhou Phase I). Our cost of sales increased from RMB401.8 million for the year ended 31 December 2014 to RMB988.3 million for the year ended 31 December 2015, representing an increase of 145.9%. The increase in cost of sales was attributable to the increase in the GFA delivered for multi-storey apartments (which have a higher average cost of sales per sq.m.) for the year ended 31 December 2015 as compared to the year ended 31 December 2014 for which majority of GFA delivered were high-rise apartments (which have a lower average cost of sales per sq.m.) for the year ended 31 December 2014.

Gross Profit (exclusive of Danzhou Phase I). As a result of the forgoing, the gross profit increased from RMB388.5 million for the year ended 31 December 2014 to RMB414.4 million for the year ended 31 December 2015, representing a slight increase of 6.7%.

Year ended 31 December 2014 compared to year ended 31 December 2013

Turnover (exclusive of Danzhou Phase I). Our turnover increased by 310.6% to RMB790.4 million for the year ended 31 December 2014 from RMB192.5 million for the year ended 31 December 2013. The increase was primarily due to a 349.1% increase in GFA delivered of Sanya Phoenix Aqua City South Shore Phase I from 9,058 sq.m. for the year ended 31 December 2013, to 40,675 sq.m. for the year ended 31 December 2014 which was slightly offset by a decrease in average selling price from RMB21,247 per sq.m. for the year ended 31 December 2013 to RMB19,431 per sq.m. for the year ended 31 December 2014. The decrease in average selling price per sq.m. was due to a change in sales mix that the revenue contribution of low-rise apartments, which were of a higher average selling price per sq.m., had decreased from 32.1% in 2013 to 0.7% in 2014.

Cost of Sales (exclusive of Danzhou Phase I). Cost of sales increased by 244.6% to RMB401.8 million for the year ended 31 December 2014 from RMB116.6 million for the year ended 31 December 2013. The increase in cost of sales was attributable to the increase in GFA delivered in 2014, partially offset by the sale and delivery of properties with lower average cost of sales per sq.m. as a result of a change in sales mix as stated above.

Gross Profit (exclusive of Danzhou Phase I). Gross profit increased by 412.1% to RMB388.5 million for the year ended 31 December 2014 from RMB75.9 million for the year ended 31 December 2013, primarily attributable to the increase in revenue and gross profit margin. Our gross profit margin increased to 49.2% for the year ended 31 December 2014 from 39.4% for the year ended 31 December 2013. Those changes are primarily attributable to the change in sale mix that the majority of the GFA delivered for the year ended 31 December 2014 were high-rise apartments which were of a higher gross profit margin as compared to the year ended 31 December 2013 for which we delivered a higher portion of GFA of low-rise apartments which were of a lower gross profit margin.

Certain balance sheet items (exclusive of Danzhou Phase I)

Properties under development (exclusive of Danzhou Phase I)

Our properties under development generally reflect the value of properties we intend to sale but have not been completed at the given balance sheet date and therefore are significantly affected by project development schedules. Completed and undelivered properties are transferred from properties under development to completed properties held for sale or investment properties.

The table below sets forth a breakdown of the value of properties under development by project or project phase as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Current portion			
Sanya Phoenix Aqua City South Shore Phase I	1,176,846	851,595	55,809
Sanya Phoenix Aqua City South Shore Phase II	1,435,182	1,454,621	1,470,207
Sanya Phoenix Aqua City Left Shore	1,225,290	1,893,033	1,162,105
Haikou Phoenix Aqua City Phase I	193,949	277,215	296,730
Haikou Phoenix Aqua City Phase II	176,826	177,382	177,598
Danzhou Phoenix Aqua City	495,018	509,846	509,869
Total	4,703,111	5,163,692	3,672,318

The properties under development decreased by 28.9% from RMB5,163.7 million as at 31 December 2014 to RMB3,672.3 million as at 31 December 2015, primarily due to completion of construction of the remaining portion of our Sanya Phoenix Aqua City South Shore Phase I and part of Sanya Phoenix Aqua City Left Shore in 2015. The properties under development increased by 9.8% from RMB4,703.1 million as at 31 December 2013 to RMB5,163.7 million as at 31 December 2014, primarily due to the commencement of construction of Sanya Phoenix Aqua City Left Shore.

As at 31 December 2013, 2014 and 2015, RMB1,264.0 million, RMB2,294.4 million and RMB1,802.9 million of our Group's properties under development were pledged as collaterals for certain bank loans granted to our Group.

In addition, properties under development with an aggregate carrying value of RMB470.0 million, RMB608.4 million and nil as at 31 December 2013, 2014 and 2015, respectively, were pledged for certain bank loans granted to related parties and a third party. As at the Latest Practicable Date, all of these pledges had been released.

Completed properties held for sale (exclusive of Danzhou Phase I)

The table below sets forth a breakdown of the value of completed properties held for sale by project as of the dates indicated:

	As of 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Projects			
Sanya Phoenix Aqua City South Shore Phase I	103,954	96,595	104,383
Sanya Phoenix Aqua City Left Shore	–	–	812,712
	103,954	96,595	917,095

Completed properties held for sale were completed development properties that had not been contracted for sales or completed development properties that had been contracted for sales but had not been delivered to purchasers.

All completed properties held for sale are located in the PRC with land use rights of 70 years for residential properties and 40 years for commercial properties. All completed properties held for sale are stated at cost and no impairment is provided for.

The completed properties held for sale increased by 849.4% from RMB96.6 million as at 31 December 2014 to RMB917.1 million as at 31 December 2015, primarily due to completion of the remaining portion of our Sanya Phoenix Aqua City South Shore Phase I and part of Sanya Phoenix Aqua City Left Shore in 2015. The completed properties held for sale decreased by 7.1% from RMB104.0 million as at 31 December 2013 to RMB96.6 million as at 31 December 2014, primarily due to the delivery of certain portion of Sanya Phoenix Aqua City South Shore Phase I.

Trade and Other Receivables (exclusive of Danzhou Phase I)

The following table sets forth a breakdown of our trade and other receivables (exclusive of Danzhou Phase I) as at the end of the reporting period:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Amounts due from third parties			
– Trade receivables	1,579	2,166	1,866
Less: allowance for doubtful debts	–	–	(19)
– Non-trade receivables	74,596	79,279	75,439
Amounts due from related parties			
– Non-trade receivables	1,749,913	859,381	12,919
– Bills receivable	–	1,400	–
Advance payments to contractors			
– To third party contractors	8,489	19,463	37,699
– To related party contractors	20,991	2,620	88,919
Prepaid business tax and other taxes	110,330	82,981	27,871
Total	1,965,898	1,047,290	244,694

Advance payment to third party contractors (exclusive of Danzhou Phase I). Our advance payment to third party contractors as at 31 December 2013, 2014 and 2015 were RMB8.5 million, RMB19.5 million and RMB37.7 million, respectively. The increase during the Track Record Period were due to the increase of construction contracts which were at early stage as at the respective year ends.

Trade and Other Payables (exclusive of Danzhou Phase I)

Our trade and other payables (exclusive of Danzhou Phase I) as at the financial period end dates of the Track Record Period are summarised as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Amounts due to third parties			
– Trade payables	514,719	507,253	559,972
– Receipts in advance	1,976,241	1,468,876	509,893
– Accrued payroll	1,414	1,145	1,144
– Other payables and accruals	276,457	312,590	155,917
	2,768,831	2,289,864	1,226,926
Amounts due to related parties			
– Trade payables	335,248	541,301	275,011
– Non-trade payables	121,280	611,657	918,376
	456,528	1,152,958	1,193,387
	3,225,359	3,442,822	2,420,313

Receipts in advance (exclusive of Danzhou Phase I). We commenced the sale of our properties and collection of proceeds from customers before the properties are completed for delivery and such proceeds are recorded as receipts in advance. We received in advance of RMB1,976.2 million, RMB1,468.9 million and RMB509.9 million respectively, as at 31 December 2013, 2014 and 2015. The decrease of RMB507.3 million from RMB1,976.2 million for the year ended 31 December 2013 to RMB1,468.9 million for the year ended 31 December 2014 and the decrease of RMB959.0 million from RMB1,468.9 million for the year ended 31 December 2014 to RMB509.9 million for the year ended 31 December 2015 was due to the increase in GFA delivered for Sanya Phoenix Aqua City South Shore Phase I and Sanya Phoenix Aqua City Left Shore.

Other payables and accruals (exclusive of Danzhou Phase I). We had other payables and accruals of RMB276.5 million, RMB312.6 million and RMB155.9 million, as at 31 December 2013, 2014 and 2015, respectively. The other payables and accruals include deposits of suppliers, land premium late payment charge accruals, other taxes payable, consideration payable for acquisition of equity interest of Sanya Fenghuang Shuiyun and other interest free advances. The increase of RMB36.1 million from RMB276.5 million for the year ended 31 December 2013 to RMB312.6 million for the year ended 31 December 2014 was primarily attributable to the temporary advances made from Sanya Hai Hui, an independent third party contractor, which was non-secured, interest free and repayable on demand. The decrease of RMB156.7 million from RMB312.6 million for the year ended 31 December 2014 to RMB155.9 million for the year ended 31 December 2015 was primarily attributable to the settlement of the temporary advances made, as well as the settlement of the RMB48.0 million consideration payable for the acquisition of 30% interest in Sanya Fenghuang Shuiyun from Suzhou Zhuo Cheng, and the debt previously assigned to Suzhou Zhuo Cheng in its acquisition of Hainan Nanhai Xiang Long.

Cash Flows (exclusive of Danzhou Phase I)

The following table sets out selected cash flow data from our combined statements of cash flows (excluding Danzhou Phase I) for the periods indicated.

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Operating activities			
(Loss)/profit before taxation	(72,263)	296,770	351,903
Adjustments for:	–	–	–
– Depreciation & amortization	3,143	3,881	4,388
– Finance costs	37,162	317	1,296
– Interest income	(12,265)	(1,246)	(13,339)
– Allowance for impairment loss made on trade and other receivables	–	–	19
– Share of losses of associates	3,120	2,077	640
– Gain from disposal of joint ventures	–	–	(6,922)
– Gain from disposal of subsidiary	–	–	(12)
– Change in fair value of investment properties	–	–	(4,773)
Operating profit/(loss) before changes in working capital	**(41,103)**	**301,799**	**333,200**
Changes in working capital			
– (Increase)/decrease in property under development	(1,348,676)	(341,094)	1,405,616
– (Increase)/decrease in completed properties held for sale	116,583	7,359	(820,500)
– (Increase)/decrease in trade and other receivables	(338,450)	(104,091)	55,759
– Increase/(decrease) in trade and other payables	1,399,794	(329,076)	(1,281,939)
– Decrease/(increase) in restricted cash	1,474	(7)	(5)
Cash used in operations	**(210,378)**	**(465,110)**	**(307,869)**
Tax expense paid	(117,361)	(305,001)	(117,452)
Net cash used in operating activities	**(327,739)**	**(770,111)**	**(425,321)**
Investing activities			
Interest received	12,265	1,246	13,339
Proceeds from receipt of amounts due from related parties	–	–	63,654
Payment for purchase of subsidiary	(100,000)	(165,568)	
Payment for the purchase of property, plant and equipment	(1,893)	(916)	(2,621)
Payment for purchase of interest in joint controlled entities	–	–	(2,450)
Payment for purchase of other investment	(1,578)	–	–
Proceeds from disposal of joint ventures	–	–	52,372
Proceeds from disposal of subsidiaries, net of cash disposed	–	–	(80,147)
Net cash (used in)/generated from investing activities	**(91,206)**	**(165,238)**	**44,147**

	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Financing activities			
Capital contribution	8	–	–
Proceeds from new bank loans	994,000	242,000	58,000
Dividend paid	–	–	(29,667)
Repayment of bank loans	(651,000)	(175,000)	(125,000)
Capital reduction	(500,000)	–	–
Repayment of interests	(77,466)	(91,019)	(82,728)
Decrease/(increase) in restricted cash	199	1,803	(1,871)
Net cash borrowed from Zhong Hui Nanjing	589,932	979,785	626,452
Net cash from Nanjing San Long	–	2,468	2,456
Net cash from/(to) Sanya Hai Hui	–	58,000	(58,000)
Net cash generated from financing activities	**355,673**	**1,018,037**	**389,642**
Net (decrease)/increase in cash and cash equivalents	**(63,272)**	**82,688**	**8,468**
Cash and cash equivalents at 1 January	**104,022**	**40,750**	**123,438**
Cash and cash equivalents at year end	**40,750**	**123,438**	**131,906**

During the Track Record Period, we recorded net cash used in operating activities of RMB327.7 million, RMB770.1 million and RMB425.3 million, respectively. The main reason for the negative operating cash flow during the Track Record Period was due to Track Record Period only captured part of the cash flow over the two projects' project life cycles, i.e. Sanya Phoenix Aqua City South Shore Phase I and Sanya Phoenix Aqua City Left Shore. Sanya Phoenix Aqua City South Shore Phase I commenced pre-sales in 2009 and as such, substantial amount of receipt from pre-sales was received from 2009 to 2012. On the other hand, the construction of Sanya Phoenix Aqua City South Shore Phase I was gradually completed in early 2015 and therefore, we settled a substantial amount of construction costs payables in 2013 and 2014. We have recorded positive operating cash flow from Sanya Phoenix Aqua City South Shore Phase I over the project life span as a whole. Sanya Phoenix Aqua City Left Shore commenced construction at the end of 2012 and was substantially completed in March 2016 other than the decoration of property units, thus a substantial amount of trade payables was settled during the Track Record Period while only approximately 30% of the saleable area for Sanya Phoenix Aqua City Left Shore was pre-sold/sold during the Track Record Period. As such, we expect to record positive cash flow from Sanya Phoenix Aqua City Left Shore over the its life span as a whole taking into account the future sales proceeds.

Cash flows from operating activities (exclusive of Danzhou Phase I)

For 2015, our net cash used in operating activities was RMB425.3 million, which primarily comprised (i) an increase in completed properties held for sale of RMB820.5 million due to completion of certain portion of Sanya Phoenix Aqua City Left Shore, (ii) a decrease in trade and other payables of RMB1,282 million due to the decrease in receipt in advance as a result of the delivery of properties with the completion of certain portion of Sanya Phoenix Aqua City Left Shore, and (iii) income tax paid of RMB117.5 million, partially offset by (i) a profit before taxation for the year of RMB351.9 million, (ii) a decrease in properties under development of RMB1,400.8 million due to completion of certain portion of Sanya Phoenix Aqua City Left Shore, and (iii) a decrease in trade and other receivables of RMB55.8 million mainly due to the decrease in prepaid taxation as a result of delivery of properties to customers with the completion of certain portion Sanya Phoenix Aqua City Left Shore.

For 2014, our net cash used in operating activities was RMB770.1 million, which primarily comprised (i) an increase in property under development of RMB341.1 million due to the construction of Sanya Phoenix Aqua City Left Shore, (ii) a decrease in trade and other payables of RMB329.1 million mainly due to decrease in receipts in advances as a result of delivery of properties with the completion of Sanya Phoenix Aqua City South Shore Phase I, and (iii) an increase in trade and other receivables of RMB104.1 million, and (iv) income tax paid of RMB305.0 million, partially offset by (i) a profit before taxation for the year of RMB296.8 million.

For 2013, our net cash used in operating activities was RMB327.7 million, which primarily comprised (i) an increase in properties under development in Sanya Phoenix Aqua City South Shore Phase I of RMB1,348.7 million, (ii) an increase in trade and other receivables of RMB338.5 million, mainly due to increase in amount due from related parties which were non-trade nature, (iii) income tax paid of RMB117.4 million, and (iv) a loss for the year of RMB72.3 million, which is partially offset by, (i) an increase in trade and other payables of RMB1,399.8 million was mainly due to increase in receipt in advance resulting from increase in proceed received from pre-sale of Sanya Phoenix Aqua City South Shore Phase I, and (ii) a decrease in completed properties in Sanya Phoenix Aqua City South Shore Phase I held for sale of RMB116.6 million due to an increase in properties delivered.

Cash flows from investing activities (exclusive of Danzhou Phase I)

Our cash inflow from investing activities primarily reflects interest received and proceeds from disposal of our Group's equity investments. Our cash used in investing activities primarily reflects net cash outflow from purchase of subsidiaries and jointly controlled entities, cash used in the purchase of property, plant and equipment and other investment and cash outflow to Danzhou Shuang Lian.

For 2015, our net cash generated in investing activities was RMB44.1 million, which primarily comprised of net cash inflow from receipt of amount due from Nanjing Yin Zhou and Nanjing Yin Guang, being our joint ventures before their disposal, of RMB63.7 million, proceeds from disposal of the joint ventures of RMB52.4 million and interest received of RMB13.3 million, partially offset by net cash outflow in the disposal of subsidiaries of RMB80.1 million due to the disposal of Nanjing Si Yue and Nanjing Hui Yin Da, cash used for the purchase of property, plant and equipment of RMB2.6 million and cash used for the purchase of equity interest in Sanya Huan Peng of RMB2.5 million.

For 2014, our net cash used in investing activities was RMB165.2 million, which primarily comprised of cash outflow for the additional capital investment in Danzhou Shuang Lian of RMB165.6 million and cash used for the purchase of property plant and equipment of RMB0.9 million, which offset by interest received of RMB1.2 million.

For 2013, our net cash used in investing activities was RMB91.2 million, which primarily comprised of payment for the purchase of property, plant and equipment of RMB1.9 million and payment for purchase of Hainan Huilin of RMB1.6 million which had been liquidated as at 31 December 2015 and cash outflow for the acquisition of Danzhou Shuang Lian by way of capital injection of RMB100.0 million which offset by interest received of RMB12.3 million.

Cash flows from financing activities (exclusive of Danzhou Phase I)

Our cash inflows from financing activities primarily reflect proceeds from bank borrowings and borrowings from Zhong Hui Nanjing and Nanjing San Long. Our cash outflows from financing activities primarily reflect repayment of bank loans, loan interests and payment for capital reduction.

For 2015, our net cash generated from financing activities was RMB389.6 million, which was primarily due to net cash borrowed from Zhong Hui Nanjing and Nanjing San Long, of RMB626.5 million and RMB2.5 million respectively, to finance our property development projects and proceeds from new bank loans of RMB58.0 million, partially offset by repayment of bank loans of RMB125.0 million, repayment of loan interest of RMB82.7 million, repayment to an Independent Third Party contractor of RMB58.0 million and dividend paid of RMB29.7 million.

For 2014, net cash generated from financing activities was RMB1,018 million, which was primarily due to net cash borrowed from Zhong Hui Nanjing and Nanjing San Long, of RMB979.8 million and RMB2.5 million respectively and proceeds from new bank loans of RMB242.0 million to finance our property development projects, and a temporary advance from an Independent Third Party contractor of RMB58.0 million to supplement our operating cash, partially offset by repayment of bank loans of RMB175.0 million and repayment of loan interest of RMB91.0 million.

For 2013, net cash generated from financing activities was RMB355.7 million, which was primarily due to proceeds from new bank loans of RMB994.0 million and net cash borrowed from Zhong Hui Nanjing, of RMB589.9 million, partially offset by payment to Xi'an Trust of RMB500.0 million for capital reduction upon expiry of the financing arrangement and repayment of bank loans of RMB651.0 million and repayment of loan interest of RMB77.5 million.

MARKET RISKS

We are exposed to a variety of market risks in the normal course of business, including foreign exchange risk, credit risk, liquidity risk and interest rate risk, as set out below. We regularly monitor our exposure to these risks and as of the Latest Practicable Date, did not hedge or consider necessary to hedge any of these risks. However, our overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on our financial performance. Our Board is responsible for setting the objectives and underlying principles of financial risk management.

Credit risk

Our Group's credit risk is primarily attributable to bank deposits, and trade and other receivables. Our Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and our Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institution will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivables from sale of properties, which enable management to assess their recoverability and to minimize exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined statements of financial position. Except for the financial guarantees given by our Group as set out in Note 30(a) to “Accountants’ Report” in Appendix I to this prospectus, our Group does not provide any other guarantees which would expose our Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 30(a) to “Accountants’ Report” in Appendix I to this prospectus.

Further quantitative disclosures in respect of our Group’s exposure to credit risk arising from trade and other receivables are set out in Note 20 to “Accountants’ Report” in Appendix I to this prospectus.

Liquidity risk

Our Group’s management reviews the liquidity position of our Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor our Group’s liquidity requirements in the short and longer terms.

Details of maturity analysis for financial liabilities are disclosed in Notes 23 and 44 to the “Accountants’ Report” in Appendix I to this prospectus.

Interest Rate Risk

Our Group’s interest rates risk arises primarily from cash and cash equivalents, restricted and pledged deposits and borrowings issued at variable rates.

Our Group does not anticipate significant impact to cash and cash equivalents and the pledged deposits because the interest rates of bank deposits are not expected to change significantly.

The interest rates and terms of repayment of bank loans and other borrowings of our Group are disclosed in Note 24 to the “Accountants’ Report” in Appendix I to this prospectus. All bank loans and other borrowings of our Group were with variable interest rate. Our Group does not carry out any hedging activities to manage its interest rate exposure.

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios for the periods or as of the dates indicated:

	Year ended 31 December		
	2013	**2014**	**2015**
Profitability ratios			
Turnover growth (%)	N/A	310.7	97.0
Gross profit margin (%)	39.4	49.2	27.5
Net profit margin (%)	(39.3)	16.2	12.3
Return on equity (%)	(3.6)	7.5	13.8
Adjusted net profit margin (%)*	(32.8)	16.3	11.7
Adjusted return on equity (%)*	(3.0)	7.6	13.2

	As of 31 December		
	2013	**2014**	**2015**
Liquidity ratio			
Current ratio	1.82	1.61	1.64
Capital adequacy ratios			
Gearing ratio (%)	50.3	62.1	66.9
Net debt to equity ratio (%)	43.2	54.0	56.3

* The adjusted profitability ratios were calculated by reference to the adjusted net (loss)/profit attributable to equity shareholders of our Company, which is not a measurement of financial performance under Generally Accepted Accounting Principles. You should not consider it in isolation or as a substitute for our profit (or loss) for the period or as an operating performance measure that is calculated in accordance with Generally Accepted Accounting Principles. In addition, as different companies may calculate adjusted net profit (or loss) attributable to equity shareholders differently, this measure may not be comparable to the adjusted net profit (or loss) figures of other companies.

Please see sections "Year ended 31 December 2015 compared to year ended 31 December 2014" and "Year ended 31 December 2014 compared to year ended 31 December 2013" for a discussion of the factors affecting turnover growth and gross and net profit margins during the respective periods.

Adjusted return on Equity

Adjusted on equity is our adjusted net profit/(loss) divided by total equity for each financial period.

The adjusted return on equity in 2013, 2014 and 2015 was (3.0)% and 7.6%, and 13.2% respectively. The change from 2013 to 2014 is mainly due to both the increase in adjusted net profit as stated above and decrease in equity due to dividends declared during the year. The increase from 2014 to 2015 is attributable to both in increase in adjusted net profit as stated above and decrease in total equity due to decrease in share capital arising from reorganisation.

Current Ratio

Current ratio is our current assets divided by our current liabilities at the end of each financial period.

The current ratio as at 31 December 2013 and 2014 and 2015 was 1.82, 1.61 and 1.64, respectively. The decrease in 2014 was due to decrease in current asset because of decrease in non-trade receivables as the settlement of non-trade receivables due from related parties and the increase in current liabilities because of: (i) increase in trade payables due to project development progress and increase in non-trade payables due to dividends payable to Zhong Hui Nanjing in 2014; (ii) increase in current portion of non-current loans and borrowings.

Gearing Ratio

Gearing ratio is our total debt divided by total equity. Total debt includes interest-bearing bank and other borrowings.

The Group's gearing ratio increased from 50.3% as at 31 December 2013 to 62.1% as at 31 December 2014 and to 66.9% as at 31 December 2015. The increase is mainly because of the decrease in total equity. In 2014, the decrease in equity was due to dividends declared during the year, while in 2015, decrease in total equity was due to decrease in share capital arising from reorganization. Total debt remained relatively stable through the three years.

Net Debt-to-Equity Ratio

Net debt-to-equity ratio is our total interest-bearing bank borrowings and other borrowings less cash and cash equivalent and pledged deposits as a percentage of total equity at the end of each financial period.

The Group's net debt to equity ratio increased from 43.2% as at 31 December 2013 to 54.0% as at 31 December 2014 and to 56.3% as at 31 December 2015. Net debt stayed relatively stable through the years. The increase in debt to equity ratio in 2014 was mainly because of the decrease in total equity as stated above.

Sensitivity analysis

It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease our Group's profit after tax or increase our Group's loss after tax /increase our Group's profit after tax or decrease our Group's loss after tax and decrease/increase total equity attributable to equity shareholders of our Company by approximately RMB3.9 million, RMB4.0 million and RMB3.5 million for the years ended 31 December 2013, 2014 and 2015, respectively, in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the annualised impact on our Group's profit after tax (and retained profits) and other components of combined equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those floating rate non-derivative financial instruments held by our Group which expose our Group to cash flow interest rate risk at the end of the reporting period. The analysis is performed on the same basis for 2013 to 2015.

Our business is sensitive to fluctuations in interest rates. As we had bank loans of RMB927.3 million as at 31 December 2015, any increase in interest rates will increase our cost of financing. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations. The PBOC published benchmark one-year lending rates in China as at 31 December 2013, 2014 and 2015 were 6.0%, 5.6% and 4.35% respectively.

Any increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress the overall housing demand in China. To control the growth in the PRC property market following the adoption of the stimulus package by the PRC Government in the second half of 2008, the PRC Government has implemented a number of policies to increase the down payment requirement and interest rates for residential property purchases and to suspend the granting of housing fund entrusted loans to buyers purchasing their third or more residential properties. However, in 2015, the PBOC, the MOHURD and the MOF have reduced the minimum down payment rate from 30% to 20% for first home buyers who use the housing provident fund for their purchase. 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, liquidity and results of operations could be adversely affected.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purposes only, the following statement of unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is prepared to show the effect of the Global Offering on the audited net tangible assets of our Group attributable to equity shareholders of the Company as of 31 December 2015 and is based on the audited combined net assets derived from the audited financial information of our Group as of 31 December 2015 as set out in the section headed "Accountants' Report" in Appendix I to this prospectus.

The pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group (inclusive of Danzhou Phase I) had the Listing been completed as at 31 December 2015 or at any future date.

	Combined Net Tangible Assets Attributable to equity shareholders of the Company As of 31 December 2015[1]	Estimated Net Proceeds from the Global Offering[2]	Unaudited pro forma Adjusted Combined Net Tangible Assets Attributable to equity shareholders of the Company[3][4]	Unaudited pro forma adjusted combined net tangible assets per Share[5]	Unaudited pro forma adjusted combined net tangible assets per Share[6]
	RMB'000	RMB'000	RMB'000	RMB	(HK$ equivalent)
Based on an Offer Price of HK$3.71 per Share	1,090,049	207,621	1,297,670	4.33	5.19
Based on an Offer Price of HK$4.58 per Share	1,090,049	262,173	1,352,222	4.51	5.41

Notes:

(1) The combined net tangible assets attributable to equity Shareholders of our Company as of 31 December 2015 have been calculated based on the audited combined total equity attributable to equity Shareholders of the Company as of 31 December 2015 of combined RMB1,091,026,000 less intangible assets of RMB977,000, extracted from the Combined Financial Information section of the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 75,000,000 Shares to be issued at the estimated offer prices of HK$3.71 and HK$4.58 per Share, respectively, being the low-end price and high-end price, after deduction of the estimated underwriting fees and other estimated related expenses payable by us of approximately RMB9.07 million and RMB15.15 million, respectively (excluding approximately RMB16.2 million expenses which have been accounted for prior to 31 December 2015).

(3) Our property interests as at 30 April 2016 include (a) investment properties, (b) properties held for sale, (c) property under development and (d) property for future development. They have been valued by DTZ Cushman & Wakefield Limited. Details of the valuation in respect of these property interests were set out in Appendix III to this prospectus. Investment properties are accounted for at fair value in accordance with the Company's accounting policies. Properties held for sale, property under development and property for future development are for sale and are accounted for at the lower of cost and the net realizable value in accordance with the Company's accounting policies. Accordingly, the revaluation surplus of these property interests, other than investment properties, was not incorporated in our combined financial information as of 31 December 2015, and the revaluation surplus of investment properties would not lead to additional depreciation be charged to the combined statements of profit and loss. Furthermore, the above unaudited pro forma adjusted combined net tangible assets attributable to equity Shareholders of the Company does not take into account the additional surplus/(deficit) arising from the revaluation of our property interests as at 30 April 2016.

(4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets attributable to equity Shareholders of the Company to reflect our any trading results or other transactions entered into subsequent to 31 December 2015.

(5) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 300,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue assuming the Global Offering and Capitalization Issue has been completed on 31 December 2015 or any Shares which may be allotted and issued or repurchased under the general mandates for the allotment and issue or repurchase of the Shares as described in the section headed "Statutory and General Information" in Appendix V to this Prospectus.

(6) The estimated net proceeds from the Global Offering are converted into RMB at an exchange rate of HK$1 to RMB0.83332, being the exchange rate set by the PBOC prevailing on 8 April 2016. No representation is made that the HK$ amounts have been, could have been or may be converted into RMB, or vice versa, at that rate or any other rate.

PROPERTY INTERESTS AND PROPERTY VALUATION

DTZ, an independent property valuer, has valued our property interests as of 30 April 2016 and is of the opinion that the aggregate value of our properties as of such date was RMB7,897.8 million (including Danzhou Phase I). The aggregate value of our property interests attributable to us was RMB7,207.2 million. Please refer to the section headed "Property Valuation" in Appendix III to this prospectus for details of the property interests as at 30 April 2016 of properties of our Group prepared by DTZ.

The table below sets out the reconciliation between the net book value of our properties as at 31 December 2015 as extracted from the section headed "Accountants' Report" in Appendix I to this prospectus and the market value of our properties as at 31 December 2016 as extracted from our property valuation report set out in Appendix III to this prospectus:

Net book value of the following properties as at 31 December 2015 as set out in Appendix I to this prospectus:	**RMB'000**
Investment properties	165,180
Properties held for sale	1,244,114
Properties under development	3,672,318
	5,081,612
Less: Net decrease during the period from 1 January 2016 to 30 April 2016	(7,859)
Add: Changes in fair value of investment properties	379
Net book value of the properties as at 30 April 2016 (unaudited)	5,074,132
Revaluation surplus *(Note)*	2,823,668
Market value of the properties as at 30 April 2016 as set out in the property valuation report in Appendix III to this prospectus	7,897,800

Note: The revaluation surplus was not recorded in our combined financial statements as our properties (except for investment properties) were stated at the lower of cost and net realisable value.

DIVIDENDS

For each of the three years ended 31 December 2013, 2014 and 2015, approximately nil, RMB489.6 million and RMB29.7 million were declared as dividends by us. These dividends are not indicative of our Group's future dividend policy.

As at 31 December 2015, there were nil reserves available for distribution to our equity holders.

We currently do not have any plans for declaring dividends. We do not currently have a dividend payment plan or policy. Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions under our bank loan agreements as referred to in the paragraph headed "Indebtedness and Contingent Liabilities – Bank loans and borrowings" in this section above, if any, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) our Articles, which provides that our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Directors, and (ii) the applicable laws of the Cayman Islands, which provides that dividends may be paid out of the profits of a company or out of sums standing to the credit of its share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts due in the ordinary course of business. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future. Any future declarations and payments of dividends will be at the discretion of our Directors subject to applicable laws. Under applicable PRC law, our subsidiary in the PRC may only distribute after-tax profits after it has made allocations or allowances for recovery of accumulated losses and allocations to the statutory reserves.

LISTING EXPENSES

Our Group's financial performance for the year ending 31 December 2016 will be affected by the non-recurring expenses incurred in relation to the Listing. The total listing expenses are estimated to be approximately RMB40.4 million. The listing expenses are non-recurring in nature and are mainly consisted of underwriting commission, professional fees paid to the Sponsor, the legal advisers, the reporting accountants and other professional parties for the provision of their services in connection with the Global Offering. Of the aggregate listing expenses of RMB16.2 million incurred during the Track Record Period, RMB12.7 million was charged to profit or loss in 2015, and the remaining amount of RMB3.5 million was recorded as prepayment which is to be net off with share premium after the Listing. Our Group expects to further incur listing expenses (including underwriting commissions) of RMB24.2 million (based on mid-point of our indicative price range for the Global Offering and without taking into account any discretionary incentive fees, if applicable) by the completion of the Global Offering, of which an estimated amount of RMB12.2 million will charge to profit or loss in 2016, while approximately RMB12.0 million is expected to be directly attributable to the issue of Shares and accounted for as a deduction from equity upon successful listing. The amount of listing expenses is a current estimate for reference only and the final amount to be recognized to the consolidated statement of comprehensive income of our Group for the year ending 31 December 2016 is subject to audit and the actual changes in variables and assumptions.

RECENT DEVELOPMENTS

Our business operations have been stable after Track Record Period. We pre-sold 19,676.6 sq.m. GFA for the four months ended 30 April 2016 as compared to 11,307.1 sq.m. GFA for the corresponding period. Our contracted sales, pre-sales, gearing ratio and net debt to equity ratio of the Company for the four months ended 30 April 2016 were RMB612.8 million, RMB366.9 million, 108.6% and 99.7%, respectively. On 26 January 2016, we entered into a framework agreement in respect of a five-year bank loan facility of RMB3,500 million with Industrial and Commercial Bank of China, Hainan Branch for the purpose of projects development. The construction loan facility will not become committed and unrestricted until the execution of construction loan agreement. The drawdown of the loan will be subject to, among others, relevant certificates and permits for the designated projects being obtained. Our PRC Legal Advisers are of the view that as we have obtained all the land use rights certificates of the designated project, and the relevant certificates and permits will be granted after completion of application procedures under relevant PRC laws and regulations, there will be no legal obstacles to obtain the relevant certificates and permits and the construction loan facility. On 9 March 2016, we obtained a bank loan facility of RMB150.0 million from Bank of Communication, Hailan Province Branch for the purpose of projects development of Sanya Phoenix Aqua City Left Shore. On 14 April 2016, we had obtained a loan with a principal amount of RMB400 million from Haikou Rural Commercial Bank Co., Ltd. Jinlian Branch for the repayment of bank loans of Sanya Fenghuang Shuiyun. On 31 March 2016 and 15 April 2016, we obtained two loans each with a principal amount of RMB500 million from Zijin Trust Co., Ltd. and Guo Tou Tai Kang Trust Co., Ltd., respectively under trust financing agreements for refinancing of our debts.

As the construction of Sanya Phoenix Aqua City Left Shore has only partly completed as at the Latest Practicable Date and is expected to complete construction around 30 June 2016, the relevant interest expenses could no longer be capitalised upon the construction completion of Sanya Phoenix Aqua City Left Shore. This, together with increase in bank loan balance in 2016, may result in an increase of RMB73.7 million in our interest expenses for the year ending 31 December 2016. Although we expect that our revenue would remain relatively stable for the year ending 31 December 2016 as compared to the corresponding period in 2015, to the effect of the continuous revenue contribution from sales of apartments of Phoenix Aqua City Left Shore, given the expected increase in selling and distribution expenses, mainly due to expected increase in commission expenses and the expected increase in interest expenses of RMB73.7 million for reason sets out above and the non-recurring expenses incurred in relation to the Listing, it is expected that our Group will record a significant decline in net profit for the year ending 31 December 2016.

Our Directors are of the view that in the event that our projects development schedule and the drawdown of construction loan have been delayed, we are able to maintain sufficient liquidity and have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus. However, if such delay in our projects development schedule and drawdown of the construction loan persist for an indefinite period, which our Directors are of the view that the likelihood is remote after taking into consideration that (i) we have entered into the abovementioned framework agreement with Industrial and Commercial Bank of China, Hainan Branch; (ii) we have never encountered any difficulty for drawdown of construction loan facility; and (iii) the view of our PRC Legal Advisers above, it may have a material adverse effect on our business, financial conditions and results of operations. Please refer to section headed “Risk Factors – We may not have adequate financing to fund our future land acquisitions and property developments, and such capital resources may not be available on commercially reasonable terms, or at all.” in this prospectus for further details.

SUBSEQUENT EVENTS

1 Group Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the listing of our Company's shares on the Main Board of the Stock Exchange. The Reorganisation was completed on 8 April 2016, as set out in the section headed "History, Reorganisation and Group Structure" in this prospectus. As a result of the Reorganisation, our Company became the holding company of our Group.

2 Capitalisation Issue

Pursuant to written resolutions of our Company's shareholders passed on 22 June 2016, conditional on the share premium account of our Company being credited as a result of the global offering of shares of our Company set out in the section headed "Share Capital" in this prospectus, the directors are authorised to allot and issue a total of 224,999,000 shares, by way of capitalisation of the sum of RMB1,870,000 standing to the credit of the share premium account of our Company, credited as fully paid at par to the Shareholders as appearing on the register of members of our Company on the date of this prospectus.

3 Pre-IPO Equity Interest Incentive Scheme

Our Group adopted a Pre-IPO Equity Interest Incentive Scheme to certain senior management personnel, in which Mr. Yeung, one of our Controlling Shareholders will award 17.5% of the equity shares of Sanya Huixin Trading, our subsidiary, to such senior management personnel. Under the Pre-IPO Equity Interest Incentive Scheme, when certain conditions are met, the senior management personnel have an option to acquire the incentive equity interest at nil cost.

The Pre-IPO Equity Incentive Scheme was adopted by the Group on 5 January 2016. As advised by our Directors, the share-based compensation expenses to be incurred for the year ending 31 December 2016 in relation to the Pre-IPO Equity Incentive Scheme amount to approximately RMB5.7 million.

NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant effect on our financial position in the last 12 months. Except to the extent disclosed in the paragraph headed "Recent Developments" above, our Directors confirm that there has been no material adverse change in our financial, operational or trading position since 31 December 2015 (being the date as of which our latest audited combined financial statements were prepared as set out in Appendix I to this prospectus) and up to the date of this prospectus.

DISCLOSURE UNDER THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

For the year 2016, we intend to use our best effort to conduct the sale of Sanya Phoenix Aqua City Left Shore and to proceed with planning on the development of Sanya Phoenix Aqua City South Shore Phase II as well as to explore other potential property development projects.

See the sections headed "Business – Our Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering, after deducting the underwriting fees and anticipated expenses payable by us in the Global Offering, of approximately HK$262.4 million (assuming an Offer Price of HK$4.15 per Share, being the midpoint of the indicative Offer Price range).

We currently intend to apply these net proceeds in the following manner:

Purpose	Amount of net proceeds from the Global Offering	Approximate percentage of the total net proceeds from the Global Offering
	(HK$ million)	(%)
Finance the development of Sanya Phoenix Aqua City South Shore Phase II	236.2	90%
Working capital and other general corporate purposes . .	26.2	10%

In the event that we suffer any delay in the development of Sanya Phoenix Aqua City South Shore Phase II, we will apply 80% of the net proceeds which was intended to finance the development of Sanya Phoenix Aqua City South Shore Phase II in financing the development of Haikou Phoenix Aqua City Phase II which is estimated to commence construction in January 2017, and 20% of such to Danzhou Phoenix Aqua City which is estimated to commence construction in March 2017.

If the Offer Price is fixed at HK$4.58 per Offer Share, being the high-end of the indicative Offer Price range, the net proceeds will be increased by approximately HK$26.3 million. The additional net proceeds will be used for acquiring new projects. If the Offer Price is fixed at HK$3.71 per Offer Share, being the lower end of the indicative Offer Price range, the net proceeds will be reduced by approximately HK$26.3 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not commercially viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate proceeds to other uses.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed in short-term demand deposits with licensed banks or financial institutions.

HONG KONG PUBLIC OFFER UNDERWRITERS

Sole Global Coordinator, Sole Bookrunner and Lead Manager

Haitong International Securities Company Limited

Co-lead Managers

CSL Securities Limited

RHB Securities Hong Kong Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Public Offer Underwriting Agreement

Pursuant to the Hong Kong Public Offer Underwriting Agreement, our Company is offering initially 7,500,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the Application Forms at the Offer Price.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, each of the Hong Kong Underwriters has agreed to subscribe, or procure subscribers to subscribe for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions as set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Sole Sponsor may, in its sole and absolute discretion, terminate the Hong Kong Underwriting Agreement upon the occurrence of any of the following events before 8:00 a.m. on the Listing Date:

(i) there develops, occurs, exists or comes into force:

(a) any change or development involving a prospective change (whether or not permanent) or development, or any event or series of events likely to result in or represent a change or development, or prospective change or development, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in stock, credit and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system, a change in the system under which the value of the Hong Kong currency is united to that of the currency of the U.S. or a devaluation of the RMB against any foreign currencies) in or affecting the PRC, Hong Kong, Japan, Singapore, the US, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group (the "**Relevant Jurisdictions**"); or

(b) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting the Relevant Jurisdictions; or

(c) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease (including, but not limited to, SARS, H5N1 and H1N1 and such related/mutated forms), economic sanctions (in whatever form, directly or indirectly), strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, volcanic eruptions, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting any Relevant Jurisdiction; or

(d) (1) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange or trading in any securities of the Company or any other member of the Group listed or quoted on a stock exchange or an over-the-counter market; or (2) any general moratorium on commercial banking activities in any Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

(e) any change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar or the RMB against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(f) any adverse change or prospective adverse change in the earnings, business, business prospects, financial or trading position, or conditions (financial or otherwise) of the Group (including any litigation or claim being threatened or instigated against the Group); or

(g) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(h) an Executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or the chairman or the chief executive officer of the Company vacating his office; or the commencement by any regulatory or political body or organisation of any investigation or action against a Director or an announcement by any regulatory or political body or organisation that it intends to investigate or take any such action; or

(i) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(j) a valid demand by any creditor for repayment or payment of any indebtedness of the Group or in respect of which the Group is liable prior to its stated maturity, or any loss or damage sustained by the Company or any of its subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(k) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group, the executive Directors and/or the Controlling Shareholders; or

(l) a contravention by any member of the Group of the Listing Rules or applicable Laws; or

(m) a prohibition on the Company for whatever reason from offering, allotting or issuing, the Shares pursuant to the terms of the Global Offering; or

(n) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the U.S. or the European Union (or any member thereof) on the PRC or any of the Relevant Jurisdictions; or

(o) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) with the Listing Rules or any other applicable Laws; or

(p) the issue or requirement to issue by the Company of a supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;

and which, individually or in the aggregate in the sole and absolute opinion of the Sole Global Coordinator and the Sole Sponsor:

(1) has or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

(2) has or will have or may be expected to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Shares in the secondary market; or

(3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or

(4) has or will have or may or could be expected to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(ii) there has come to the notice of the Sole Global Coordinator or the Sole Sponsor:

(a) that any statement contained in this prospectus, the Application Forms, the formal notice, any announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect, inaccurate, misleading or deceptive in any respect or that any forecast, estimate, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable assumptions; or

(b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, result in a misstatement therein, or constitute an omission therefrom; or

(c) any breach of, or any event or circumstance rendering untrue or incorrect, misleading or deceptive in any respect, any of the warranties under the Hong Kong Underwriting Agreement; or

(d) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties under the Hong Kong Underwriting Agreement; or

(e) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(f) any adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of the Group; or

(g) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(h) any person (other than the Sole Sponsor) has withdrawn or is subject to withdraw its consent to being named in this prospectus or to the issue of this prospectus; or

(i) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Underwriters).

Restrictions pursuant to the Listing Rules

(a) Restriction on further issue of Shares by us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our Shares commence dealing on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except: (a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or (b) pursuant to the Global Offering.

(b) Restriction on disposal of Shares by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to each of the Stock Exchange and our Company that, except pursuant to the Global Offering, he/it shall not and shall procure that the relevant registered Shareholder(s) shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the Listing Rules:

(1) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner; and

(2) in the period of six months commencing on the date on which the period referred to in paragraph (1) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (1) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

(1) when it/he pledges or charges any securities of our Company or interests therein beneficially owned by it/him in favour of any authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules,

immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of securities so pledged or charged; and

(2) when it/he receives indications, either verbal or written, from the pledgee or charges that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published as required under the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(a) Undertaking by us

We have undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Lead Manager and the Hong Kong Underwriters that the Company shall, and each of the Controlling Shareholders undertakes to the Hong Kong Underwriters to procure that the Company shall, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), except pursuant to the Global Offering not without the prior written consent of the Sole Sponsor and the Sole Global Coordinator, and subject always to the provisions of the Listing Rules:

(1) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or

(2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or

(3) enter into any transaction with the same economic effect as any transaction specified above; or

(4) offer to or agree to or announce any intention to effect any transaction specified above.

In the event that our Company does any of the foregoing during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company shall take all reasonable steps to ensure that any such act, if done, will not create a disorderly or false market in the securities of our Company.

(b) Undertaking by the Controlling Shareholders

Each of the Controlling Shareholders undertakes to us and the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Lead Manager and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(1) it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing); or (iii) enter into any transaction with the same economic effect as any transaction specified in (1)(i) or (1)(ii) of this paragraph; or (iv) offer to or agree to or announce any intention to effect any transaction specified in (1)(i), (1)(ii) or (1)(iii) of this paragraph, in each case, whether any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) of this paragraph is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(2) it will not, during the Second Six-Month Period, enter into any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company; and

(3) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

The Controlling Shareholders have agreed to indemnify the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Controlling Shareholders of the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters and the Sole Global Coordinator. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions set out therein, will agree to procure subscribers or purchasers for the International Offer Shares, failing which it agrees to subscribe for or purchase the International Offer Shares which are not taken up under the International Offering.

Indemnity

We and the Controlling Shareholders have agreed to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

Grounds for Termination

It is expected that the International Underwriting Agreement may be terminated on similar grounds as those in the Hong Kong Underwriting Agreement. Potential investors are reminded that if the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Commissions and Expenses

The Hong Kong Underwriters will receive from us an underwriting commission of 3.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters.

The aggregate commissions and fees (excluding the discretionary incentive fee), together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately RMB40.4 million in total (based on an Offer Price of HK$4.15 being the mid-point of our indicative price range of the Global Offering.

Hong Kong Underwriters' Interests in our Group

Save as disclosed in this prospectus and other than its obligations pursuant to the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, the Hong Kong Underwriters are not interested, legally or beneficially, directly or indirectly, in any Shares or other securities in our Company or any other member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or other securities in our Company or any other member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and its affiliates may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement. Buyers of the Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

PRICING AND ALLOCATION

Offer Price Range

The Offer Price will be not more than HK$4.58 per Offer Share and is expected to be not less than HK$3.71 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the offer price to be determined on the price determination date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Price Payable on Application

Applicants for Hong Kong Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$4.58 for each Hong Kong Offer Share. If the Offer Price is less than HK$4.58 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applications. See the section headed "How to apply for Hong Kong Offer Shares" in this prospectus.

Determining the Offer Price

The Offer Price is expected to be fixed by agreement with the Sole Global Coordinator and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Wednesday, 6 July 2016 and in any event, no later than Monday, 11 July 2016.

If for any reason, the Sole Global Coordinator and us are unable to reach agreement on the Offer Price on or before Monday, 11 July 2016, the Global Offering will not proceed.

Reduction in Offer Price Range and/or Number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator and with our consent, considers it appropriate, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, we will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English), Hong Kong Economic Times (in Chinese), the Company's website and the Stock Exchange's website, notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If an indicative offer price range is reduced, we will issue a supplemental prospectus updating investors of the change in the indicative offer price together with an update of all financial and other information in connection with such change;

extend the period under which the Hong Kong Public Offering was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions; and give potential investors who had applied for the Shares the right to withdraw their applications. Details of the arrangement will then be announced by the Company as soon as practicable.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Allocation

The Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Over-allotment Option

We have not granted and are not expected to grant an over-allotment option to the Sole Global Coordinator in connection with the Global Offering.

STABILISATION

We do not expect any stabilisation activities to be undertaken in connection with the Global Offering.

STOCK BORROWING ARRANGEMENT

We do not expect any stock borrowing arrangement to be undertaken in connection with the Global Offering

Announcement of Offer Price and Basis of Allocations

The Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Public Offer Shares are expected to be announced on Thursday, 14 July 2016 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of Hong Kong Stock Exchange at **www.hkexnews.hk**.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee granting listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering may fall to be issued pursuant to options granted or to be granted under the Share;

(ii) the Offer Price having been duly agreed between us and the Sole Global Coordinator;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such underwriting agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event, not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be caused to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.hailanholdings.com** on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Hong Kong Banking Ordinance.

Share certificates for the Hong Kong Offer Shares are expected to be issued on Thursday, 14 July 2016 but will only become valid certificates of title at 8:00 a.m. on Friday, 15 July 2016, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Grounds for Termination" in this prospectus has not been exercised.

The Hong Kong Public Offering

We are initially offering 7,500,000 Hong Kong Offer Shares (subject to the reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering) at the Offer Price, representing 10% of the 75,000,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will initially be divided equally into two pools for allocation purposes as follows:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or less; and

- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of more than HK$5 million and up to the value of pool B.

Applicants should be aware that applications in pool A and pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of 7,500,000 Offer Shares initially included in the Hong Kong Public Offering (that is 3,750,000 Offer Shares) will be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, whereby the allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following adjustments:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 22,500,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 30,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 37,500,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

Subject to the clawback mechanism described above, the Sole Global Coordinator has the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering.

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue.

Our Company, our Directors and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received Shares in the International Offering and to identify and reject indications of interest in the International Offering from investors who have received Shares in the Hong Kong Public Offering.

The Sole Global Coordinator may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

The International Offering will consist of initially 67,500,000 Shares, and is subject to reallocation, to be offered by us outside the U.S. (within the meaning of Regulation S under the US Securities Act) in reliance on Regulation S under the U.S. Securities Act, including to professional and institutional investors in Hong Kong.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 15 July 2016, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 15 July 2016. The Shares will be traded in board lots of 1,000 Shares.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** Service Provider at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

(i) are 18 years of age or older;

(ii) have a Hong Kong address;

(iii) are outside the U.S., and are not a United States Person (within the meaning of Regulation S); and

(iv) are not a legal or natural person of the PRC

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid email address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

(i) an existing beneficial owner of Shares in the Company and/or any its subsidiaries;

(ii) a Director or chief executive officer of the Company and/or any of its subsidiaries;

(iii) a close associate (as defined in the Listing Rules) of any of the above;

(iv) a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; and

(v) have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Thursday, 30 June 2016 until 12:00 noon, Wednesday, 6 July 2016 from:

(i) the following office of the Sole Global Coordinator:

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

(ii) any of the branches of the following receiving bank:

Wing Lung Bank Limited

District	Branch	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road
	Sheung Shui Branch	128 San Fung Avenue

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m., Thursday, 30 June 2016 until 12:00 noon, Wednesday, 6 July 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Wing Lung Bank (Nominees) Limited – Hailan Holdings Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Thursday, 30 June 2016 – 9:00 a.m. to 5:00 p.m.

Saturday, 2 July 2016 – 9:00 a.m. to 1:00 p.m.

Monday, 4 July 2016 – 9:00 a.m. to 5:00 p.m.

Tuesday, 5 July 2016 – 9:00 a.m. to 5:00 p.m.

Wednesday, 6 July 2016 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 6 July 2016, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or its agents or nominees), as agent of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(h) agree to disclose to the Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Sole Bookrunner, the Lead Manager, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Lead Manager, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the U.S. (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m., Thursday, 30 June 2016 until 11:30 a.m., Wednesday, 6 July 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 6 July 2016 or such later time under the "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System **https://ip.ccass.com** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(b) HKSCC Nominees will do the following things on your behalf:

(i) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

(ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

(iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

(iv) (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

(v) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

(vi) confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

(vii) authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

(viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

(x) agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

(xi) agree to disclose your personal data to the Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents;

(xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

(xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong

Kong), such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

(xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

(xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

(xvi) agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

(xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

(i) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

(ii) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer

Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

(iii) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 30 June 2016 – 9:00 a.m. to 8:30 p.m.[1]

Saturday, 2 July 2016 – 8:00 a.m. to 1:00 p.m.[1]

Monday, 4 July 2016 – 8:00 a.m. to 8:30 p.m.[1]

Tuesday, 5 July 2016 – 8:00 a.m. to 8:30 p.m.[1]

Wednesday, 6 July 2016 – 8:00 a.m.[1] to 12:00 noon

1 These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 30 June 2016 until 12:00 noon on Wednesday, 6 July 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 6 July 2016, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 6 July 2016.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

(i) an account number; or

(ii) some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

(i) the principal business of that company is dealing in securities; and

(ii) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

(i) control the composition of the board of directors of the company;

(ii) control more than half of the voting power of the company; or

(iii) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Please see "Structure of the Global Offering – Pricing and Allocation" for further details regarding the Offer Price.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

(i) a tropical cyclone warning signal number 8 or above; or

(ii) a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 July 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 6 July 2016 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 14 July 2016 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the Company's website at **www.hailanholdings.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

(i) in the announcement to be posted on the Company's website at **www.hailanholdings.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 14 July 2016;

(ii) from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 14 July 2016 to 12:00 midnight on Wednesday, 20 July 2016;

(iii) by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 14 July 2016 to Tuesday, 19 July 2016 (excluding Saturday and Sunday);

(iv) in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 14 July 2016 to Monday, 18 July 2016 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

(i) within three weeks from the closing date of the application lists; or

(ii) within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

(i) you make multiple applications or suspected multiple applications;

(ii) you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;

(iii) your Application Form is not completed in accordance with the stated instructions;

(iv) your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

(v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;

(vi) the Underwriting Agreements do not become unconditional or are terminated;

(vii) the Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

(viii) your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$4.58 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 14 July 2016.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(i) share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

(ii) refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 14 July 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 15 July 2016 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 14 July 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 14 July 2016, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 14 July 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 14 July 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 14 July 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 14 July 2016, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 14 July 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

(i) If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 14 July 2016, or, on any other date determined by HKSCC or HKSCC Nominees.

(ii) The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, 14 July 2016. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 14 July 2016 or such other date as determined by HKSCC or HKSCC Nominees.

(iii) If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

(iv) If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 14 July 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

(v) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 14 July 2016.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 June 2016

The Directors
Hailan Holdings Limited

Haitong International Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the combined financial information relating to Hailan Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") comprising the combined statements of financial position of the **Group** as at 31 December 2013, 2014 and 2015 and the statements of financial position of the **Company** as at 31 December 2015, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flow, for each of the years ended 31 December 2013, 2014 and 2015 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (the "**Financial Information**"), for inclusion in the prospectus of the **Company** dated 30 June 2016 (the "**Prospectus**").

The **Company** was incorporated in the Cayman Islands on 31 August 2015 as an exempted company with limited liability under the Companies Law (2011 revision) (as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 8 April 2016 (the "**Reorganisation**") as detailed in the section headed "History, Reorganisation and Group Structure" in the **Prospectus**, the **Company** became the holding company of the companies now comprising the **Group**, details of which are set out in Note 1(b) of Section B below. The **Company** has not carried on any business since the date of its incorporation save for the aforementioned **Reorganisation**.

As at the date of this report, no audited financial statements have been prepared for the **Company** and Peak Well Investment Development Limited, as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies now comprising the **Group** have adopted 31 December as their financial year end date. Details of the companies comprising the **Group** that are subject to audit during the **Relevant Periods** and the names of the respective auditors are set out in Note 35 of Section B. The statutory financial statements of these companies were prepared in accordance with either Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") or the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "**PRC**").

The directors of the **Company** have prepared the combined financial statements of the **Group** for the **Relevant Periods** (the "**Underlying Financial Statements**") on the same basis as used in the preparation of the Financial Information set out in Section B below. The **Underlying Financial Statements** for each of the years ended 31 December 2013, 2014 and 2015 were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the **HKICPA**.

The **Financial Information** has been prepared by the directors of the **Company** for inclusion in the **Prospectus** in connection with the listing of shares of the **Company** on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") based on the **Underlying Financial Statements**, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' responsibilities for the Financial Information

The directors of the **Company** are responsible for the preparation of the **Financial Information** that gives a true and fair view in accordance with **HKFRSs** and the applicable disclosure provisions of the **Listing Rules**, and for such internal control as the directors of the **Company** determine is necessary to enable the preparation of the **Financial Information** that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibilities

Our responsibility is to form an opinion on the **Financial Information** based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the **HKICPA**. We have not audited any financial statements of the **Company**, its subsidiaries or the **Group** in respect of any period subsequent to 31 December 2015.

Opinion

In our opinion, the **Financial Information** gives, for the purpose of this report, on the basis of preparation set out in Note 1(b) of Section B below, a true and fair view of the financial position of the **Group** as at 31 December 2013, 2014 and 2015, the financial position of the **Company** as at 31 December 2015 and of the **Group**'s financial performance and cash flows for the **Relevant Periods** then ended.

A COMBINED FINANCIAL INFORMATION

1 COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Section B Note	Year ended 31 December		
		2013	2014	2015
		RMB'000	RMB'000	RMB'000
Turnover	*5*	192,451	790,369	1,556,962
Cost of sales		(116,583)	(401,837)	(1,128,778)
Gross profit		75,868	388,532	428,184
Other income	*6*	360	557	3,126
Change in fair value of investment properties	*13*	–	–	4,773
Selling and distribution expenses		(66,634)	(49,031)	(36,625)
Administrative expenses		(46,618)	(50,747)	(57,337)
Other expenses	*6*	(9,351)	(10,724)	(5,367)
Operating (loss)/profit		(46,375)	278,587	336,754
Finance income	*7(a)*	12,319	1,246	13,467
Finance costs		(37,162)	(2,072)	(14,374)
Net finance (costs)/income		(24,843)	(826)	(907)
Share of losses of an associate	*15*	(3,120)	(2,077)	(640)
Gain from disposal of joint ventures	*16(b)*	–	–	6,922
Gain from disposal of subsidiaries	*1(b)*	–	–	12
(Loss)/profit before taxation from continuing operations		(74,338)	275,684	342,141
Income tax	*8*	(2,856)	(164,937)	(157,988)
(Loss)/profit from continuing operations		(77,194)	110,747	184,153
Discontinued operation				
(Loss)/profit from discontinued operation, net of tax	*4*	(2,938)	924	1,210
(Loss)/profit and total comprehensive Income for the year		(80,132)	111,671	185,363
Attributable to:				
Equity shareholders of the Company		(75,625)	128,182	191,812
Non-controlling interests		(4,507)	(16,511)	(6,449)
(Loss)/profit and total comprehensive income for the year		(80,132)	111,671	185,363
Basic and diluted (losses)/earnings per share (in Renminbi per share)	*11*	(0.35)	0.49	0.83

The accompanying notes form part of the Combined Financial Information.

2 COMBINED STATEMENTS OF FINANCIAL POSITION

	Section B Note	At 31 December 2013	2014	2015
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	12	60,638	56,588	53,581
Investment properties	13	–	–	165,180
Intangible assets	14	789	1,106	977
Interest in an associate	15	7,577	5,500	–
Interest in joint ventures	16	–	43,000	–
Available-for-sale financial assets	17	1,578	1,578	17
Deferred tax assets	25(b)	73,065	49,371	40,606
		143,647	157,143	260,361
Current assets				
Properties under development	18	5,080,584	5,587,990	3,672,318
Completed properties held for sale	19	103,954	96,595	1,244,114
Trade and other receivables	20	2,105,097	1,141,334	301,287
Current tax assets	25(a)	129,565	123,727	41,710
Restricted cash	21	3,995	2,199	4,074
Cash and cash equivalents	22	143,997	135,695	142,991
		7,567,192	7,087,540	5,406,494
Total assets		7,710,839	7,244,683	5,666,855
Current liabilities				
Trade and other payables	23	3,724,563	3,798,025	2,715,553
Loans and borrowings	24	183,772	505,878	485,000
Current tax liabilities	25(a)	247,702	85,106	99,481
		4,156,037	4,389,009	3,300,034
Net current assets		3,411,155	2,698,531	2,106,460
Total assets less current liabilities		3,554,802	2,855,674	2,366,821
Non-current liabilities				
Loans and borrowings	24	862,733	550,896	442,290
Deferred tax liabilities	25(b)	612,397	603,065	538,849
		1,475,130	1,153,961	981,139
Net assets		2,079,672	1,701,713	1,385,682
Equity				
Share capital	26	410,359	410,359	10,359
Reserves	27	1,565,545	1,568,366	1,501,495
Accumulated losses		(192,174)	(578,117)	(420,828)
Total equity attributable to equity shareholders of the Company		1,783,730	1,400,608	1,091,026
Non-controlling interests		295,942	301,105	294,656
Total equity		2,079,672	1,701,713	1,385,682

The accompanying notes form part of the Combined Financial Information.

3 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At 31 December 2015
	RMB'000
Current assets	
Cash and cash equivalents	–
Trade and other receivables	–
	–
Total assets	–
Net assets	–
Equity	
Share capital	–
Total equity	–

The accompanying notes form part of the Combined Financial Information.

4 COMBINED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity shareholders of the Company						
	Section B Note	Share capital	Other reserve	Statutory surplus reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note 26	*Note 27(a)*	*Note 27(b)*				
At 1 January 2013		1,210,351	1,488,066	44,984	(84,054)	2,659,347	–	2,659,347
Changes in equity for 2013:								
Loss and total comprehensive income for the year		–	–	–	(75,625)	(75,625)	(4,507)	(80,132)
Shares issuance		8	–	–	–	8	–	8
Acquisition of subsidiaries	*3*	–	–	–	–	–	300,449**	300,449
Capital reduction	*26*	(800,000)	–	–	–	(800,000)	–	(800,000)
Appropriation to statutory reserves	*27(b)*	–	–	32,495	(32,495)	–	–	–
At 31 December 2013 and 1 January 2014		410,359	1,488,066	77,479	(192,174)	1,783,730	295,942	2,079,672
Changes in equity for 2014:								
Profit and total comprehensive income for the year		–	–	–	128,182	128,182	(16,511)	111,671
Appropriation to statutory reserves	*27(b)*	–	–	2,821	(2,821)	–	–	–
Dividends declared during the year		–	–	–	(489,630)*^	(489,630)	–	(489,630)
Acquisition of non-controlling interests	*3*	–	–	–	(21,674)	(21,674)	21,674***	–
At 31 December 2014 and 1 January 2015		410,359	1,488,066	80,300	(578,117)	1,400,608	301,105	1,701,713
Changes in equity for 2015:								
Profit and total comprehensive income for the year		–	–	–	191,812	191,812	(6,449)	185,363
Appropriation to statutory reserves		–	–	4,856	(4,856)	–	–	–
Dividends declared during the year		–	–	–	(29,667)	(29,667)	–	(29,667)
Arising from re-organization	*1(b)(i), 26*	(400,000)	(71,727)	–	–	(471,727)	–	(471,727)
At 31 December 2015		10,359	1,416,339	85,156	(420,828)	1,091,026	294,656	1,385,682

The accompanying notes form part of the Combined Financial Information.

*^ The dividends declared were based on the PRC audited statutory financial statements of the subsidiaries of the Group. As there were adjustments made under the audited Underlying Financial Statements, the amount of profit attributable to equity holder determined under the PRC audited statutory financial statements was higher than that determined under the audited Underlying Financial Statements. As a consequence, dividends distributed exceeded the amount of profit attributable to equity holder. All dividends declared during the year represented the dividends attributable to previous financial years.

** The net change in non-controlling interest ("NCI") of RMB300,449,000 arising from acquisition of 51% equity interest in Danzhou Shuang Lian ("Danzhou") is analysed as follows:

	RMB'000
– Net assets attributable to NCI	128,731
– Consideration transferred in the form of capital injection to Danzhou phase I bank account	171,718
	300,449

*** The net change in NCI of RMB21,674,000 arising from acquisition of an additional 9% equity interest in Danzhou is analyzed as follows:

	RMB'000
– Consideration transferred in the form of capital injection to Danzhou phase I bank account	75,782
– Decrease in NCI in Danzhou in connection with acquisition of 9% equity interest by Sanya Zhong Ze Kai	(38,377)
– Decrease in NCI in Danzhou as a result of a transfer of 30 mu undeveloped land from phase I to phase II	(15,731)
	21,674

The accompanying notes form part of the Combined Financial Information.

5 COMBINED STATEMENTS OF CASH FLOWS

	Section B Note	Year ended 31 December		
		2013	2014	2015
		RMB'000	RMB'000	RMB'000
Operating activities				
Cash used in operations	22(b)	(253,866)	(502,124)	(314,916)
Income tax paid		(117,478)	(307,646)	(117,573)
Net cash used in operating activities		(371,344)	(809,770)	(432,489)
Investing activities				
Interest received		12,319	1,246	13,467
Payment for the purchase of property, plant and equipment		(1,893)	(944)	(2,621)
Payment for purchase of other investments		(1,578)	–	–
Payment for purchase of interest in a joint venture	16	–	–	(2,450)
Proceeds from disposal of joint ventures	16	–	–	52,372
Proceeds from receipt of amounts due from related parties		–	–	63,654
Proceeds from disposal of subsidiaries, net of cash disposed	1(b)	–	–	(80,147)
Acquisition of a subsidiary, net of cash acquired	3	11,791	–	–
Net cash generated from investing activities		20,639	302	44,275
Financing activities				
Capital contribution		8	–	–
Capital reduction	26, 22(c)	(500,000)	–	–
Proceeds from new bank loans		994,000	272,000	58,000
Repayment of bank loans		(651,000)	(255,000)	(195,000)
Repayment of loan interests		(78,204)	(100,010)	(97,454)
Dividends paid		–	–	(29,667)
Decrease/(increase) in restricted cash		199	1,803	(1,871)
Net cash borrowed from Zhong Hui Nanjing	31(c)	589,932	979,785	626,452
Net cash from/(to) Nanjing San Long	31(c)	35,745	(155,412)	93,050
Net cash from/(to) Sanya Hai Hui		–	58,000	(58,000)
Net cash generated from financing activities		390,680	801,166	395,510
Net increase/(decrease) in cash and cash equivalents		39,975	(8,302)	7,296
Cash and cash equivalents at 1 January		104,022	143,997	135,695
Cash and cash equivalents at end of year	22	143,997	135,695	142,991

The accompanying notes form part of the Combined Financial Information.

B NOTES TO COMBINED FINANCIAL INFORMATION

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable Hong Kong Accounting Standards and related interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2015 are set out in Note 34.

The Financial Information also complies with the applicable disclosure provisions of the **Listing Rules**.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation and presentation

Mr. Yeung Man (the "Ultimate Controlling Shareholder") beneficially owned and controlled various companies in the Cayman Islands, the British Virgin Islands (the "BVI"), Hong Kong and the PRC which are principally engaged in investment holding, property development, sale and rental of developed property. In preparation for the listing of the Company's shares on the Stock Exchange, the Company was incorporated in the Cayman Islands on 31 August 2015 as an exempted company with limited liability under the Company Law Chapter 22, (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the Reorganisation completed on 8 April 2016, details of which are set out in the section headed History, Reorganisation and Group Structure in the Prospectus, the Company became the holding company of the companies comprising the Group.

As all the companies now comprising the Group that took part in the Reorganisation were controlled by the Ultimate Controlling shareholder before and after the Reorganisation, there was a continuation of the risks and benefits to the Ultimate Controlling shareholder. The Reorganisation is considered to be a business combination under common control and Accounting Guideline 5 "Merger Accounting for Common Control Combinations" has been applied. Accordingly, the Financial Information has been prepared as if the Group had always been in existence.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group as set out in Section A include the results of operations of the Company and its subsidiaries for the Relevant Periods (or where the Company and its subsidiaries were incorporated/established/acquired at a date later than 1 January 2013, for the period from the date of incorporation/establishment/acquisition to 31 December 2015) as if the Reorganisation was completed at the beginning of the Relevant Periods. The combined statements of financial position of the Group as at 31 December 2013, 2014 and 2015 as set out in Section A have been prepared to present the financial position of the Company and its subsidiaries as if the entities now comprising the Group had been combined as at those dates (or where the companies were acquired/incorporated/established at a date later than 1 January 2013, as if the combination has occurred from the date when the companies first came under the control of the Ultimate Controlling Shareholder).

All material intra-group transactions and balances have been eliminated on combination.

During the Relevant Periods, the Group's businesses were conducted through the following subsidiaries. The particulars of these subsidiaries are set out below:

Name of company	Date and place of incorporation/ establishment	Paid-in/ registered capital	Effective interest held by the Company		Principal activities
			Direct	Indirect	
Zhong Jia (Hong Kong) Investment Construction Company Limited ("Zhong Jia (Hong Kong)") 中嘉(香港)投資建設有限公司	18 December 2012 Hong Kong	HKD10,000	100%	–	Investment holding
Peak Well Investment Development Limited ("Peak Well") 頂豐投資發展有限公司	05 January 2010 BVI	USD50,000	100%	–	Investment holding
Time Being Group Limited ("Time Being") 正時集團有限公司	08 October 2009 Hong Kong	HKD10,000	–	100%	Investment holding
Lianyungang Tai Sheng City Development Co., Ltd. ("Lianyungang Tai Sheng Development") 連雲港泰盛城市發展有限公司*	18 November 2009 The PRC	RMB10,000,000	–	100%	Investment holding
Lianyungang Long Ji Properties Co., Ltd. ("Lianyungang Long Ji Properties") 連雲港隆基置業有限公司*	07 February 2007 The PRC	RMB10,000,000	–	100%	Investment holding
Nanjing Jia Pei Investment Management Consulting Co., Ltd. ("Nanjing Jia Pei") 南京嘉沛投資管理諮詢有限公司*	11 September 2013 The PRC	USD500,000	–	100%	Investment holding

Name of company	Date and place of incorporation/ establishment	Paid-in/ registered capital	Effective interest held by the Company		Principal activities
			Direct	Indirect	
Sanya Feng Huang Xin Cheng Industrial Co., Ltd. ("Sanya Fenghuang Xincheng") 三亞鳳凰新城實業有限公司*	11 July 2007 The PRC	RMB400,000,000	–	100%	Property development
Sanya Feng Huang Shui Yun Real Estate Development Co., Ltd. ("Sanya Fenghuang Shuiyun") 三亞鳳凰水韻房地產開發有限公司*	21 October 2009 The PRC	RMB280,000,000	–	100%	Property development
Hainan Nan Hai Xiang Long Real Estate Development Co., Ltd. ("Hainan Nanhai Xiang Long") 海南南海翔龍房地產開發有限公司*	18 April 2002 The PRC	RMB300,000,000	–	100%	Property development
Sanya Hui Xin Trading Co., Ltd. ("Sanya Hui Xin Trading") 三亞惠新貿易有限公司*	29 December 2010 The PRC	RMB57,142,857.14	–	100%	Investment holding
Nanjing Bai Rui Ze Property Co., Ltd. ("Nanjing Bai Rui Ze") 南京百瑞澤置業有限公司*	16 January 2013 The PRC	RMB210,000,000	–	100%	Property development
Zhong Ze (Hong Kong) Investment Limited ("Zhong Ze (Hong Kong)") 中澤(香港)投資有限公司	20 September 2011 Hong Kong	HKD10,000	100%	–	Investment holding
Sanya Zhong Ze Kai Industrial Co., Ltd. ("Sanya Zhong Ze Kai") 三亞中澤凱實業有限公司*	01 April 2012 The PRC	USD4,800,000	–	100%	Investment holding
Danzhou Shuang Lian Property Development Co., Ltd. ("Danzhou Shuang Lian") 儋州雙聯房地產開發有限公司*	03 December 2009 The PRC	RMB412,500,000	–	60%	Property development

* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

During the Relevant Periods, the following subsidiaries were disposed of either as the directors considered that they were not strategically complementary to the principal activities of the Group, or as part of the Reorganisation process:

Name of company	Date and place of incorporation/ establishment	Paid-in/ registered capital	Effective interest held by the Company		Principal activities
			Direct	Indirect	
Nanjing Si Yue Investment Co., Ltd. ("Nanjing Si Yue") 南京斯悦投資有限公司* *(Note (i))*	29 April 2015 The PRC	RMB50,000,000	–	100%	Investment holding
Nanjing Hui Yin Da Investment Management Co., Ltd. ("Nanjing Hui Yin Da") 南京惠銀達投資管理有限公司* *(Note (ii))*	11 April 2012 The PRC	RMB5,000,000	–	100%	Investment holding
Sanya Bai Yue Resort Apartment Management Co., Ltd. ("Sanya Bai Yue") 三亞百櫟度假公寓管理有限公司* *(Note (iii))*	22 January 2013 The PRC	RMB800,000	–	100%	Hotel management
Nanjing Yu Ming Hang Investment Management Co., Ltd. ("Nanjing Yu Ming Hang") 南京禦銘行管理有限公司* *(Note (iv))*	14 October 2015 The PRC	RMB4,860,000	–	100%	Investment holding

* These entities are PRC limited liability companies. The English translation of the company names is for reference only. The official names of the companies are in Chinese.

Note (i): On 27 July 2015, as part of the Reorganisation, Nanjing Si Yue, a former subsidiary of Lianyungang Long Ji Properties, was disposed to Zhong Hui Nanjing in exchange for its 100% equity interests' holding in Sanya Fenghuang Xincheng. Both Sanya Fenghuang Xincheng and Nanjing Si Yue were ultimately owned and controlled by the Ultimate Controlling Shareholder before and after such equity interests' exchange. The disposal of Nanjing Si Yue was treated as a deemed distribution to the Ultimate Controlling Shareholder and RMB471,727,000, representing the carrying amount of its net assets at the date of disposal, was recorded in the combined statements of changes in equity during the year ended 31 December 2015. The carrying amount of net assets of Nanjing Si Yue as at the date of disposal were as follows:

	RMB'000
Cash and cash equivalents	90,005
Trade and other receivables	381,722
	471,727

Note (ii): On 28 July 2015, the Group disposed of its 100% equity interest in Nanjing Hui Yin Da to a third party at a cash consideration of RMB5,000,000 with reference to an independent valuation report. The carrying amounts of the net assets of Nanjing Hui Yin Da as at 28 July 2015 were as follows:

	Net book value as at 28 July 2015
	RMB'000
Cash and cash equivalents	2
Trade and other receivables	5,005
Trade and other payables	(14)
	4,993

Note (iii): On 18 September 2015, the Group disposed of its 100% equity interest in Sanya Bai Yue to a third party at nil consideration. The carrying amounts of the net assets of Sanya Bai Yue as at 18 September 2015 were as follows:

	Net book value as at 18 September 2015
	RMB'000
Trade and other receivables	3,461
Other non-current assets	344
Trade and other payables	(3,810)
	(5)

Note (iv): On 11 November 2015, the Group disposed of its 100% equity interest in Nanjing Yu Ming Hang to Nanjing Rui Ke Property Advisor Consulting Co., Ltd., a related party for a cash consideration of RMB4,860,000. The carrying amount of the net asset of Nanjing Yu Ming Hang as at 11 November 2015 were as follows:

	Note	**Net book value as at 11 November 2015**
		RMB'000
Interest in an associate	*15*	4,860
		4,860

Nanjing Yu Ming Hang held a 30% equity interest in an associate, Wenchang Citi-Verdure (Note 15).

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. It is prepared on the historical cost basis.

(d) Use of estimates and judgements

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimation and judgement

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 34.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. There were no transfers between the levels for the years ended 31 December 2013, 2014, and 2015. Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 13 – Investment properties; and
- Note 28 – Financial risk management and fair value.

(e) Consolidation and combination

(i) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, 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. In assessing control, power over the entity, exposure, or rights, to variable returns from its involvement with the entity, and the ability to use its power over the entity to affect the amount of the entity's returns are taken into account.

The financial information of subsidiaries is included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the combined statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face the combined statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the combined statements of financial position in accordance with Note 1(g)(ii) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within combined equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)(i)) or, when appropriate, the cost on initial recognition of an investment in a joint venture (see Note 1(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(m)).

(ii) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Transaction costs in connection with a business combination are expensed as incurred.

Merger accounting has been adopted for common control combinations in which all of the combining entities were ultimately controlled by the same party or parties both before and after the business combination, and that control was not transitory.

The Financial Information incorporates the financial information of the combining entities in which the common control combination occurred as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities have been combined using the existing book values from the controlling parties' perspective. No amount has been recognised in respect of goodwill or the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost at the time of the common control combination, to the extent of the continuation of the controlling interest.

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for under the equity method. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(m)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment loss for the year are recognised in the combined statement of profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the combined statement of comprehensive income.

When the Group's share of losses exceeds its interest in the investee, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the investee.

Unrealised profits and losses resulting from transactions between the Group and its investees are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)(i)).

(g) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the combined statements of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following category: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 1(m)).

Loans and receivables comprise trade and other receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, or held-to-maturity financial assets, or in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see Note 1(m)), are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity investment in an entity.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (see Note 1(m)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour; and

- any other costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

	Years	Estimated residual value as a percentage of costs
Vehicles	4	5%
Electronic devices	3	5%
Machines, furniture, office equipment and others	5	5%
Buildings	20	5%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Operating lease charges

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as property under development for sales and completed property held for sale (Note 1(n)).

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

(k) Intangible assets

(i) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 1(m)).

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:

Software	10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Investment property

Investment property is property held to earn rental income (Note 1(r)(ii)) but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Transfers to investment properties are made when there is a change in use, evidenced by:

- Commencement of an operating lease (Note 1(j)) to another party, for a transfer from development properties to investment properties.

When the use of a property changes such that it is reclassified as investment properties, its fair value at the date of transfer becomes its cost for subsequent accounting.

(m) Impairment of assets

(i) Impairment of trade and other receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each end of the reporting period to determine whether there is objective evidence of impairment.

Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other current receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each end of the reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Intangible assets;
- Investments in subsidiaries;
- Investments in associates;
- Investments in joint ventures.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in the combined statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

(n) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– *Properties under development for sale*

The cost of properties under development for sale comprises specifically identified cost, including: land use rights, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 1(t)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– *Completed properties held for sale*

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

(o) Employee benefits

(i) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(ii) Defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

(p) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of properties

Revenue from sales of properties is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the combined statements of financial position as receipts in advance.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(s) Government grants

Government grants are recognised in the combined statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the assets upon meeting the relevant conditions, if any, attaching to them.

(t) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(u) Translation of foreign currencies

Foreign currency transactions during the period are translated at the relevant exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the relevant exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the relevant exchange rates ruling at the dates the fair value was determined.

(v) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(w) Related parties

(i) A person, or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are individually material may be aggregated if they share a majority of these criteria.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the reporting format for the purposes of these combined financial statements.

No geographical segment information is separately presented as the Group's business segments are mainly managed and operated in the Hainan Province of the PRC. The major market of the Group's business segments is the Hainan Province of the PRC.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. There are no inter-segment sales or other transactions within the Group.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

- Development projects (excluded Danzhou phase I but including Danzhou phase II)
- Danzhou Phase I

2 BUSINESS SEGMENTS

For management purposes, the Group is organised into business units based on the line of reporting, and has two reportable operating segments as follows:

I. Development projects (excluded Danzhou phase I but including Danzhou phase II)

All the Group's development projects refer to the development and sales of residential property units conducted in Hainan Province.

II. Danzhou phase I

Danzhou phase I project refers to the development and sales of residential property units conducted under phase I of Danzhou Shuang Lian Property Development Co., Ltd. in Hainan Province. (Note 3).

The Group's Chairman monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Income taxes are managed on a group basis and are not allocated to operating segments. There are no inter-segment sales or other transactions within the Group.

Reconciliations of reportable revenues, profit or loss, assets and liabilities

	Year ended 31 December 2013		
	Development Projects	Danzhou Phase I (*Note 3*)	Total
	RMB'000	RMB'000	RMB'000
Turnover	192,451	–	192,451
Cost of sales	(116,583)	–	(116,583)
Gross profit	75,868	–	75,868
Other income	40	320	360
Selling and distribution expense	(63,710)	(2,924)	(66,634)
Administrative expense	(43,297)	(3,321)	(46,618)
Other expenses	(9,351)	–	(9,351)
Finance income	12,265	54	12,319
Finance costs	(37,162)	–	(37,162)
Losses from investing activities	(3,120)	–	(3,120)
Loss before taxation from continuing operations	(68,467)	(5,871)	(74,338)
Income tax	(4,220)	1,364	(2,856)
Loss from discontinued operation	(2,938)	–	(2,938)
Loss attribute to non-controlling interests	–	(4,507)	(4,507)
Loss attribute to equity shareholders of the Company	(75,625)	–	(75,625)
Properties under development	4,703,111	377,473	5,080,584
Completed properties held for sale	103,954	–	103,954
Trade and other receivables	1,965,898	139,199	2,105,097
Current tax assets	125,868	3,697	129,565
Restricted cash	3,995	–	3,995
Cash and cash equivalents	40,750	103,247	143,997
Segment current assets	6,943,576	623,616	7,567,192
Property, plant and equipment	58,057	2,581	60,638
Deferred tax assets	65,586	7,479	73,065
Other non-current assets	9,944	–	9,944
Segment non-current assets	133,587	10,060	143,647
Trade and other payables	(3,225,359)	(499,204)	(3,724,563)
Loans and borrowings	(183,772)	–	(183,772)
Current tax liabilities	(245,444)	(2,258)	(247,702)
Segment current liabilities	(3,654,575)	(501,462)	(4,156,037)
Interest bearing loans and borrowings	(745,187)	(117,546)	(862,733)
Deferred tax liabilities	(599,776)	(12,621)	(612,397)
Segment non-current liabilities	(1,344,963)	(130,167)	(1,475,130)
Other segment information			
Capital expenditure	6,492,347	377,473	6,869,820
Depreciation of property, plant and equipment	3,031	662	3,693
Amortisation of intangible assets	112	–	112

	Year ended 31 December 2014		
	Development Projects	Danzhou Phase I *(Note 3)*	Total
	RMB'000	RMB'000	RMB'000
Turnover	790,369	–	790,369
Cost of sales	(401,837)	–	(401,837)
Gross profit	388,532	–	388,532
Other income	546	11	557
Selling and distribution expenses	(36,074)	(12,957)	(49,031)
Administrative expenses	(45,934)	(4,813)	(50,747)
Other expenses	(10,390)	(334)	(10,724)
Finance income	1,246	–	1,246
Finance costs	(318)	(1,754)	(2,072)
Losses from investing activities	(2,077)	–	(2,077)
Profit/(loss) before taxation from continuing operations	295,531	(19,847)	275,684
Income tax	(169,715)	4,778	(164,937)
Profit from discontinued operation	924	–	924
Loss attribute to non-controlling interests	(1,442)	(15,069)	(16,511)
Profit attribute to equity shareholders of the Company	128,182	–	128,182
Properties under development	5,163,692	424,298	5,587,990
Completed properties held for sale	96,595	–	96,595
Trade and other receivables	1,047,290	94,044	1,141,334
Current tax assets	116,712	7,015	123,727
Restricted cash	2,199	–	2,199
Cash and cash equivalents	123,438	12,257	135,695
Segment current assets	6,549,926	537,614	7,087,540
Property, plant and equipment	54,707	1,881	56,588
Intangible assets	1,081	25	1,106
Deferred tax assets	37,114	12,257	49,371
Other non-current assets	50,078	–	50,078
Segment non-current assets	142,980	14,163	157,143
Trade and other payables	(3,442,822)	(355,203)	(3,798,025)
Loans and borrowings	(437,100)	(68,778)	(505,878)
Current tax liabilities	(82,175)	(2,931)	(85,106)
Segment current liabilities	(3,962,097)	(426,912)	(4,389,009)
Interest bearing loans and borrowings	(550,896)	–	(550,896)
Deferred tax liabilities	(590,444)	(12,621)	(603,065)
Segment non-current liabilities	(1,141,340)	(12,621)	(1,153,961)
Other segment information			
Capital expenditure	7,375,573	424,298	7,799,871
Depreciation of property, plant and equipment	3,805	789	4,594
Amortisation of intangible assets	75	8	83

	Year ended 31 December 2015		
	Development Projects	Danzhou Phase I *(Note 3)*	Total
	RMB'000	RMB'000	RMB'000
Turnover	1,402,686	154,276	1,556,962
Cost of sales	(988,296)	(140,482)	(1,128,778)
Gross profit	414,390	13,794	428,184
Other income	3,046	80	3,126
change in fair value of investment properties	4,773	–	4,773
Selling and distribution expenses	(31,492)	(5,133)	(36,625)
Administrative expenses	(53,573)	(3,764)	(57,337)
Other expenses	(5,331)	(36)	(5,367)
Finance income	13,339	128	13,467
Finance costs	(1,296)	(13,078)	(14,374)
Income from investing activities	6,294	–	6,294
Profit before taxation from continuing operations	350,150	(8,009)	342,141
Income tax	(160,943)	2,955	(157,988)
Profit from discontinued operation	1,210	–	1,210
Loss attribute to non-controlling interests	(1,395)	(5,054)	(6,449)
Profit attribute to equity shareholders of the Company	191,812	–	191,812
Properties under development	3,672,318	–	3,672,318
Completed properties held for sale	917,095	327,019	1,244,114
Trade and other receivables	244,694	56,593	301,287
Current tax assets	36,144	5,566	41,710
Restricted cash	4,074	–	4,074
Cash and cash equivalents	131,906	11,085	142,991
Segment current assets	5,006,231	400,263	5,406,494
Property, plant and equipment	52,644	937	53,581
Intangible assets	977	–	977
Investment properties	165,180	–	165,180
Deferred tax assets	29,515	11,091	40,606
Other non-current assets	17	–	17
Segment non-current assets	248,333	12,028	260,361
Trade and other payables	(2,420,313)	(295,240)	(2,715,553)
Loans and borrowings	(485,000)	–	(485,000)
Current tax liabilities	(98,121)	(1,360)	(99,481)
Segment current liabilities	(3,003,434)	(296,600)	(3,300,034)
Interest bearing loans and borrowings	(442,290)	–	(442,290)
Deferred tax liabilities	(530,348)	(8,501)	(538,849)
Segment non-current liabilities	(972,638)	(8,501)	(981,139)
Other segment information			
Capital expenditure	7,868,688	461,881	8,330,569
Depreciation of property, plant and equipment	4,288	749	5,037
Amortisation of intangible assets	99	30	129

Reconciliations of reportable cashflow information

	Year ended 31 December 2013			
	Development Projects RMB'000	Danzhou Phase I *(Note 3)*	Elimination	Total
	RMB'000	RMB'000		
Net cash used in operating activities	(327,739)	(43,605)	–	(371,344)
Net cash (used in)/generated from investing activities	(91,206)	11,845	100,000	20,639
Net cash generated from financing activities	355,673	135,007	(100,000)	390,680

	Year ended 31 December 2014			
	Development Projects	Danzhou Phase I *(Note 3)*	Elimination	Total
	RMB'000	RMB'000		
Net cash used in operating activities	(770,111)	(39,659)	–	(809,770)
Net cash (used in)/generated from investing activities	(165,238)	(28)	165,568	302
Net cash generated from/(used in) financing activities	1,018,037	(51,303)	(165,568)	801,166

	Year ended 31 December 2015			
	Development Projects	Danzhou Phase I *(Note 3)*	Elimination	Total
	RMB'000	RMB'000		
Net cash used in operating activities	(425,321)	(7,168)	–	(432,489)
Net cash generated from investing activities	44,147	128	–	44,275
Net cash generated from financing activities	389,642	5,868	–	395,510

3 ACQUISITION OF SUBSIDIARY

On 21 August 2013, Sanya Zhong Ze Kai Industrial Co., Ltd. ("Sanya Zhong Ze Kai"), Nanjing San Long Cement Co., Ltd. ("Nanjing San Long") and Danzhou Shuang Lian Property Development Co., Ltd. ("Danzhou Shuang Lian") entered into a tripartite investment agreement ("the Agreement"). Pursuant to the Agreement, Sanya Zhong Ze Kai committed to make payment of RMB217,468,000 by instalments so as to obtain 51% equity interests in Danzhou Shuang Lian provided that Nanjing San Long and Danzhou Shuang Lian were able to complete certain condition precedents within 90 days from date of the Agreement. RMB171,718,000 out of the total payment would be injected into Danzhou Shuang Lian as capital and the remaining balance of RMB45,750,000 would be made payable to Nanjing San Long via Danzhou Shuang Lian. Sanya Zhong Ze Kai is a company beneficially owned and controlled by Zhong Ze (Hong Kong) Investment Limited.

In November 2013, upon completion of the condition precedents, the Agreement became unconditional, Sanya Zhong Ze Kai injected RMB100 million into Danzhou Shuang Lian, appointed two of the three directors in the board, and acquired control over Danzhou Shuang Lian.

As of 31 December 2013, Sanya Zhong Ze Kai injected RMB100 million out of the total RMB171,718,000 and had a legal interest of 37.74% in Danzhou Shuang Lian. However, pursuant to the Agreement, Sanya Zhong Ze Kai has an obligation to inject the remaining RMB71,718,000 into Danzhou Shuang Lian and hence to acquire a further 13.26% equity interest herein. The acquisition of the remaining 13.26% equity interest in Danzhou Shuang Lian has been accounted for as though it had occurred on the acquisition date and accordingly the non-controlling interest in Danzhou Shuang Lian was accounted for as 49% as of 31 December 2013.

The Danzhou Shuang Lian project is divided into phases I and II. In November 2013, phase I with an area of approximately 89 mu was partially under development and was in the process of pre-sale, while phase II with an area of approximately 569 mu was a piece of undeveloped land. Pursuant to the Agreement, the parties agreed that (i) Nanjing San Long continues to manage, develop and undertakes fully the risk and reward of phase I through its completion and disposal; and (ii) separate ledgers and bank accounts were set up for phases I and II. Danzhou phase I is an autonomous and operationally distinct business division that would remain under the direction of Nanjing San Long after the acquisition. Furthermore, all capital injections by Sanya Zhong Ze Kai went to the bank account of phase I, and, according to the Agreement, Sanya Zhong Ze Kai does not share any risks and rewards of the net assets of phase I.

Notwithstanding the above, the assets and liabilities as well as turnover, cost of sales and other items in the combined statements of profit or loss and other comprehensive income related to Danzhou phase I have been included as part of the assets and liabilities as well as profit or loss items of Danzhou Shuang Lian as they are not legally separable from other assets and liabilities as well as profit or loss items related to phase II of Danzhou Shuang Lian.

The above acquisition has been accounted for as a business combination in accordance with Note 1(e)(ii) above with Danzhou Shuang Lian fully combined into the Group's combined financial statements from the date of acquisition. As the Group does not share any risks and rewards relating to phase I pursuant to the Agreement, the net profit or loss, net assets or liabilities arising from phase I are wholly attributable to, and accordingly are deducted through the inclusion of such amounts in, the non-controlling interests in the Group's combined statements of profit or loss and other comprehensive income and the combined statements of changes in equity. The details of the profit and loss, assets and liabilities of phase I that have been combined into Group's combined financial statements during the Relevant Periods are disclosed in the segment report in Note 2 above.

The following table summarizes the recognized amount of identifiable net assets acquired from the above acquisition at the acquisition date:

	Total
	RMB'000
Property, plant and equipment	2,644
Deferred tax assets	6,114
Properties under development – Phase I	382,111
Properties under development – Phase II	481,780
Trade and other receivables	158,712
Current tax assets	8,603
Cash and cash equivalents	11,791
Current tax liabilities	(2,234)
Trade and other payables	(517,888)
Loans and borrowings	(117,441)
Deferred tax liabilities	(67,993)
Total identifiable net assets acquired	346,199

Represented by:	Net assets of acquiree acquired	Net assets/ (liabilities) attributable to non-controlling interest	Total net assets/ (liabilities)
	RMB'000	RMB'000	RMB'000
– Phase I	–	(80,210)	(80,210)
– Phase II	217,468	208,941	426,409
	217,468	128,731	346,199
Consideration transferred in the form of capital injection to Danzhou phase I bank account	171,718		
Other liability assumed	45,750		
Goodwill	–		
Cash and cash equivalents acquired			11,791

Had the acquisition been taken place at the beginning of 2013, the turnover and net loss for the Group for the year ended 31 December 2013 would have been increased by approximately nil and RMB16,129,000, respectively. As the losses were all incurred by Danzhou Phase I, in which the Group does not share any of the profit and loss, thus the profit attributable to equity shareholders of the Company would remain unchanged.

On 20 January 2014, after separate negotiations, the three parties signed a supplementary agreement ("the Supplementary Agreement") under which Nanjing San Long agreed to transfer a 30 mu of undeveloped land from phase I to phase II, and at the same time Sanya Zhong Ze Kai agreed to increase its equity investment in Danzhou Shuang Lian from 51% to 60%. On 24 January 2014, Sanya Zhong Ze Kai injected further capital into Danzhou Shuang Lian and held 60% equity interest in Danzhou Shuang Lian after the injection. The acquisition of the additional 9% equity interest from 51% to 60% has been accounted for as purchase of non-controlling interests, which has been recognised directly in equity.

4 DISCONTINUED OPERATIONS

On 18 September 2015, the Group disposed of its 100% equity interest in Sanya Bai Yue to a third party, which represented the entire line of business of hotel management, following the strategy of focusing the Group's business on properties development and sale. Sanya Bai Yue was established in the PRC on 22 January 2013.

	Note	Year ended 31 December		
		2013	**2014**	**2015**
		RMB'000	**RMB'000**	**RMB'000**
Results of discontinued operations				
Revenue		4,478	6,106	2,123
Expenses		(8,274)	(4,867)	(370)
(Loss)/profit before tax		(3,796)	1,239	1,753
Income tax	*8(a)*	858	(315)	(543)
(Loss)/profit from discontinued operations, net of tax		(2,938)	924	1,210

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	**RMB'000**	**RMB'000**
Cash flow generated from/(used in) discontinued operations			
Net cash generated from/(used in) operating activities	56	(138)	–
Net cash used in investing activities	(598)	(119)	–
Net cash generated from financing activities	800	–	–
Net cash generated from/(used in) discontinued operations	258	(257)	–

5 TURNOVER

The principal activities of the Group are development and sales of properties as well as development and lease of properties in the PRC.

Turnover mainly represented income from sales and rentals of properties, net of business tax and other sales related taxes, and was after deduction of any trade discounts.

The amounts of each significant category of revenue recognised in turnover during the Relevant Periods are as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Property development:			
– Development projects (excluding Danzhou Phase I)	192,451	790,369	1,402,150
– Danzhou Phase I *(Note 2 and 3)*	–	–	154,276
Investment property rentals	–	–	536
	192,451	790,369	1,556,962

6 OTHER INCOME AND OTHER EXPENSES

Other income

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Government subsidies	310	–	2,556
Forfeiture of customer deposits	50	557	570
	360	557	3,126

Other expenses

		Year ended 31 December		
	Note	2013	2014	2015
		RMB'000	RMB'000	RMB'000
Land premium late payment charges	*(i)*	6,372	6,207	4,767
Tax late payment charges		1,251	–	–
Compensation	*(ii)*	1,597	–	–
Administrative fines	*(iii)*	–	3,664	500
Others		131	853	100
		9,351	10,724	5,367

Note (i): The late payment charges represents interests incurred from overdue land premium, the settlement of which are being negotiated with relevant government authorities.

Note (ii): Compensation represents settlement payment for returned properties due to disputes with customers.

Note (iii): Administrative fines represents settlement payments to relevant government authorities for resolved non-compliance incidents.

7 (LOSS)/PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

Profit before taxation is arrived at after charging/(crediting):

(a) Finance (income)/costs

	Note	Year ended 31 December		
		2013	2014	2015
		RMB'000	RMB'000	RMB'000
Finance income				
Interest income arising from financial assets not measured at fair value through profit or loss	*(i)*	(12,319)	(1,246)	(13,467)
Sub-total		(12,319)	(1,246)	(13,467)
Finance costs				
Interest expenses arising from financial liabilities not measured at fair value through profit or loss	*(ii)*	102,089	89,759	91,893
Less: Capitalized interest expenses	*(iii)*	(64,927)	(87,687)	(77,519)
Sub-total		37,162	2,072	14,374
Net finance costs		24,843	826	907

Note (i): Financial assets represent bank deposits and interest-bearing amounts due from related parties.

Note (ii): Interest expenses for 2013 included interest amounting to RMB21,370,000 charged by Zhong Hui Nanjing for trust loans borrowed by Zhong Hui Nanjing and utilized by Sanya Fenghuang Xincheng.

Note (iii): The borrowing costs have been capitalised at rates 4.6%, 6.75% and 5.89% per annum for the three years ended 31 December 2013, 2014 and 2015 respectively.

(b) Staff costs

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	7,083	13,095	11,444
Contribution to defined contribution retirement plan	228	326	510
	7,311	13,421	11,954

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") which are administered and operated by the relevant local government authorities. The Group is required to make contributions to the Schemes at certain percentages of the employee salary as agreed by local municipal government. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other material obligation for the payment of pension benefits associated with these schemes beyond the annual contributions described above.

(c) Other items

	Note	Year ended 31 December 2013	2014	2015
		RMB'000	RMB'000	RMB'000
Depreciation	*12*	3,693	4,594	5,037
Amortisation	*14*	112	83	129
Auditor's remuneration		261	270	88
Cost of properties sold		116,583	401,837	1,128,778
Allowance for impairment loss made on trade and other receivables	*20(a)*	–	–	19

8 INCOME TAX IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax in the combined statements of profit or loss and other comprehensive income represents:

	Year ended 31 December 2013	2014	2015
	RMB'000	RMB'000	RMB'000
Current tax			
PRC corporate income tax ("CIT") for the year	4	26,605	97,881
PRC land appreciation tax ("LAT") for the year	22,132	124,285	116,101
Sub-total	22,136	150,890	213,982
Deferred taxation			
Origination and reversal of temporary differences	(15,892)	17,669	(10,911)
Reversal of LAT provision	(4,246)	(3,307)	(44,540)
Sub-total	(20,138)	14,362	(55,451)
Tax expenses from continuing operations	2,856	164,937	157,988
Tax expenses from discontinued operations *(Note 4)*	(858)	315	543
Total income tax expenses	1,998	165,252	158,531

(b) Reconciliation between income tax expense and (loss)/profit before taxation at applicable tax rates:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
(Loss)/profit before taxation from			
– continuing operations	(74,338)	275,684	342,141
– discontinued operations	(3,796)	1,239	1,753
	(78,134)	276,923	343,894
Notional tax on (loss)/profit before taxation calculated at the standard tax rate applicable in the jurisdiction concerned *(Note (i) to (ii))*	(19,534)	69,231	85,974
Tax effect of non-deductible expenses	8,039	4,974	1,402
Tax effect of non-deductible land cost adjustments	–	–	16,744
Effect on unused tax losses not recognised	79	314	740
LAT *(Note (iii))*	17,886	120,978	71,561
Tax effect on LAT	(4,472)	(30,245)	(17,890)
Income tax expenses	1,998	165,252	158,531

(i) Pursuant to the rules and regulations of the BVI and Cayman Islands, the Group is not subject to any income tax in the BVI and Cayman Islands.

(ii) No provision for Hong Kong Profits Tax was made as the Group's Hong Kong subsidiaries did not earn any income subject to Hong Kong Profits Tax during the Relevant Periods.

(iii) LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures.

(iv) According to the PRC CIT Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. According to the China-HK Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of a PRC enterprise is entitled to a reduced withholding rate of 5%.

9 DIRECTORS' EMOLUMENTS

Details of directors' emoluments of the Company are as follows:

	For the year ended 31 December 2013				
	Directors' fees	Salaries, allowances and benefits in kinds	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director					
Yeung Man	–	456	–	–	456
Zhou Li	–	600	–	–	600
Fan Wen Yi	–	340	–	–	340
	–	1,396	–	–	1,396

	For the year ended 31 December 2014				
	Directors' fees	Salaries, allowances and benefits in kinds	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director					
Yeung Man	–	456	–	–	456
Zhou Li	–	600	–	–	600
Fan Wen Yi	–	384	–	–	384
	–	1,440	–	–	1,440

	For the year ended 31 December 2015				
	Directors' fees	Salaries, allowances and benefits in kinds	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director					
Yeung Man	–	228	–	–	228
Zhou Li	–	300	400	–	700
Huang An Nan	–	641	–	–	641
Fan Wen Yi	–	450	–	–	450
Non-executive director					
Wang Pei	–	160	88	–	248
	–	1,779	488	–	2,267

No directors of the Company waived or agreed to waive any emoluments during the Relevant Periods. No emoluments were paid to independent non-executive directors during the Relevant Periods as the independent non-executive directors have not been appointed during the Relevant Periods.

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office.

The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the Relevant Periods.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the Relevant Periods, the five individuals with the highest emoluments, some are directors of the Company during the Relevant Periods whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other individuals are as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	**RMB'000**	**RMB'000**
Salaries and other emoluments.	2,012	1,509	1,100
Retirement scheme contributions	–	–	–
	2,012	1,509	1,100

The emoluments of these individuals with the highest emoluments are within the following bands:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	**RMB'000**	**RMB'000**
HKD Nil to 1,000,000	2	3	3
HKD1,000,000 to 2,000,000	1	–	–
	3	3	3

11 (LOSSES)/EARNINGS PER SHARE

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit for the year by the weighted average number of ordinary shares in issue during the year.

Weighted average number of ordinary shares

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	**RMB'000**	**RMB'000**
Weighted average number of ordinary shares as at the Relevant Periods . . .	225,000	225,000	225,000

The weighted average number of ordinary shares was the number of ordinary shares in issue as at the date of the Prospectus, as if the shares were outstanding throughout the entire Relevant Periods.

	Year ended 31 December		
	2013	2014	2015
	'000	'000	'000
From continuing operations			
(Loss)/profit from continuing operations (RMB'000)	(77,194)	110,747	184,153
Weighted average number of ordinary shares issued (thousands)	225,000	225,000	225,000
Basic and diluted (losses)/earnings per share (in RMB per share)	(0.34)	0.49	0.82

	Year ended 31 December		
	2013	2014	2015
	'000	'000	'000
From discontinued operation			
(Loss)/profit from discontinued operation, net of tax (RMB'000)	(2,938)	924	1,210
Weighted average number of ordinary shares issued (thousands)	225,000	225,000	225,000
Basic and diluted (losses)/earnings per share (in RMB per share)	(0.01)	0.00	0.01

During the Relevant periods, there were no potential diluted ordinary shares, so the diluted (losses)/earnings per share were the same as the basic (losses)/earnings per share.

12 PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Electronic devices	Machines, furniture, office equipment and others	Buildings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2013	1,266	1,534	583	57,729	61,112
Additions through acquisition of a subsidiary	2,935	222	731	–	3,888
Additions	1,051	770	72	–	1,893
At 31 December 2013	5,252	2,526	1,386	57,729	66,893
At 1 January 2014	5,252	2,526	1,386	57,729	66,893
Additions	105	274	165	–	544
At 31 December 2014	5,357	2,800	1,551	57,729	67,437
At 1 January 2015	5,357	2,800	1,551	57,729	67,437
Additions	126	5	2,490	–	2,621
Disposals	(940)	(522)	(59)	–	(1,521)
At 31 December 2015	4,543	2,283	3,982	57,729	68,537
Accumulated depreciation:					
At 1 January 2013	330	727	261	–	1,318
Additions through acquisition of a subsidiary	953	127	164	–	1,244
Charge for the year	341	476	134	2,742	3,693
At 31 December 2013	1,624	1,330	559	2,742	6,255
At 1 January 2014	1,624	1,330	559	2,742	6,255
Charge for the year	1,023	550	279	2,742	4,594
At 31 December 2014	2,647	1,880	838	5,484	10,849
At 1 January 2015	2,647	1,880	838	5,484	10,849
Charge for the year	917	392	986	2,742	5,037
Disposals	(501)	(391)	(38)	–	(930)
At 31 December 2015	3,063	1,881	1,786	8,226	14,956
Net book value:					
At 31 December 2013	3,628	1,196	827	54,987	60,638
At 31 December 2014	2,710	920	713	52,245	56,588
At 31 December 2015	1,480	402	2,196	49,503	53,581

Certain buildings pledged to secure bank loans are set out in Note 24.

13 INVESTMENT PROPERTIES

	Note	Investment properties
		RMB'000
Net book value:		
At 1 January 2013 and 31 December 2013, 2014 and 1 January 2015		–
Transfer from properties under development	*(i)*	160,407
Fair value adjustment		4,773
At 31 December 2015		165,180
Representing		
Cost		160,407
Valuation		4,773

As at 31 December 2015, certain of the Group's investment properties were pledged as collaterals for bank loans granted to the Group (Note 24).

Note (i): In December 2015, the Group signed a 51-month rental agreement with Sanya Huan Peng Hotel Management Co., Ltd., a third party hotel management company, and car park lease contracts with customers respectively. As a result of the change of actual use, the Group transferred certain properties under development to investment properties at a total fair value of RMB165,180,000. The total carrying amount of these properties at the date of transfer was RMB160,407,000 (Note 18). Thus, a valuation gain of RMB4,773,000 was recognized in the profit or loss.

Determination of fair value

Investment properties are stated at fair value based on valuations at the end of each reporting period performed by independent professional valuers, having appropriate recognised professional qualification and experience in the location and category of property being valued. Independent valuations are obtained once a year for all investment properties, being 31 December. Any change in the fair value is charged to the profit or loss.

In determining the fair value, the valuers have used valuation methods which involve certain estimates. Management has exercised its judgment and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

The independent professional valuers have considered valuation techniques including direct comparison method, capitalisation approach and/or residual approach in arriving at the open market value as at the reporting date. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yield, estimated costs of development and average growth rate.

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to those reflective of the investment properties. The capitalisation approach capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates. The residual method of valuation is determined based on the gross development value less estimated costs to complete.

Fair value hierarchy

The fair value measurement for investment properties and investment properties under development as at 31 December 2015 has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 1(d)). There were no transfers between levels during the financial year ended 31 December.

14 INTANGIBLE ASSETS

	Software
	RMB'000
Cost:	
At 1 January 2013	1,126
Additions	–
At 31 December 2013	1,126
Additions	400
At 31 December 2014	1,526
Additions	–
At 31 December 2015	1,526
Accumulated amortization:	
At 1 January 2013	225
Charge for the year	112
At 31 December 2013	337
Charge for the year	83
At 31 December 2014	420
Charge for the year	129
At 31 December 2015	549
Net book value:	
At 31 December 2013	789
At 31 December 2014	1,106
At 31 December 2015	977

Intangible assets represent software costs.

15 INTEREST IN AN ASSOCIATE

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Share of net assets	7,577	5,500	–

The following is the associate of the Group which is an unlisted corporate entity, whose quoted market price is not available:

Name of company	Date and place of establishment	Paid-in/ registered capital	Effective interest held by the Group as at 31 December 2013	2014	2015	Principal activity
		RMB'000				
Wenchang Citi-Verdure Investment Co., Ltd. ("Wenchang Citi-Verdure") 文昌城投中惠投資有限公司*	28 May 2010 The PRC	50,000	30%	30%	–	Real Estate Development

* The entity is a PRC limited liability company. The English translation of the company name is for reference only. The official name of the company is in Chinese.

Summary financial information on the associate for the Relevant Periods is as follows:

	Assets	Liabilities	Equity	Revenue	Loss for the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2013					
100 per cent	127,176	(101,919)	25,257	–	(10,399)
Group's effective interest	38,153	(30,576)	7,577	–	(3,120)
At 31 December 2014					
100 per cent	131,956	(113,623)	18,333	–	(6,923)
Group's effective interest	39,587	(34,087)	5,500	–	(2,077)
At 31 December 2015					
100 per cent	–	–	–	–	(2,133)
Group's effective interest	–	–	–	–	(640)

The associate was disposed of on 11 November 2015 through the disposal of Nanjing Yu Ming Hang. (Note 1b(iv)).

16 INTEREST IN JOINT VENTURES

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Share of net assets	–	43,000	–

The Group had the following interests in joint ventures:

Name of company	Date and place of establishment	Paid-in/ registered capital	Effective interest held by the Group as at 31 December			Principal activity
			2013	2014	2015	
		RMB'000				
Nanjing Yin Zhuo Property Development Company Limited ("Nanjing Yin Zhuo")[(a) (b)] 南京銀卓房地產開發有限公司*	21 April 2014 The PRC	210,000	–	12%	–	Property development
Nanjing Yin Guang Property Development Company Limited ("Nanjing Yin Guang")[(a) (b)] 南京銀廣房地產開發有限公司*	18 April 2014 The PRC	150,000	–	12%	–	Property development
Sanya Huan Peng Hotel Management Company Limited ("Sanya Huan Peng")[(c)] 三亞歡朋酒店管理有限公司*	16 April 2015 The PRC	1,000	–	–	–	Hotel management

* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

Notes:

(a) Whilst the Group had only 12% equity interest in the Nanjing Yin Zhuo and Nanjing Yin Guang respectively, the Group was considered to have joint control over these two entities as the decisions on the relevant activities of these two entities require the unanimous consent of all shareholders as stipulated by the charters of association of these two entities. Based on the set up of the entities, the Group is to share their net assets and accounts for the entities as joint ventures.

(b) Nanjing Yin Zhuo and Nanjing Yin Guang had limited activities other than holding plots of land for development in Nanjing, Jiangsu Province since the dates of their respective establishment. On 19 June 2015, the Group disposed of its interests in Nanjing Yin Zhuo and Nanjing Yin Guang to Yin Cheng Real Estate Group Stock Co., Ltd. at a total cash consideration of RMB49,922,000. As at the date of the disposal, the carrying value of the interests of the Group was RMB43,000,000. A disposal gain of RMB6,922,000 was recognised in the combined statements of profit or loss and other comprehensive income in 2015.

(c) Sanya Huan Peng was established on 16 April 2015. The Group had a 49% equity interest on Sanya Huan Peng prior to its disposal. In July 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose of its equity interest in Sanya Huan Peng for a consideration of RMB2,450,000, which represented the carrying value of the interest in Sanya Huan Peng. The disposal was completed on 8 October 2015. Up to the date of the disposal, Sanya Huan Peng had no business operation.

Summary financial information on joint ventures for the Relevant Periods – Group's effective interest is as follows:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Non-current assets	–	313	–
Current assets	–	299,588	–
Non-current liabilities	–	(58,320)	–
Current liabilities	–	(199,279)	–
	–	42,302	–
Income	–	–	–
Expenses	–	(1,188)	–
Income tax expenses	–	290	–
Loss for the year	–	(898)	–

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current assets

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Equity investment-unlisted	1,578	1,578	17

Summary financial information on equity investment-unlisted for the Relevant Periods is as follows:

Name of company	Date and place of establishment	Paid-in/ registered capital	Effective interest held by the Group as at 31 December 2013	2014	2015	Principal activity
		RMB'000				
Hainan Huilin Construction Company Limited. ("Hainan Huilin") (a) 海南惠霖建築工程有限公司*	25 October 2012 The PRC	10,000	15%	15%	–	Municipal engineering
Nanjing Aitekaidun Landscape Design Company Limited. ("Nanjing Aitekaidun") (b) 南京艾特凱頓景觀設計有限公司*	13 August 2013 The PRC	500	10%	10%	–	Designing engineering
Nanjing Youbi Environment Art Design Company Limited. ("Nanjing Youbi") 南京優比環境藝術設計有限公司*	13 August 2013 The PRC	500	5%	5%	5%	Designing engineering

* The entity is a PRC limited liability company. The English translation of the company name is for reference only. The official name of the company is in Chinese.

Notes:

(a) As at 31 December 2015, Hainan Huilin had been liquidated.

(b) On 28 December 2015, the Group transferred its 10% equity interest in Nanjing Aitekaidun to a third party for a cash consideration of RMB50,000.

As at 31 December 2013, 2014 and 2015, the Group's equity investment in Hainan Huilin, Nanjing Aitekaidun and Nanjing Youbi was not considered to be impaired.

18 PROPERTIES UNDER DEVELOPMENT

(a) Properties under development in the combined statements of financial position comprise:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Expected to be recovered within one year			
– Properties under development for sale	392,834	1,113,611	551,331
Expected to be recovered after more than one year			
– Properties under development for sale	4,687,750	4,474,379	3,120,987
	5,080,584	5,587,990	3,672,318

In December 2015, the Group transferred certain properties under development with a carrying amount of RMB160,407,000 to investment properties (Note 13) as a result of change of actual use.

As at 31 December 2013, 2014 and 2015, certain of the Group's properties under development were pledged as collaterals for certain bank loans granted to the Group (Note 24).

Properties under development with an aggregate carrying value of RMB478,013,000, RMB608,395,000 and nil as at 31 December 2013, 2014 and 2015, respectively, were pledged for certain bank loans granted to related parties and a third party.

(b) The analysis of carrying value of leasehold land included in properties under development is as follows:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
In the PRC, with lease term of 40 years or more	2,835,789	2,818,659	2,272,485

19 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC on leasehold land with lease term of 40 years or more. All completed properties held for sale are stated at cost and no impairment is provided for. As at 31 December 2013, 2014 and 2015, certain of the Group's completed properties held for sale were pledged as collaterals for bank loans granted to the Group (Note 24).

20 TRADE AND OTHER RECEIVABLES

	Note	At 31 December 2013	2014	2015
		RMB'000	RMB'000	RMB'000
Amounts due from third parties				
– Trade receivables *(Note (i))*		1,579	2,166	1,866
Less: allowance for doubtful debts *(Note 20 (a))*		–	–	(19)
– Non-trade receivables		101,747	114,513	121,822
– Bill receivable		2,540	1,808	1,700
Amounts due from related parties *(Note (ii))*	*31(d)*			
– Non-trade receivables		1,749,915	859,386	12,919
– Bills receivable		–	1,400	–
Advance payments to contractors *(Note (iii))*				
– To third party contractors		112,748	66,152	41,723
– To related party contractors	*31(d)*	20,991	2,990	89,289
Prepaid business tax and other taxes		115,577	92,919	31,987
Total		2,105,097	1,141,334	301,287

Notes:

(i) Trade receivables comprise receivables due from customers in relation to sales of properties and rental income. Proceeds from the sale of properties are made in lump-sum payments or paid by instalments in accordance with the terms of the corresponding sale and purchase agreements. The remaining balance of trade receivables are expected to be recovered within one year. The details on the Group's credit policy are set out in Note 28(a).

(ii) Except for amounts due from Nanjing Yin Zhuo and Nanjing Yin Guang as at 31 December 2014 which bore interest at a rate of 13% per annum, amounts due from related parties are unsecured, interest-free and repayable on demand.

(iii) Advance payments to contractors are made in accordance with the payment terms as agreed in the construction contracts signed with building contractors. They are to be transferred to properties under development with regard to stage of completion for relevant construction.

(a) Impairment loss

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables based on the date that trade and bills receivables were recognised, is as follows:

	At 31 December 2013	2014	2015
	RMB'000	RMB'000	RMB'000
Within 1 year	3,587	5,010	3,038
1 to 2 years	532	364	509
2 to 3 years	–	–	19

Trade and bills receivables that were not past due and not impaired

As at 31 December 2013 and 2014 and 2015, included in the trade and bills receivables were amounts of RMB4,119,000, RMB5,374,000 and RMB3,547,000 that are not past due and not impaired.

The movements in impairment loss in respect of trade receivables are as follows:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
At 1 January	–	–	–
Impairment loss recognized	–	–	19
At 31 December	–	–	19

As at 31 December 2015, the Group's trade receivables of RMB19,000 (nil as at 31 December 2013 and 2014) were individually determined to be impaired. They were related to debtors that were in financial difficulties and have defaulted in payments. These receivables were not secured by any collateral or credit enhancements.

21 RESTRICTED CASH

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Pledged for:			
– Properties under development	2,158	2,164	2,168
– Bank loans *(Note (i))*	1,837	35	1,906
Total	3,995	2,199	4,074

Note (i): It represented cash balance in an escrow bank account which is under the supervision of a bank.

22 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Cash at bank and in hand			
– Cash on hand	152	234	149
– Cash at bank	143,845	135,461	142,842
	143,997	135,695	142,991

As at 31 December 2013 and 2014 and 2015, the cash and bank balances of the PRC subsidiaries comprising the Group was not freely convertible into other currencies and subject to PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

(b) Reconciliation of (loss)/profit before taxation to cash used in operations:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Operating activities			
(Loss)/profit before taxation			
– From continuing operations	(74,338)	275,684	342,141
– From discontinued operations	(3,796)	1,239	1,753
Adjustments for:			
– Depreciation & amortization	3,805	4,677	5,166
– Allowance for impairment loss made on trade and other receivables	–	–	19
– Finance costs	37,162	2,072	14,374
– Interest income	(12,319)	(1,246)	(13,467)
– Share of losses of an associate	3,120	2,077	640
– Gain from disposal of joint ventures	–	–	(6,922)
– Gain from disposal of subsidiaries	–	–	(12)
– Change in fair value of investment properties	–	–	(4,773)
Operating (loss)/profit before changes in working capital	(46,366)	284,503	338,919
Changes in working capital			
– (Increase)/decrease in property under development	(1,383,967)	(419,719)	1,832,783
– Decrease/(increase) in completed properties held for sale	116,583	7,359	(1,147,519)
– (Increase)/decrease in trade and other receivables	(314,491)	(59,025)	93,402
– Increase/(decrease) in trade and other payables	1,372,901	(315,235)	(1,432,496)
– Decrease/(increase) in restricted cash	1,474	(7)	(5)
Cash used in operations	(253,866)	(502,124)	(314,916)
Income tax paid	(117,478)	(307,646)	(117,573)
Net cash used in operating activities	(371,344)	(809,770)	(432,489)

(c) Financing activities not requiring the use of cash or cash equivalents:

		At 31 December		
	Note	2013	2014	2015
		RMB'000	RMB'000	RMB'000
Capital reduction	*26*	(300,000)	–	–

23 TRADE AND OTHER PAYABLES

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Amounts due to third parties			
– Trade payables *(Note (i))*	621,602	579,102	607,610
– Receipts in advance	2,071,640	1,649,893	583,389
– Accrued payroll	1,721	1,594	1,495
– Other payables and accruals	361,054	334,377	172,054
	3,056,017	2,564,966	1,364,548
Amounts due to related parties *(Note 31(d))*			
– Trade payables *(Note (i))*	335,248	541,301	275,011
– Non-trade payables	333,298	691,758	1,075,994
	668,546	1,233,059	1,351,005
	3,724,563	3,798,025	2,715,553

(i) As of the end of the reporting period, the ageing analysis of trade payables based on the date the trade payables recognised, is as follows:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Within 3 months	750,709	753,906	550,170
3 to 6 months	6,992	14,423	142,666
6 to 12 months	872	11,553	40,040
Over 12 months	198,277	340,521	149,745
	956,850	1,120,403	882,621

Trade payables mainly represent amounts due to contractors. Payment to contractors is by instalments according to progress and agreed milestones. The Group normally retains 5% as retention payment.

Trade payables with ageing over twelve months mainly represent accrued land lease premium for change of the plot ratio subsequent to the Group obtaining the land use right certificate. The payables will be settled once the Group reaches agreements with local authorities.

24 LOANS AND BORROWINGS

As at the end of the reporting period, interest bearing bank loans are repayable as follows:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Current			
Secured			
– Current portion of non-current bank loans	183,772	505,878	485,000
	183,772	505,878	485,000
Non-current			
Secured			
– Bank loans	1,046,505	1,056,774	927,290
Less: Current portion of non-current bank loans	(183,772)	(505,878)	(485,000)
	862,733	550,896	442,290
Total loans and borrowings	1,046,505	1,056,774	927,290

The Group's current and non-current bank loans are repayable as follows:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	183,772	505,878	485,000
After 1 year but within 2 years	542,546	401,370	442,290
After 2 years but within 5 years	320,187	149,526	–
	1,046,505	1,056,774	927,290

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	At 31 December 2013	2014	2015
				RMB'000 carrying amount	RMB'000 carrying amount	RMB'000 carrying amount
Secured bank loans.	RMB	7.07%	2014	138,772	–	–
Secured bank loans.	RMB	7.38%-6.30%	2016	296,213	277,800	199,387
Secured bank loans.	RMB	7.38%-6.30%	2017	296,434	283,267	260,000
Secured bank loans.	RMB	7.38%-6.00%	2017	–	238,159	297,903
Secured bank loans.	RMB	7.38%-6.30%	2017	197,540	188,770	170,000
Secured bank loans.	RMB	7.38%-7.20%	2015	117,546	68,778	–
				1,046,505	1,056,774	927,290

The bank loans were secured by the following assets:

	At 31 December 2013	2014	2015
	RMB'000	RMB'000	RMB'000
Properties under development *(Note 18)*	1,317,694	2,348,075	1,802,894
Completed properties held for sale *(Note 19)*	–	–	762,003
Investment properties *(Note 13)*	–	–	165,180
Restricted cash *(Note 21)*	1,837	35	1,906
Total	1,319,531	2,348,110	2,731,983

25 INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

(a) Current tax assets/(liabilities) in the combined statements of financial position represent:

	At 31 December 2013	2014	2015
	RMB'000	RMB'000	RMB'000
Prepaid CIT.	87,170	86,625	22,215
Prepaid LAT	42,395	37,102	19,495
Current tax assets recognised in the combined statements of financial position	129,565	123,727	41,710
Current CIT payable	(59,924)	(11,808)	(44,428)
Current LAT payable.	(187,778)	(73,298)	(55,053)
Current tax liabilities recognised in the combined statements of financial position	(247,702)	(85,106)	(99,481)

(b) Deferred tax assets/(liabilities) recognised

The components of deferred tax assets/(liabilities) recognised on the combined statements of financial position and the movements during the Relevant Periods are as follows:

	Temporary differences arising from LAT provision *(Note 1)*	Other Temporary differences	Unused tax losses *(Note 2)*	Revaluation arising from business combination	LAT provision *(Note 3)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	43,429	7,746	3,090	(228,760)	(323,096)	(497,591)
Credited/(charged) to the combined statements of profit or loss and other comprehensive income	(6,200)	6,721	12,165	3,206	4,246	20,138
Addition through acquisition of a subsidiary	–	827	5,287	(67,993)	–	(61,879)
At 31 December 2013	37,229	15,294	20,542	(293,547)	(318,850)	(539,332)
Credited/(charged) to the combined statements of profit or loss	(24,566)	610	262	6,025	3,307	(14,362)
At 31 December 2014	12,663	15,904	20,804	(287,522)	(315,543)	(553,694)
Credited/(charged) to the combined statements of profit or loss	(4,759)	671	(4,677)	19,676	44,540	55,451
At 31 December 2015	7,904	16,575	16,127	(267,846)	(271,003)	(498,243)

Notes:

(1) "Temporary differences arising from LAT provision" represents deferred tax assets recognised on the timing differences for the amount of LAT provision made for property projects.

(2) In recognizing and measuring of deferred tax assets in respect of the Group's subsidiaries which suffered losses in current or preceding period, management considered the projected future taxable income of these subsidiaries. Accordingly, the Group has recognised deferred tax assets of RMB20,542,000, RMB20,804,000 and RMB16,127,000 as at 31 December 2013, 2014 and 2015 respectively as the Group estimates that these subsidiaries have properties development projects which are probable to generate sufficient future taxable profits to support their utilisation.

(3) "LAT provision" in the deferred tax liability represents the amount of LAT recognised as an identifiable liability from the acquisition of Sanya Fenghuang Xincheng in 2008.

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised on the combined statements of financial position	73,065	49,371	40,606
Net deferred tax liabilities recognized on the combined statements of financial position	(612,397)	(603,065)	(538,849)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(p), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB9,335,000 RMB8,577,000 and RMB2,600,000 as at 31 December 2013, 2014 and 2015 respectively. The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available from these subsidiaries.

The unrecognised tax losses would expire in the following years:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
2014	758	–	–
2015	5,977	5,977	–
2016	2,600	2,600	2,600

26 SHARE CAPITAL

For the purposes of this report, the capital as at 1 January 2013, 31 December 2013, 2014 and 2015 represented the aggregate amount of the paid-in capital of the companies now comprising the Group after the elimination of investments in subsidiaries.

On 20 August 2013, the legal procedures for the capital reduction of RMB800 million of Sanya Fenghuang Xincheng were completed. The payments related to the capital reduction were made in instalments in 2011, 2012 and 2013.

On 27 July 2015, as part of the Reorganisation, Nanjing Si Yue was disposed to Zhong Hui Nanjing in exchange for its 100% equity interest' holding in Sanya Fenghuang Xincheng. As a result, a deemed distribution was recorded in the combined statements of changes in equity (Note 1(b)(i)).

On 31 August 2015, the company was incorporated in the Cayman Islands with paid share capital of USD nil.

27 RESERVES AND NON-CONTROLLING INTEREST

(a) Other reserve

Other reserve is resulted from transactions with the Ultimate Controlling Shareholder in his capacity as equity holder. The balance comprise (i) difference of the carrying amount of net assets from the Controller Shareholder's perspective and the carrying amount of the net assets from the respective subsidiaries' own financial statements, and (ii) difference between the deemed distribution of RMB471,727,000 arising from the disposal of Nanjing Si Yue and the share capital of Sanya Fenghuang Xincheng eliminated upon the completion of the disposal through the equity exchange transaction (Note 1(b)(i)).

(b) Statutory surplus reserve

Pursuant to the Articles of Association of the PRC subsidiaries now comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the respective subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and securities afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

A subsidiary of the Group is subject to externally imposed capital requirements in 2013, 2014 and 2015. There was no non-compliance of such capital requirements as at 31 December 2013, 2014 and 2015.

(d) Non-controlling interest

Non-controlling interest represents Nanjing San Long's equity interest in Danzhou Shuang Lian (Note 3).

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, and trade and other receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties, which enable management to assess their recoverability and to minimize exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined statements of financial position. Except for the financial guarantees given by the Group as set out in Note 30(a), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 30(a).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 20.

(b) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms.

Details of maturity analysis for financial liabilities are disclosed in Notes 23 and 24.

As at 31 December 2013

	Carrying amount	Contractual cash flow	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings . .	1,046,505	1,196,977	257,190	604,420	335,367	–
Amounts due to related parties	668,546	668,546	668,546	–	–	–
Trade and other payables (excluded receipts in advance) .	984,377	984,377	984,377	–	–	–
As at 31 December 2013	2,699,428	2,849,900	1,910,113	604,420	335,367	–

As at 31 December 2014

	Carrying amount	Contractual cash flow	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	1,056,774	1,145,606	564,161	421,436	160,009	–
Amounts due to related parties	1,233,059	1,233,059	1,233,059	–	–	–
Trade and other payables (excluded receipts in advance)	915,073	915,073	915,073	–	–	–
As at 31 December 2014	3,204,906	3,293,738	2,712,293	421,436	160,009	–

As at 31 December 2015

	Carrying amount	Contractual cash flow	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	927,290	999,399	544,889	454,510	–	–
Amounts due to related parties	1,351,005	1,351,005	1,351,005	–	–	–
Trade and other payables (excluded receipts in advance)	781,159	781,159	781,159	–	–	–
As at 31 December 2015	3,059,454	3,131,563	2,677,053	454,510	–	–

(c) Interest rate risk

The Group's interest rates risk arises primarily from cash and cash equivalents, restricted and pledged deposits and borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents and the pledged deposits because the interest rates of bank deposits are not expected to change significantly.

The interest rates and terms of repayment of bank loans and borrowings of the Group are disclosed in Note 24 to the Financial Information. All bank loans and borrowings of the Group were with variable interest rate. The Group does not carry out any hedging activities to manage its interest rate exposure.

Sensitivity analysis

It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease the Group's profit after tax or increase the Group's loss after tax/increase the Group's profit after tax or decrease the Group's loss after tax and decrease/increase total equity attributable to equity shareholders of the Company by approximately RMB3,924,392, RMB3,962,902, and RMB3,477,336 for the years ended 31 December 2013, 2014 and 2015, respectively, in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the annualised impact on the Group's profit after tax (and retained profits) and other components of combined equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those floating rate non-derivative financial instruments held by the Group which expose the Group to cash flow interest rate risk at the end of the reporting period. The analysis is performed on the same basis for 2013 to 2015.

(d) Currency risk

Almost all the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. Exposures to currency exchange rates arise from certain of the Group's cash and cash equivalents, trade and other receivables and trade and other payables which are denominated in HKD. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and consider no significant exposure on its foreign exchange risk.

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	**RMB'000**	**RMB'000**
Cash and cash equivalents	3,074	2,775	8
Trade and other receivables	656	1,611	1,619
Trade and other payables	(41,080)	(41,688)	(44,780)
Net exposure arising from recognised assets and liabilities	(37,350)	(37,302)	(43,153)

Sensitivity analysis

The foreign currency sensitivity analysis is calculated based on the major net foreign currency exposure of the Group as at the balance sheets dates, assuming 5% shift of RMB against HKD.

Results from a 5% strengthening of the RMB against HKD would increase the profit after tax/decrease the loss after tax and decrease the accumulated losses as at 31 December 2013, 2014 and 2015 are RMB1,867,000, RMB1,865,000 and RMB2,159,000. A 5% weakening of the RMB against HKD as at the same dates would have had the equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

(e) Fair value

All material financial assets and liabilities of the Group are carried at amounts not materially different from their fair values as at 31 December 2013, 2014 and 2015.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

29 COMMITMENTS

Commitments related to development expenditure

As at 31 December 2013, 2014 and 2015, commitments outstanding not provided for in the Financial Information are as follows:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Contracted but not provided for.	687,016	456,239	126,797
Authorised but not contracted for	1,257,906	883,733	512,733

30 CONTINGENT LIABILITIES

(a) Guarantees in respect of mortgage facilities

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the bank receiving the required evidence of mortgage over the relevant property in favour of the bank and the full settlement of mortgage loans by the buyer.

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of the reporting period was as follows:

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties.	–	–	65,058

The directors consider that it is not probable that the Group will sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors.

(b) Pledge given in respect of bank loans

Certain properties under development were pledged for bank loans granted to related parties and a third party (Note 18(a)).

In addition, on 28 November 2014, Nanjing Jia Pei pledged its equity shares in Hainan Nanhai Xiang Long as collateral for a total bank loan of RMB92 million. The pledge was released in 2015.

(c) Litigations

As at 31 December 2015, the Group is a defendant in lawsuits arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believe that any resulting liabilities will not have a material adverse effect on the financial position or financial performance of the Group.

31 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Financial Information, the Group entered into the following significant related party transactions during the Relevant Periods.

(a) Name and relationship with related parties

During the Relevant Periods, transactions with the following parties were considered as related party transactions:

Name of party	Relationship with the group
Nanjing Huizhi Construction Installation Engineering Co., Ltd. ("Nanjing Huizhi")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Zhonghui Construction Engineering Co., Ltd. ("Nanjing Zhonghui Construction")	Entities controlled by the Ultimate Controlling Shareholder
Zhonghui (Nanjing) Property Development Co., Ltd. ("Zhong Hui Nanjing")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Cuiping Construction Co., Ltd. ("Nanjing Cuiping")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Diken Engineering Design Consultancy Co., Ltd. ("Nanjing Diken")	Entities controlled by the Ultimate Controlling Shareholder
Rilang Scenery Design Co., Ltd. ("Rilang Scenery")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Jia Xie Investment Management Consulting Co., Ltd. ("Nanjing Jia Xie")	Entities controlled by the Ultimate Controlling Shareholder

Name of party	Relationship with the group
Leshan Huizhi Technology Development Co., Ltd. ("Leshan Huizhi")	Entities controlled by the Ultimate Controlling Shareholder
Chung Wai (China) Property Group Limited ("Chung Wai (China) Property")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Zhongwankai Construction Engineering Co., Ltd. ("Nanjing Zhongwankai")	Entities controlled by the Ultimate Controlling Shareholder
Lianyungang Huike Construction Development Co., Ltd. ("Lianyungang Hui Ke")	Entities controlled by the Ultimate Controlling Shareholder
Chung Wai (Hainan) Properties Limited ("Chung Wai (Hainan)")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Hengyixinye Investment Management Co., Ltd. ("Nanjing Hengyixinye")	Entities controlled by the Ultimate Controlling Shareholder
Zhonghui (China) Investment Co., Ltd. ("Zhonghui (China) Investment")	Entities controlled by the Ultimate Controlling Shareholder
Chung Wai (Jiangsu) Decoration Park Project Company Limited ("Chung Wai (Jiangsu)")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Hengjida Engineering Design Consultancy Company Limited ("Nanjing Hengjida")	Entities controlled by the Ultimate Controlling Shareholder
Lianyungang Hui Neng Foundation Construction Engineering Co., Ltd. ("Lianyungang Hui Neng")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Maoheng Engineering Design Consultancy Company Limited ("Nanjing Maoheng")	Entities controlled by the Ultimate Controlling Shareholder
Hainan Zhonghuan Property Development Company Limited ("Hainan Zhonghuan")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Boken Corporate Planning Consultation Company Limited ("Nanjing Boken")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Tianhui Tongda Corporate Planning Consultation Co., Ltd. ("Nanjing Tianhui")	Entities controlled by the Ultimate Controlling Shareholder
Verdure international holding Company ("Cuipin Guoji")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Daotong Investment Management Co., Ltd ("Nanjing Daotong")	Associate of a group controlled by the Ultimate Controlling Shareholder

Name of party	Relationship with the group
Nanjing Huiyao Decoration Construction Co., Ltd ("Nanjing Huiyao")	Associate of a group controlled by the Ultimate Controlling Shareholder
Nanjing Yin Guang Property Development Limited ("Nanjing Yin Guang")	Joint ventures of the Company
Nanjing Yin Zhuo Property Development Limited ("Nanjing Yin Zhuo")	Joint ventures of the Company
Wenchang Citi-Verdure Investment Company Limited ("Wenchang Citi-Verdure")	Associate of the Company
Nanjing San Long Cement Company Limited ("Nanjing San Long")	Minority shareholder
Fan Wen Yi	Member of key management personnel
Zhou Li	Member of key management personnel
Wu Lijuan	Member of key management personnel

(b) Key management personnel remuneration

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Wages, salaries and other benefits	940	984	1,150
Retirement scheme contributions	–	–	–
	940	984	1,150

The above remuneration to key management personnel is included in "staff costs" (Note 7(b)).

(c) Transactions with related parties

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Advertisement and consultancy services *(Note (i))*	14,512	9,498	–
Construction and consultancy services *(Note (ii))*	232,411	248,599	276,732
Funding arrangements with shareholders *(Note (iii))*	625,677	824,373	719,502
Interest income	–	–	13,149
Dividend distribution	–	489,630	29,667

(i) Advertisement and consultancy services

During the Relevant Periods, the Group received advertisement and consulting services from the following related parties:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Nanjing Boken	4,826	4,577	–
Nanjing Tianhui	9,686	4,921	–
Total	14,512	9,498	–

(ii) Construction and consultancy services

During the Relevant Periods, the Group received construction services from the following related parties:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Nanjing Huizhi	220,274	225,699	247,054
Nanjing Zhonghui Construction	–	8,286	6,785
Nanjing Hengjida	7,880	9,329	–
Lianyungang Hui Neng	–	5,185	18,930
Nanjing Maoheng	3,321	–	–
Nanjing Diken	936	–	–
Nanjing Daotong	–	100	–
Nanjing Huiyao	–	–	3,963
Total	232,411	248,599	276,732

The above transactions between the Group and its related parties mainly comprised construction services in relation to earthmoving, scenery design and engineering on the Group's properties under development from construction companies, which are controlled by the Ultimate Controlling Shareholder.

The directors confirm that the above transactions, other than the construction services provided by Nanjing Hui Zhi, will not continue after listing of the Company's shares on the Stock Exchange.

(iii) *Funding arrangements with shareholders*

During the Relevant Periods, the Group had funding arrangements from/(to) the following shareholders, the net cash inflows/(outflows) of which are as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Zhong Hui Nanjing	589,932	979,785	626,452
Nanjing San Long	35,745	(155,412)	93,050
Total	625,677	824,373	719,502

(d) Balances with related parties

Balances with related parties as at 31 December 2013, 2014 and 2015 are detailed as follows:

Amounts due from related parties

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Non-trade related:			
Zhong Hui Nanjing	1,278,218	298,433	–
Nanjing Huizhi	–	1,070	–
Nanjing Cuiping	92,800	92,800	–
Nanjing Yin Guang	–	33,654	–
Nanjing Yin Zhuo	–	30,000	–
Nanjing Zhonghui Construction	220,947	213,320	9,950
Lianyungang Hui Neng	143,131	169,756	–
Zhonghui (China) Investment	10,030	10,030	–
Ms. Fan Wen Yi	245	5,166	68
Ms. Zhou Li	–	710	5
Ms. Wu Lijuan	1,580	1,580	–
Hainan Zhonghuan	1,252	200	200
Others	1,712	2,667	2,696
	1,749,915	859,386	12,919
Bills receivable:			
Zhong Hui Nanjing	–	1,400	–
Advance payments:			
Nanjing Zhonghui Construction	964	–	–
Nanjing Huizhi	14,758	713	87,443
Nanjing Boken	5,171	1,329	1,329
Nanjing Tianhui	98	98	98
Nanjing Huiyao	–	480	–
Nanjing Diken	–	150	199
Nanjing Maoheng	–	220	220
	20,991	2,990	89,289

Amount due to related parties

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Trade related:			
Nanjing Huizhi	307,006	510,572	237,074
Nanjing Maoheng	9,848	9,810	943
Nanjing Tianhui	3,308	5,224	5,194
Lianyungang Hui Neng	4,586	4,647	23,577
Nanjing Hengjida	6,655	5,000	3,236
Chung Wai (Jiangsu)	1,604	1,426	1,426
Nanjing Zhonghui Construction	–	2,847	1,875
Nanjing Diken	1,326	1,325	1,236
Leshan Huizhi	–	450	450
Nanjing Boken	515	–	–
Rilang Scenery	400	–	–
	335,248	541,301	275,011

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Non-trade related:			
Dividend payable due to:			
Zhong Hui Nanjing	–	489,630	489,630
Other payables due to:			
Nanjing San Long	257,767	100,637	180,609
Zhong Hui Nanjing	–	–	328,019
Chung Wai (China) Property	13,676	13,676	13,676
Nanjing Hengyixinye	20,000	20,000	–
Cuipin Guoji	30,469	30,469	41,972
Nanjing Zhongwankai	–	11,760	–
Nanjing Huizhi	3,872	17,983	–
Chung Wai (Hainan)	1,479	1,479	–
Chung Wai (Jiangsu)	–	–	16,279
Nanjing Jia Xie	4,900	4,900	4,900
Lianyungang Hui Ke	49	56	36
Others	1,086	1,168	873
	333,298	691,758	1,075,994

Note: The trade amounts due from/to related parties as at 31 December 2013, 2014 and 2015 are expected to be recovered/repaid within one year based on credit terms and were unsecured. Except for amounts due from Nanjing Yin Zhuo and Nanjing Yin Guang as at 31 December 2014 which bore interest at a rate of 13% per annum, and for amounts due to Nanjing San Long as at 31 December 2014 and 2015 which bore interest as at a rate of 7.2% to 15% per annum, the non-trade amounts due from/to related parties as at December 2013, 2014 and 2015 were interest-free, unsecured and repayable on demand.

(e) Properties under development pledged for bank loans of related parties

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Wenchang Citi-Verdure	149,854	149,854	–
Zhong Hui Nanjing	328,159	328,159	–

Properties under development pledged for bank loans of related parties have been fully released in 2015.

(f) Liabilities guaranteed by related parties

	At 31 December		
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Loans and borrowings			
– guaranteed by Yeung Man	–	238,159	–
– guaranteed by Zhong Hui Nanjing	296,213	277,800	–

Guarantees given by the related parties for the Group's loans and borrowings have been released in 2015.

32 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Combined Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 28 contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Key sources of estimation uncertainty are as follows:

(a) Write-down of inventories for property development

As explained in Note 1(m), the Group's land held for future development, properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

If there is an increase in costs to completion or a decrease in net sales value, provision for completed properties held for sale, properties held for future development and under development for sale may be resulted. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market and the distinctive nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Recognition of deferred tax assets

Deferred tax assets are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the Directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(c) Provision for LAT

As explained in Note 8(b), The Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(d) Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

When the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(e) Valuation of investment properties

The fair values of investment properties are estimated based on valuations carried out by an external and independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuations reflect when appropriate, comparable sales of similar properties or estimated market values based on projection of income and expense streams over the period of leases, using market rates of return.

33 PARENT AND ULTIMATE CONTROLLING PARTY

At 31 December 2015, the directors consider the ultimate controlling party of the Group to be Mr. Yeung Man. With the completion of Reorganisation on 8 April 2016, Zhong Jia (International) and Zhong Ze (International) became the immediate parents and Mr. Yeung Man remains the ultimate controlling party of the Group respectively.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD BEGINNING ON 1 JANUARY 2015

Up to the date of this report, the HKICPA has issued the following new standards, amendments to standards and interpretations which are not yet effective for the accounting year beginning on 1 January 2015, and have not been applied in preparing this Financial Information.

Of these developments, the following relate to matter that may be relevant to the Group's operations and the Financial Information:

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
HKFRS 14, *Regulatory deferral accounts*	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operating*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortization*	1 January 2016
Amendments to HKAS 27, *Equity method in separate financial statements*	1 January 2016
Amendments to HKFRS 10 and HKAS 28, *Sales or contribution of assets between an investor and its associate or joint venture*	to be determined
Amendments to HKFRS 10, HKFRS 12 and HKAS 28, *Investment entities: Applying the consolidation exception*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position, except for the following.

HKFRS 9 *Financial Instruments*

HKFRS 9 replaces the existing guidance in HKAS 39 Financial instruments: Recognition and measurement. HKFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from HKAS 39.

HKFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

HKFRS 15 *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18 Revenue, HKAS 11 Construction contracts and HKFRIC 13 Customer Loyalty Programmes. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

HKFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

HKFRS 16 *Leases*

HKFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces HKAS 17, Leases and the related interpretations including HK(IFRIC)- Int 4, Determining whether an arrangement contains a lease.

The Group does not plan to early adopt the above new standards or amendments. With respect to HKFRSs 9, 15 and 16, given the Group has not completed its assessment of their full impact on the Group, their possible impact on the Group's results of operations and financial position has not been quantified.

35 INFORMATION OF STATUTORY FINANCIAL STATEMENTS OF THE SUBSIDIARIES

The statutory financial statements of the following companies now comprising the Group for each of the three years ended 31 December 2013, 2014 and 2015, or since their respective dates of acquisition/establishment, where this is a shorter period, were prepared in accordance with either HKFRSs issued by the HKICPA or the relevant accounting rules and regulations applicable to enterprises in the PRC and were audited during the Relevant Periods by the respective statutory auditors as indicated below:

Name of company	Financial period	Statutory auditors
Sanya Feng Huang Xin Cheng Industrial Co., Ltd. 三亞鳳凰新城實業有限公司*	Years ended 31 December 2013, 2014 and 2015	Shanghai Pu Dao Jing Shi Certified Public Accountants 上海普道兢實會計師事務所
Sanya Feng Huang Shui Yun. Real Estate Development Co., Ltd 三亞鳳凰水韻房地產開發有限公司*	Years ended 31 December 2013 and 2014	Shanghai Pu Dao Jing Shi Certified Public Accountants 上海普道兢實會計師事務所
	Year ended 31 December 2015	KPMG Huazhen LLP Shanghai Branch 畢馬威華振會計師事務所 (特殊普通合伙)上海分所
Hainan Nan Hai Xiang Long Real Estate Development Co., Ltd. 海南南海翔龍房地產開發有限公司*	Years ended 31 December 2013 and 2014	Shanghai Pu Dao Jing Shi Certified Public Accountants 上海普道兢實會計師事務所
	Year ended 31 December 2015	KPMG Huazhen LLP Shanghai Branch 畢馬威華振會計師事務所 (特殊普通合伙)上海分所
Lianyungang Tai Sheng City Development Co., Ltd. 連雲港泰盛城市發展有限公司*	Years ended 31 December 2013, 2014 and 2015	Lianyungang Wuxing Certified Public Accountants 連雲港五星會計師事務所
Liangyungang Long Ji Properties Co., Ltd. 連雲港隆基置業有限公司*	Years ended 31 December 2013, 2014 and 2015	Lianyungang Wuxing Certified Public Accountants 連雲港五星會計師事務所
Nanjing Bai Rui Ze Property Co., Ltd. 南京百瑞澤置業有限公司*	Year ended 31 December 2013	Shanghai Jing Shi Certified Public Accountants 上海兢實會計師事務所
	Year ended 31 December 2014	Shanghai Pu Dao Jing Shi Certified Public Accountants 上海普道兢實會計師事務所
	Year ended 31 December 2015	Jiangsu Su Rui Hua Certified Public Accountants 江蘇蘇瑞華會計師事務所有限公司

Name of company	Financial period	Statutory auditors
Sanya Hui Xin Trading Co., Ltd. 三亞惠新貿易有限公司*	Years ended 31 December 2013, 2014 and 2015	Shanghai Pu Dao Jing Shi Certified Public Accountants 上海普道兢實會計師事務所
Nanjing Jia Pei Investment Management Consulting Co., Ltd. 南京嘉沛投資管理諮詢有限公司*	Year ended 31 December 2013	Shanghai Jing Shi Certified Public Accountants 上海兢實會計師事務所
	Year ended 31 December 2014	Shanghai Pu Dao Jing Shi Certified Public Accountants 上海普道兢實會計師事務所
	Year ended 31 December 2015	Jiangsu Su Rui Hua Certified Public Accountants 江蘇蘇瑞華會計師事務所有限公司
Sanya Zhong Ze Kai Industrial Co., Ltd. 三亞中澤凱實業有限公司*	Years ended 31 December 2013, 2014 and 2015	Shanghai Pu Dao Jing Shi Certified Public Accountants 上海普道兢實會計師事務所
Danzhou Shuang Lian Property Development Co., Ltd. 儋州雙聯房地產開發有限公司*	Year ended 31 December 2013	Hainan Jia He Xin Certified Public Accountants 海南佳合信會計師事務所
	Years ended 31 December 2014 and 2015	Hainan Li Xin Chang Jiang Certified Public Accountants 海南立信長江會計師事務所
Zhong Jia (Hong Kong) Investment Construction Company Limited 中嘉(香港)投資建設有限公司	Years ended 31 December 2013, 2014 and 2015	KPMG
Time Being Group Limited 正時集團有限公司	Years ended 31 December 2013, 2014 and 2015	KPMG
Zhong Ze (Hong Kong) Investment Limited 中澤(香港)投資有限公司	Years ended 31 December 2013, 2014 and 2015	KPMG

* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

C SUBSEQUENT EVENTS

1 GROUP REORGANISATION

The companies comprising the Group underwent the Reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange. The Reorganisation was completed on 8 April 2016, as set out in the section headed "Our History, Reorganisation and Group Structure" to the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group.

2 CAPITALISATION ISSUE

Pursuant to written resolutions of the Company's shareholders passed on 22 June 2016, conditional on the share premium account of the Company being credited as a result of the global offering of shares of the Company set out in the section headed "Share Capital", the directors are authorised to allot and issue a total of 224,999,000 shares, by way of capitalisation of the sum of RMB1,870,000 standing to the credit of the share premium account of the Company, credited as fully paid at par to the Shareholders as appearing on the register of members of the Company on the date of the Prospectus.

3 PRE-IPO SHARE INCENTIVE SCHEME

The Group adopted a Pre-IPO Share Incentive Scheme on 5 January 2016 to its senior management personnel ("the Target Participants"), in which the Ultimate Controlling Shareholder will award 17.5% of the equity shares of Sanya Hui Xin Trading ("the Incentive Equity Interest"), a subsidiary of the Group, to the Target Participants. Under the Pre-IPO Share Incentive Scheme, when the shares awarded are vested if certain conditions are met, the Target Participants have an option to acquire the Incentive Equity Interest at nil cost.

As the Pre-IPO Share Incentive Scheme was adopted after 31 December 2015, there would be no financial impact on the Group's combined statements of profit or loss and other comprehensive income for the year ended 31 December 2015.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2015.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this listing document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this listing document and the Accountants' Report set forth in Appendix I to this listing document.

A UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purposes only, the following statement of unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is prepared to show the effect of the Global Offering on the audited net tangible assets of our Group attributable to equity shareholders of the Company as of 31 December 2015 and is based on the audited combined net assets derived from the audited financial information of our Group as of 31 December 2015 as set out in the section headed "Accountants' Report" in Appendix I to this prospectus.

The pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Listing been completed as at 31 December 2015 or at any future date.

	Combined Net Tangible Assets Attributable to equity shareholders of the Company As of 31 December 2015(1)	Estimated Net Proceeds from the Global Offering(2)	Unaudited pro forma Adjusted Combined Net Tangible Assets Attributable to equity shareholders of the Company(3)(4)	Unaudited pro forma adjusted combined net tangible assets per Share(5)	Unaudited pro forma adjusted combined net tangible assets per Share(6)
	RMB'000	RMB'000	RMB'000	RMB	(HK$ equivalent)
Based on an Offer Price of HK$3.71 per Share	1,090,049	207,621	1,297,670	4.33	5.19
Based on an Offer Price of HK$4.58 per Share	1,090,049	262,173	1,352,222	4.51	5.41

Notes:

(1) The combined net tangible assets attributable to equity Shareholders of the Company as of 31 December 2015 have been calculated based on the audited combined total equity attributable to equity Shareholders of the Company as of 31 December 2015 of RMB1,091,026,000 less intangible assets of RMB977,000, extracted from the financial information section of the Accountants' Report set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on 75,000,000 Shares to be issued at the estimated offer prices of HK$3.71 and HK$4.58 per Share, respectively, being the low-end price and high-end price, after deduction of the estimated underwriting fees and other estimated related expenses payable by us of approximately RMB9.07 million and RMB15.15 million, respectively (excluding approximately RMB16.2 million expenses which have been accounted for prior to 31 December 2015).

(3) Our property interests as at 30 April 2016 include (a) investment properties, (b) properties held for sale, (c) property under development and (d) property for future development. They have been valued by DTZ Cushman & Wakefield Limited. Details of the valuation in respect of these property interests were set out in Appendix III to this Prospectus. Investment properties are accounted for at fair value in accordance with the Company's accounting policies. Properties held for sale, property under development and property for future development are for sale and are accounted for at the lower of cost and the net realizable value in accordance with the Company's accounting policies. Accordingly, the revaluation surplus of these property interests, other than investment properties, was not incorporated in our combined financial information as of 31 December 2015, and the revaluation surplus of investment properties would not lead to additional depreciation be charged to the combined statements of profit and loss. Furthermore, the above unaudited pro forma adjusted combined net tangible assets attributable to equity Shareholders of the Company does not take into account the additional surplus/(deficit) arising from the revaluation of our property interests as at 30 April 2016.

(4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets attributable to equity Shareholders of the Company to reflect our any trading results or other transactions entered into subsequent to 31 December 2015.

(5) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 300,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue assuming that the Global Offering and Capitalization Issue has been completed on 31 December 2015 but takes no account any Shares which may be allotted and issued or repurchased under the general mandates for the allotment and issue or repurchase of the Shares as described in "Appendix V – Statutory and General Information" in this Prospectus.

(6) The estimated net proceeds from the Global Offering are converted into RMB at an exchange rate of HK$1 to RMB0.83332, being the exchange rate set by the PBOC prevailing on 8 April 2016. No representation is made that the HK$ amounts have been, could have been or may be converted into RMB, or vice versa, at that rate or any other rate.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

B INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 June 2016

TO THE DIRECTORS OF HAILAN HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Hailan Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 December 2015 and related notes as set out in Part A of Appendix II to the prospectus dated 30 June 2016 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 31 December 2015 as if the Global Offering had taken place at 31 December 2015. As part of this process, information about the Group's financial position as at 31 December 2015 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plan and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market values of the properties held by the Group in the PRC as at 30 April 2016.

DTZ CUSHMAN & WAKEFIELD
戴德梁行

16/F, Jardine House
1 Connaught Place
Central
Hong Kong

30 June 2016

The Board of Directors
Hailan Holdings Limited
2/F, No. 1 Building,
Hampton by Hilton
No. 169 Yu Lin Road,
Tianya District,
Sanya, Hainan Province,
the PRC

Dear Sirs,

Instructions, Purpose & Valuation Date

In accordance with the instructions of Hailan Holdings Limited (the "Company") for us to carry out the valuation of the market values of the properties (the "properties") held by the Company and its subsidiaries (together the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market values of the properties in existing state as at 30 April 2016 (the "valuation date").

Definition of Market Value

Our valuations of each of the properties represent its market value. The definition of market value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council ("IVSC"). Market value is defined by the IVSC as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis & Assumptions

Our valuations of the properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties held by the Group in the PRC, with reference to the legal opinion dated 30 June of the Company's legal advisers as to the Laws of the PRC, Beijing Dentons Law Offices, LLP (Guangzhou) (the "PRC Legal Advisers"), we have prepared our valuations on the basis that transferable land use rights in respect of the properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and the legal opinion of the PRC Legal Advisers, regarding the titles to the properties and the interests in the properties. In valuing the properties, we have prepared our valuations on the basis that the owners have enforceable title to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired term as granted.

No allowance has been made in our valuations for any charges, pledges or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Method of Valuation

In valuing the properties which are held by the Group for sale in the PRC, we have adopted direct comparison approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the property which is held by the Group for investment in the PRC, we have valued it by investment approach by capitalizing the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the respective Property.

In valuing the properties which are held by the Group under development in the PRC, we have valued them on the basis that they will be developed and completed in accordance with the Group's latest development proposal provided to us. We have adopted direct comparison approach by making reference to comparable sales evidence as available in the relevant market, or where appropriate, we have also taken into account the expended construction costs.

In valuing the properties which are held by the Group for future development in the PRC, we have valued them on the basis that they will be developed and completed in accordance with the Group's latest development proposal provided to us. We have adopted direct comparison approach by making reference to comparable sales evidence as available in the relevant market, adjusted with respect to differences in location, floor, decoration standard, age, size and quality to arrive at the valuation.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the Group and the opinion of the PRC Legal Advisers. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of the properties, completion dates of building, construction cost, particulars of occupancy, development scheme, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your PRC legal advisers regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by the Group with copies or extracts of documents relating to the titles of the properties in the PRC. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our DTZ PRC Offices valuers, Mr. Jack Sun, a member of China Appraisal Society, has 10 years' experience and Mr. Rick Sun has 10 years' experience in the valuation of properties in the PRC. Jack Sun and Rick Sun have inspected the exterior and, wherever possible, the interior of the properties in March 2016. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Moreover, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that its aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor area of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi ("RMB"), which is the official currency of the PRC.

We attach herewith a summary of valuations and valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor
(General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor (General Practice) who has over 23 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Property	Properties held by the Group in the PRC				Market value in existing state as at 30 April 2016 (RMB)	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 April 2016 (RMB)
	For sale	For Investment	Under development	For future development	Total	%	Total
1. Danzhou Phase I (儋州一期), Binhai Avenue, Baimajing Town, Danzhou City, Hainan Province, the PRC	371,000,000	N/A	N/A	N/A	371,000,000	0% *(Note)*	0
2. Phoenix Aqua City South Shore Phase I and II (鳳凰水城南岸一及二期), Jiefang Road, Hexi District, Sanya City, Hainan Province, the PRC	116,600,000	N/A	25,400,000	2,765,000,000	2,907,000,000	100%	2,907,000,000
3. Haikou Phoenix Aqua City Phase I and II (海口鳳凰水城一及二期), Xiuying District, Haikou City, Hainan Province, the PRC	347,000,000	N/A	N/A	169,000,000	516,000,000	100%	516,000,000
4. Phoenix Aqua City Left Shore (鳳凰水城左岸), Jiefang Road, Hexi District, Sanya City, Hainan Province, the PRC	2,630,000,000	165,800,000	777,000,000	N/A	3,572,800,000	97%	3,465,616,000
5. Danzhou Phoenix Aqua City (儋州鳳凰水城), Binhai Avenue, Baimajing Town, Danzhou City, Hainan Province, the PRC	N/A	N/A	N/A	531,000,000	531,000,000	60%	318,600,000
Total:	3,464,600,000	165,800,000	802,400,000	3,465,000,000	7,897,800,000		7,207,216,000

Note:

Danzhou Phase I was managed and developed solely by other equity interest holders of the land owner, Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司), with no involvement from the Group's management nor do the Group share any risk and reward.

VALUATION CERTIFICATES

Property held by the Group for sale in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016
1.	Danzhou Phase I (儋州一期), Binhai Avenue, Baimajing Town, Danzhou City, Hainan Province, the PRC	Danzhou Phase I (儋州一期) is a composite residential and retail development erected on a parcel of land with a total site area of 32,300.63 sq.m. completed in March 2015. According to the information provided by the Group, the property comprises unsold portion of the property as below:	The unsold portion of the property is vacant.	RMB371,000,000 (0% interest attributable to the Group : RMB0)

Building	Gross Floor Area (sq.m.)
Pre-sold	
Residential	14,069.93
Retail	1,048.63
Sub-total:	**15,118.56**

Building	Gross Floor Area (sq.m.)
Unsold	
Residential	28,364.09
Retail	13,560.09
Sub-total:	**41,924.18**
Total:	**57,042.74**

The property is located at Binhai Avenue in Baimajing Town, Danzhou City. Developments nearby are mainly civic facilities and residential developments. According to the Group, the property is a residential community with retail facility; there is no environmental issues and litigation dispute.

The land use rights of the property have been granted for a term of 40 years for commercial and hotel use and a term for 70 years for residential use.

Notes:

(1) The market value of the property is shown as below:

Portion	Gross Floor Area	Market value in existing state as at 30 April 2016
	(sq.m.)	(RMB)
Pre-sold portion	15,118.56	97,000,000
Unsold portion	41,924.18	274,000,000
Total:	**57,042.74**	**371,000,000**

Danzhou Phase I was managed and developed solely by other equity interest holders of the land owner, Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司), with no involvement from the Group's management nor do the Group share any risk and reward. The interest of the property attributable to the Group is 0%, the market value is RMB0 to the Group.

(2) According to Land Use Rights Grant Contract No. (2010) 0315 dated 27 January 2010, the land use rights of the property, comprising a site area of 468,553.50 sq.m., have been granted to Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司) for a term of 40 years for commercial and hotel use and a term for 70 years for residential use.

As advised, the land of the property is a portion of aforesaid site area.

(3) According to the State-owned Land Use Rights Certificate No. (2010) 709 dated 28 June 2010 issued by Danzhou Municipal Government, the land use rights of the property with a site area of 52,726.90 sq.m. have been granted to Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司) for a term of 40 years for commercial and hotel use and a term for 70 years for residential use.

As advised, the land of the property is a portion of aforesaid site area.

(4) According to 4 Land and Building Rights Certificate (土地房屋權證), the real estate rights of the property been vested to Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司) with details are as follows:

Certificate No.	Issue Date	Project Name	Use	Gross Floor Area
				(sq.m.)
2015005165	5 June 2015	Building No. 3	Commodity House	21,267.02
2015004774	4 June 2015	Building No. 2	Commodity House	21,311.36
2015005622	5 June 2015	Building No. 9	Commodity House	9,582.22
2015005572	5 June 2015	Building No. 10	Commodity House	26,785.43
			Total:	**78,946.03**

As advised, the unsold portion of property is part of the said gross floor area.

(5) As advised by the Group, a portion residential of the property with floor area of approximately 14,069.93 sq.m. are subject to various agreements for sale for a total consideration of RMB83,624,610, and a portion retail of the property with floor area of approximately 1,048.63 sq.m. are subject to various agreements for sale for a total consideration of RMB13,461,451. The total consideration aforesaid in respect of this portion of the property is reflected and included in our valuation shown above.

(6) According to Business Licence No.914690036931976775, Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司) was established as a limited liability company with a registered capital of RMB412,500,000 for a valid operation period from 3 December 2009 to 3 December 2029.

(7) According to the PRC legal opinion:

(i) Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司) has obtained the Certificate for the Use of State-owned Land, Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司) has right to occupy, use, transfer, lease, pledge or other lawful measures of the land use rights;

(ii) The land use rights of the property is not subject to any pledge, guarantee or third party rights terms of interest; and

(iii) There does not exist the significant adverse circumstances of seizure, litigation, disputes or other situations that may affect Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司) to occupy, use, transfer, lease, pledge or other lawful measures of the land use rights.

(8) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC Legal Adviser:

State-owned Land Use Rights Certificate	Yes
Land Grant Contract and its Supplemental Contract	Yes
Land and Building Rights Certificate	Yes
Business Licence	Yes

(9) In valuing the property, we have assumed about RMB6,000 per sq.m. for residential portion and RMB7,600 per sq.m. for retail portion of the property.

In undertaking our valuation of the property, we have made reference to various recent sales prices of residential premises within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered comparables of similar type of development within the same district. The prices of residential premises range from about RMB6,500 to RMB9,500 per sq.m. The unit rates of residential premises assumed by us are consistent with the relevant comparables after due adjustments by decoration standard, age, location, size and quality. The prices of ground floor retail premises range from about RMB15,000 to RMB17,000 per sq.m. The valued retail premises have four floors. In general, the higher floor of a retail property, the lower price. The unit rates of retail premises assumed by us are consistent with the relevant comparables after due adjustments by floor, age, location, size and quality.

VALUATION CERTIFICATES

Property held by the Group for sale/under development/for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016
2.	Phoenix Aqua City South Shore Phase I and II (鳳凰水城南岸一及二期), Jiefang Road, Hexi District, Sanya City, Hainan Province, the PRC	The completed portion of Phase I (Zone C) of Phoenix Aqua City South Shore is a mixed-residential development erected on two parcels of land with a total site area of 189,921.68 sq.m. completed in January 2015. The vacant land of Phase II (Zone D) of Phoenix Aqua City South Shore is a mixed-composite development erected on a parcel of land with a total site area of 356,572.06 sq.m. According to the information provided by the Group, the property comprises unsold portion, under construction portion and vacant land portion are as below:	The unsold portion of the property is vacant, the Carpark and Ancillary of phase I is under construction while the rest portion is currently vacant land and pending for future development.	RMB2,907,000,000 (100% interest attributable to the Group: RMB2,907,000,000)

(Unsold portion of Phase I)

Building	**Gross Floor Area (sq.m.)**
Low-rise	1,336.63
Multi-storey	1,515.27
Medium-rise	1,115.62
High-rise	415.91
Total:	**4,383.43**

(Under construction portion of Phase I)

Carpark (212 lots) and Ancillary	11,672.69
Total:	**11,672.69**

(Vacant land of Phase II)

Building	**Planned Gross Floor Area (sq.m.)**
Multi-storey	46,000.00
High-rise	272,800.00
Commercial	100,000.00
Ancillary Facilities	24,900.00
Total:	**443,700.00**
Carpark (4,968 lots) and Underground Ancillary	173,880.00
Sub Total:	**617,580.00**

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016
	The property is located at Jiefang Road in Hexi District, Sanya City. Developments nearby are mainly commercial and residential development. According to the Group, the property is planned for residential use; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the property. The land use rights of the property have been granted for a term of 70 years due to expire on 19 October 2076 for residential, education and composite use.		

Notes:

(1) The market value of the property is shown as below:

Portion	Gross Floor Area	Market value in existing state as at 30 April 2016
	(sq.m.)	(RMB)
Unsold portion	4,383.43	116,600,000
Under construction portion	11,672.69	25,400,000
Vacant land	617,580.00	2,765,000,000
Total:	**633,636.12**	**2,907,000,000**

The vacant land of Phase II (Zone D) of Phoenix Aqua City South Shore currently scheduled for mixed residential and commercial use is valued as RMB2,765,000,000, while the valuation would be RMB2,615,000,000 if the same property is only for residential use under hypothetical assumption as at 30 April 2016.

(2) According to Land Use Rights Grant Contract dated 19 October 2006, the land use rights of the property, comprising a site area of 905,435.78 sq.m., have been granted to Sanya Phoenix Aqua City Development Co., Ltd. (三亞鳳凰水城開發有限公司) for a term of 70 years for commercial, residential, education and composite use.

According to Land Use Rights Grant Contract and its Supplemental Contract dated 31 January 2008, the land use rights of the property, comprising a site area of 92,924.00 sq.m., have been granted to Sanya Phoenix Aqua City Development Co., Ltd. (三亞鳳凰水城開發有限公司) for a term of 70 years for residential, education and composite use.

According to Apply to Change of Ownership for Lot C of Sanya Phoenix Aqua City (關於鳳凰水城項目用地C地塊權屬登記變更的申請) No. (2007)26 dated 31 July 2007, the land use rights of the property, have been changed to Sanya Fenghuang Xincheng Industry Company Limited (三亞鳳凰新城實業有限公司) for a term of 70 years for residential, education and composite use.

(3) According to 8 Land and Building Rights Certificate (土地房屋使用權證), the land use rights of Phase I of Phoenix Aqua City South Shore have been granted to Sanya Fenghuang Xincheng Industry Company Limited (三亞鳳凰新城實業有限公司) with details as follows:

Certificate No.	Issue Date	Expiry Date	Land Use	Site Area (sq.m.)
(2007)8141 . . .	15 November 2007	19 October 2076	Education	10,498.74
(2007)8143 . . .	15 November 2007	19 October 2076	Urban residential	13,449.51
(2007)8147 . . .	15 November 2007	19 October 2076	Urban residential	963.83
(2007)8149 . . .	15 November 2007	19 October 2076	Urban residential	34,522.75
(2008)3762 . . .	22 May 2008	19 October 2076	Park and green space	3,736.18
(2008)3763 . . .	22 May 2008	19 October 2076	Park and green space	1,463.30
(2011)03388 . .	30 March 2011	19 October 2076	Urban single residential	81,780.26
(2012)003328 .	18 April 2012	19 October 2076	Urban residential	43,507.11
			Total:	**189,921.68**

(4) According to 9 Land and Building Rights Certificate (土地房屋使用權證), the land use rights of Phase II of Phoenix Aqua City South Shore have been granted to Sanya Fenghuang Xincheng Industry Company Limited (三亞鳳凰新城實業有限公司) with details as follows:

Certificate No.	Issue Date	Expiry Date	Land Use	Site Area (sq.m.)
(2008)6015 . . .	22 July 2008	19 October 2076	Urban single residential	43,938.21
(2008)6017 . . .	22 July 2008	19 October 2076	Urban single residential	173,795.66
(2008)6018 . . .	22 July 2008	19 October 2076	Urban single residential	4,339.89
(2008)6019 . . .	22 July 2008	19 October 2076	Urban single residential	11,547.99
(2008)6020 . . .	22 July 2008	19 October 2076	Urban single residential	60,676.13
(2008)6022 . . .	22 July 2008	19 October 2076	Urban single residential	5,846.46
(2008)6023 . . .	22 July 2008	19 October 2076	Urban single residential	28,986.19
(2013)00063 . .	6 January 2013	19 October 2076	Urban residential	14,042.42
(2013)00064 . .	6 January 2013	19 October 2076	Urban residential	13,399.11
			Total:	**356,572.06**

(5) According to 14 Construction Works Completion Examination Certificates, the development with a total gross floor area of 278,247.38 sq.m. was completed with details as follow:

Certificate No.	Project Name	Gross Floor Area (sq.m.)
(2015)006	Block E2, Zone C, Lot C-10, C-11, Phoenix Aqua City	14,578.88
(2015)008	Zone 2 of northern townhouse, Zone C	40,692.00
(2014)074	Blocks of F1 and F3, Zone C, Lot C-03	41,899.00
(2010)044	Zone 2, Lot C-07, C-08, Phoenix Aqua City	15,673.41
(2010)045	Blocks of A8, A9, A27, CD, EF low-rise residential	5,110.53
(2010)046	Blocks of D3, D5, D9, Zone C, Lot C-07, C-08, Phoenix Aqua City	7,752.96
(2010)052	Zone 1, Lot C-07, C-08, Phoenix Aqua City	30,113.38
(2012)024	Blocks of E1, E2, E3, Zone C, Lot C-10, C-11, Phoenix Aqua City	22,704.00
(2012)025	High-rise residential F5	26,237.00
(2012)030	Low-rise residential of Lot C-06	20,221.00
(2012)046	Block E6, Zone C, Phoenix Aqua City	7,568.00
(2012)079	Low-rise residential, block A20	766.22
(2012)082	High-rise residential, block F4, Zone C, Phoenix Aqua City	23,989.00
(2012)086	Residential building, block F2, Zone C, Phoenix Aqua City	20,942.00
	Total:	**278,247.38**

As advised, the unsold portion of property is part of the said gross floor area.

(6) According to 15 Construction Works Planning Permits (including 3 Provisional Construction Works Permits), the property has been permitted for the construction with a total gross floor area of 256,329.18 sq.m. with details as follows:

Certificate No.	Issue Date	Project Name	Gross Floor Area (sq.m.)
460200201200201. . .	12 January 2012	Block E6, Zone C	7,568.00
460200201200202. . .	12 January 2012	Block F2, Zone C	20,942.00
460200201000204. . .	11 January 2010	Block A8, A9, A20, A27, CD and EF, Zone C	5,876.75
460200201100251. . .	7 November 2011	Block E1, E4, E5, Zone C	22,704.00
460200201100203. . .	18 January 2011	Block F5, Zone C	26,237.00
460200201100214. . .	19 April 2011	Low-rise, Zone C	20,221.00
460200201200276. . .	6 September 2012	Block F4, Zone C	23,989.00
460200201200278. . .	20 September 2012	12 buildings of Group 2, Zone C	19,120.00
460200201300218. . .	16 April 2013	9 buildings and basement of Group 2, Zone C	21,572.00
460200201400274. . .	8 December 2014	Block E2, Zone C	14,578.88
460200201400218. . .	9 April 2014	Kindergarten, Zone C	806.80
460200201400226. . .	9 June 2014	Block F1, F3, Zone C	19,174.00
Provisional Permit [2008] No.177	26 December 2008	11 buildings of Group 1, Zone C	30,113.38

Certificate No.	Issue Date	Project Name	Gross Floor Area
			(sq.m.)
Provisional Permit [2008] No.178	26 December 2008	7 buildings of Group 2, Zone C	15,673.41
Provisional Permit [2008] No.179	26 December 2008	3 buildings of Zone C	7,752.96
		Total:	**256,329.18**

As advised, the under construction portion of property is part of the said gross floor area.

(7) According to 12 Construction Works Commencement Permit, the construction works of the property with a total gross floor area of 284,959.30 sq.m. was in compliance with the requirement of works commencement with details as follows:

Certificate No.	Project Name	Gross Floor Area
		(sq.m.)
(2009)004	Block D3, D5, D9, Zone C	7,752.96
(2009)005	Block A8, A9, A20, A27, CD and EF, Zone C	5,876.75
(2009)006	Group 2, Zone C	15,673.41
(2009)055	Group 1, Zone C	30,113.38
(2009)137	Block F1, F2, F3, Zone C	69,057.00
(2009)138	Low-rise, Zone C	20,794.00
(2010)186	Block F4, F5, Zone C	49,795.00
(2011)009	Block E1, E4, E5, E6, Zone C	30,272.00
(2011)165	Group 2 (northern)	40,692.00
(2011)185	Block E2, Zone C	14,126.00
460200201410140101	Supplementary of Block F1, F3	0.00
460200201309220101	Kindergarten, Zone C	806.80
	Total:	**284,959.30**

As advised, the under construction portion of property is part of the said gross floor area.

(8) According to Business Licence No. 460200000040139, Sanya Fenghuang Xincheng Industry Company Limited (三亞鳳凰新城實業有限公司) was established as a limited liability company with a registered capital of RMB400,000,000 for a valid operation period from 11 July 2007 to 11 July 2027.

(9) According to the PRC legal opinion:

(i) Sanya Fenghuang Xincheng Industry Company Limited (三亞鳳凰新城實業有限公司) has obtained the Certificate for the Use of State-owned Land, Sanya Fenghuang Xincheng Industry Company Limited (三亞鳳凰新城實業有限公司) has right to occupy, use, transfer, lease, pledge or other lawful measures of the land use rights;

(ii) The land use rights of the property is subject to some pledges in favour of China Industrial and Commercial Bank Haikou Guomao Sub-Branch (中國工商銀行海口國貿支行) and China Industrial and Commercial Bank Sanya Branch (中國工商銀行三亞分行); and

(iii) There does not exist the significant adverse circumstances of seizure, litigation, disputes or other situations that may affect Sanya Fenghuang Xincheng Industry Company Limited (三亞鳳凰新城實業有限公司) to occupy, use, transfer, lease, pledge or other lawful measures of the land use rights.

(10) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC Legal Adviser:

Land and Building Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplemental Contract	Yes
Construction Works Completion Examination Certificate	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Business Licence	Yes

(11) In valuing the property, we have assumed about RMB40,000 per sq.m. for low-rise portion, RMB33,000 per sq.m. for multi-storey portion and RMB18,600 per sq. m for medium-rise and High rise portion of the property.

In undertaking our valuation of the property, we have made reference to various recent sales prices of residential premises within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered comparables of similar type of development within the same district. The prices of Low rise premises range from about RMB42,000 to RMB46,000 per sq.m. The prices of multi-storey premises range from about RMB23,000 to RMB30,000 per sq.m. The prices of High rise and medium-rise premises range from about RMB16,500 to RMB19,000 per sq.m. The unit rates assumed by us are consistent with the relevant comparables after due adjustments by decoration standard, age, location, size and quality.

VALUATION CERTIFICATES

Property held by the Group for sale/for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016
3.	Haikou Phoenix Aqua City Phase I and II (海口鳳凰水城一及二期), Xiuying District, Haikou City, Hainan Province, the PRC	Haikou Phoenix Aqua City comprises two phase development. Phase I is a residential community erected on a parcel of land with a site area of 38,802.09 sq.m. and Phase II is a vacant land with planning of hotel development erected on a parcel of land with a site area of 88,209.07 sq.m. according to the land use rights certificates. The total site area was 127,011.16 sq.m., however, according to the latest Town Plan of Yuehai Area issued by Haikou Municipal Planning Bureau, the use of land of the vacant land was changed from residential use to tourism use and the total site area of the property was reduced from 127,011.16 sq.m. to 87,251.15 sq.m, with respective site area of 25,490.2 sq.m. for Phase I and 61,761.0 sq.m. for Phase II. Phase I was completed in March 2016. According to the information provided by the Group, the property comprising unsold portion and vacant land of Haikou Phoenix Aqua City is with details as follows:	Unsold portion of the property is vacant, while the rest portion is currently vacant land and pending for future development.	RMB516,000,000 (100% interest attributable to the Group: RMB516,000,000)

(Unsold portion)

Building	**Gross Floor Area (sq.m.)**
Residential	26,371.54
Ancillary Facilities	15,633.29
Total:	**42,004.83**
Carpark (235 lots)	3,785.5
Sub Total:	**45,790.33**

(Vacant land portion)

Building	**Gross Floor Area (sq.m.)**
Above Ground	**48,173.78**

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016
	The property is located at Binhai Avenue in Xiuying District, Haikou City. Developments nearby are mainly civic facilities and residential developments. According to the Group, the property is planned for residential and hotel uses; there is no environmental issues and litigation dispute. The land use rights of the property have been granted for a term of 70 years from 11 December 2001 to 10 December 2071 for residential use.		

Notes:

(1) The market value of the property is shown as below:

Portion	Gross Floor Area	Market value in existing state as at 30 April 2016
	(sq.m.)	(RMB)
Unsold portion	45,790.33	347,000,000
Vacant land	48,173.78	169,000,000
Total:	**93,964.11**	**516,000,000**

(2) According to Land Use Rights Grant Contract No. (2001)240 dated 25 December 2001, the land use rights of the property, comprising a site area of 38,801.65 sq.m., have been granted to Haikou City Development Co., Ltd. (海口市城市發展有限公司) for a term of 70 years for tourism use.

According to Land Use Rights Grant Contract No. (2001)241 dated 25 December 2001, the land use rights of the property, comprising a site area of 88,208.10 sq.m., have been granted to Haikou City Development Co., Ltd. (海口市城市發展有限公司) for a term of 70 years for tourism use.

According to Land Use Rights Transfer Contract between Haikou City Development Co., Ltd. (海口市城市發展有限公司) (Party A) and China Mugongshang (Group) Company (中國牧工商(集團)總公司) (Party B), Party A agreed to transfer the land use rights with a site area of 127,019.44 sq.m., which comprise the land use rights of the property, to Party B.

According to Capital Transfer Agreement (出資轉讓協議書) between China Mugongshang (Group) Company (中國牧工商(集團)總公司) (Party A) and Hainan Nanhai Xiang Long Investment Co., Ltd. (海南南海翔龍投資有限公司) (Party B) date 5 September 2007, Part A agreed to transfer all contributed capital of Beijing Zhongmu Real Estate Development Company Limited (北京中牧房地產開發有限公司), a subsidiary company of Party A, to Party B, and Party B agreed to accept the aforesaid capital.

(3) According to 2 State-owned Land Use Rights Certificates, the land use rights of the property have been granted to Hainan Nanhai Xiang Long Properties Development Limited (海南南海翔龍房地產開發有限公司) with details as follows:

Certificate No.	Issue Date	Expiry Date	Land Use	Site Area*
				(sq.m.)
(2008)001432 .	21 April 2008	10 December 2071	Urban composite residential	38,802.09
(2008)001431 .	10 April 2008	10 December 2071	Urban composite residential	88,209.07
			Total:	**127,011.16**

* Pursuant to the latest Town Plan of Yuehai Area issued by Haikou Municipal Planning Bureau, the site area for the property was reduced from 127,011.16 to 87,251.15, with respective site area of 25,490.2 sq.m. and 61,761.0 sq.m. for the two certificates above. The conversion to new land use rights certificates with updated site area and use is still in progress.

(4) According to Construction Works Planning Permit No. 460100201200141 dated 10 August 2012, the property has been permitted for the construction with a total gross floor area of 45,988 sq.m.

(5) According to Construction Works Commencement Permit No. 460100201209110101 dated 11 September 2012, the construction works of the property with a total gross floor area of 45,988 sq.m. was in compliance with the requirement of work commencement and was permitted to be developed.

(6) According to 6 Survey Reports Nos. 20130295, 20130296, 20130297, 20130298, 20130299, 20130300 dated 1 September 2014, the property has a total gross floor area of 45,790.33 sq.m.

(7) According to Completion and Acceptance Certificate for Construction Works No. (2016) 010 dated 1 March 2016 the property with a total gross floor area of 45,790.3 sq.m. has been completed.

(8) According to Business Licence No. 914600007364509600, Hainan Nanhai Xiang Long Properties Development Limited (海南南海翔龍房地產開發有限公司) was established as a limited liability company with a registered capital of RMB300,000,000 for a valid operation period from 18 April 2002 to 17 April 2050.

(9) According to the PRC legal opinion:

(i) Hainan Nanhai Xiang Long Properties Development Limited (海南南海翔龍房地產開發有限公司) has obtained the State-owned Land Use Rights Certificates, Hainan Nanhai Xianglong Real Estate Development Co., Ltd. (海南南海翔龍房地產開發有限公司) has right to occupy, use, transfer, lease, pledge or other lawful measures of the land use rights;

(ii) The land use rights of the property is subject to a pledge in favour of China Industrial and Commercial Bank Haikou Guomao Sub-Branch (中國工商銀行海口國貿支行); and

(iii) There does not exist the significant adverse circumstances of seizure, litigation, disputes or other situations that may affect Hainan Nanhai Xiang Long Properties Development Limited (海南南海翔龍房地產開發有限公司) to occupy, use, transfer, lease, pledge or other lawful measures of the land use rights.

(10) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC Legal Adviser:

Land Use Rights Grant Contract and its Supplemental Contract	Yes
State-owned Land Use Rights Certificates	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Survey Report	Yes
Completion and Acceptance Certificate for Construction Works	Yes
Business Licence	Yes

(11) In valuing the unsold portion property, we have assumed about RMB12,000 per sq.m. for residential portion of the property.

In undertaking our valuation of the property, we have made reference to various recent sales prices of residential premises within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered comparables of similar type of development within the same district. The prices of residential premises range from about RMB9,000 to RMB16,000 per sq.m. The unit rate assumed by us is consistent with the relevant comparables after due adjustments by decoration standard, age, location, size and quality.

For vacant land portion, we have adopted the Direct Comparison Approach. The assumed accommodation value is about RMB3,510 per sq.m.

In undertaking our valuation of the property, we have made reference to prices of land parcels within similar districts. The prices of accommodation value range from about RMB3,335 to RMB6,009 per sq. m. The unit rate assumed by us is consistent with the relevant comparables after due adjustments by location, accessibility, usage and plot ratio.

VALUATION CERTIFICATES

Property held by the Group for sale/under development/Investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016
4.	Phoenix Aqua City Left Shore (鳳凰水城左岸), Jiefang Road, Hexi District, Sanya City, Hainan Province, the PRC	Phoenix Aqua City Left Shore is a mixed-residential development erected on a parcel of land with a total site area of 139,797.68 sq.m. The unsold portion of Zone I and Zone II of Phoenix Aqua City Left Shore (Zone E) was completed in December 2015. The 18-storey service apartment (medium rise which was completed in 2015) in Zone I of Phoenix Aqua City Left Shore (鳳凰水城左岸) (Zone E) and 18 car parking spaces of Zone II and Zone III are held for Investment by the Group. According to the information provided by the Group, the property comprising unsold portion and investment portion (Zone I and II) and under construction portion (Zone III) of Phoenix Aqua City Left Shore is with details as follows: (Unsold portion and investment portion of Phoenix Aqua City Left Shore)	As at valuation date, the investment portion of 187 medium rise were subject to tenancy for a term due to expire on 24 March 2020 with monthly rent of approximately RMB359,000 and 18 car parking spaces were subject to tenancy for a term of 20 years with yearly rent of RMB116,500, the rest unsold portion of the property is vacant while the under construction portion is scheduled to be completed around 30 June 2016.	RMB3,572,800,000 (97% interest attributable to the Group: RMB3,465,616,000)

Building	Gross Floor Area (sq.m.)
Multi-storey	65,372.83
Medium-rise	26,617.21
Medium-rise (Service Apartment)	11,436.54
Ancillary Facilities	8,699.76
Total:	**112,126.34**
Carpark (18 lots)	515.80
Sub Total:	**112,642.14**

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016
	(Under construction portion of Phoenix Aqua City Left Shore)		

Building	Planned Gross Floor Area (sq.m.)
Medium-rise	48,955.39
Ancillary Facilities	5,443.78
Total:	**54,399.17**
Carpark (844 lots) and Underground Ancillary	60,672.01
Sub Total:	**115,071.18**

The property is located at Jiefang Road in Hexi District, Sanya. Developments nearby are mainly commercial and residential development. According to the Group, the property is planned for residential use; there is no environmental issues and litigation dispute; there is no plan for change the use of the property.

The land use rights of the property have been granted for a term of 70 years due to expire on 19 October 2076 for residential use.

Notes:

(1) The market value of the property is shown as below:

Portion	Gross Floor Area	Market value in existing state as at 30 April 2016
	(sq.m.)	(RMB)
Unsold portion (including ancillary facilities)	100,689.80	2,630,000,000
Investment portion	11,952.34	165,800,000
Under construction portion	115,071.18	777,000,000
Total:	**227,713.32**	**3,572,800,000**

(2) According to Land Use Rights Grant Contract dated 19 October 2006, the land use rights of the property, comprising a site area of 905,435.78 sq.m., have been granted for a term of 70 years for commercial, residential, education and composite use.

According to Land Use Rights Grant Contract and its Supplemental Contract dated 31 January 2008, the land use rights of the property, comprising a site area of 92,924.00 sq.m., have been granted for a term of 70 years for residential use.

(3) According to 3 Land Use Rights Certificates, the land use rights of the property has been granted to Sanya Fenghuang Shuiyun Property Development Company Limited (三亞鳳凰水韻房地產開發有限公司) with details as follows:

Certificate No.	Issue Date	Expiry Date	Land Use	Site Area (sq.m.)
(2009)10563 . .	21 December 2009	19 October 2076	Urban single residential	30,767.97
(2009)10564 . .	21 December 2009	19 October 2076	Landscape	16,105.84
(2009)10565 . .	21 December 2009	31 January 2078	Urban single residential	92,923.87
			Total:	**139,797.68**

(4) According to 4 Construction Works Completion Examination Certificates, the development with a total gross floor area of 169,400.62 sq.m. was completed with details as follow:

Certificate No.	Project Name	Gross Floor Area (sq.m.)
(2015)054	Blocks 20#-29#, Zone E, Lot E-06, Phase 1 of Zone 2, Phoenix Aqua City, kindergarten	34,685.50
(2015)055	Blocks 11#-19#, Zone E, Lot E-06, Phase 2 of Zone 2, Phoenix Aqua City	29,680.20
(2015)056	Blocks 1#-10#, Zone E, Lot E-06, Phase 2 of Zone 2, Phoenix Aqua City	33,535.55
(2015)057	Blocks 1#-5#, Zone E, Zone 1, residential district	71,499.37
	Total:	**169,400.62**

As advised, the unsold portion and the investment portion of property are part of the said gross floor area.

(5) According to 5 Construction Works Planning Permits, the property has been permitted for the construction with a total gross floor area of 247,474.00 sq.m. with details as follows:

Certificate No.	Issue Date	Project Name	Gross Floor Area (sq.m.)
460200201400275.	8 December 2014	Zone 1 of Block 1, 2, and refuse storage area, residential district	6,672.08
460200201400222.	23 April 2014	Phase 2, Zone 2 of Lot E-06, Phoenix Aqua City	72,087.75
460200201400223.	23 April 2014	Phase 1, Zone 2 of Lot E-06 and kindergarten, Phoenix Aqua City	34,685.50
460200201500224.	20 April 2015	Zone 3 of Lot E-06, Phoenix Aqua City	69,201.38
460200201400262.	3 November 2014	Block 3, 4 and 5, Zone 1 of Lot E-06, residential district	64,827.29
		Total:	**247,474.00**

(6) According to 6 Construction Works Commencement Permits, the construction works of the property was in compliance with the requirement of works commencement with details as follows:

Certificate No.	Issue Date	Project Name	Gross Floor Area (sq.m.)
(2012)212	21 December 2012	Zone 1 of Zone E, Lot E-06, Phoenix Aqua City	71,499.37
460200201306200201	20 June 2013	Blocks 1-10, Zone 2 of Lot E-06, Phoenix Aqua City	33,535.55
460200201306200301	20 June 2013	Blocks 11-19, phase 2, Zone 2 of Lot E-06, Phoenix Aqua City	29,680.20
460200201306200401	20 June 2013	Blocks 20-29, phase 1, Zone 2 of Lot E-06, Phoenix Aqua City and kindergarten	34,685.50
460200201401140101	14 January 2014	Zone 3 of Zone E, Lot E-06, Phoenix Aqua City	69,201.38
460200201406040101	4 June 2014	Carpark, Zone 2 of Zone E, Lot E-06, Phoenix Aqua City	9,122.00
		Total:	**247,724.00**

(7) According to 4 Pre-sale Permit for Commodity Housing was permitted to pre-sale the property with a total gross floor area of 169,890.92 sq.m. with details as follows:

Certificate No.	Issue Date	Project Name	Gross Floor Area (sq.m.)
(2013)19	26 July 2013	Zone 2 of Lot E-06, Phoenix Aqua City	77,879.09
(2013)26	1 October 2013	Zone 1 of residential district	42,378.28
(2014)19	28 February 2014	Zone 3 of Lot E-06, Phoenix Aqua City	17,476.26
(2015)07	23 January 2013	Zone 3 of Lot E-06, Phoenix Aqua City	32,157.29
		Total:	**169,890.92**

(8) According to the information provided by the Group, the estimated total construction cost to complete the under construction portion of the property is approximately RMB427,816,000; a construction cost of approximately RMB410,798,656 has been expended for the development of the property as at the valuation date. In the course of our valuation, we have taken into account the above expended construction cost.

(9) The Estimated Market Value as if completed of the under construction portion of the property as at the valuation date was approximately RMB925,000,000.

(10) According to the information provided by the Group, 39,693.19 sq.m. residential of the under construction portion has been pre-sold at a total consideration of approximately RMB723,065,000. In the course of our valuation, we have taken into account the said pre-sold consideration.

(11) According to Business Licence No. 460200000065761, Sanya Fenghuang Shuiyun Property Development Company Limited (三亞鳳凰水韻房地產開發有限公司) was established as a limited liability company with a registered capital of RMB280,000,000 for a valid operation period from 21 October 2009 to 21 October 2059.

(12) According to the PRC legal opinion:

(i) Sanya Fenghuang Shuiyun Property Development Company Limited (三亞鳳凰水韻房地產開發有限公司) has obtained the State-owned Land Use Rights Certificate, Sanya Fenghuang Shuiyun Property Development Company Limited (三亞鳳凰水韻房地產開發有限公司) has right to occupy, use, transfer, lease, pledge or other lawful measures of the land use rights;

(ii) The property is subject to a pledge in favour of Sanya Branch of Industrial and Commercial Bank of China, Sanya Branch of Bank of Communication;

(iii) There does not exist the significant adverse circumstances of seizure, litigation, disputes or other situations that affect Sanya Fenghuang Shuiyun Property Development Company Limited (三亞鳳凰水韻房地產開發有限公司) to occupy, use, transfer, lease, pledge or other lawful measures of the land use rights; and

(iv) Sanya Fenghuang Shuiyun Property Development Company Limited (三亞鳳凰水韻房地產開發有限公司) has the obligation in accordance with "Land premium payment notice pursuant to plot ratio increase" issued by the Sanya City Land Resources Bureau to pay additional land premium and deferred interest to Sanya City Bureau of Finance, which is the progress of negotiation with the relevant authorities to offset against the compensation to the company for the expropriated lands by the government.

(13) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC Legal Adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplemental Contract	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Construction Works Completion Examination Certificate	Yes
Pre-sale Permit	Yes
Business Licence	Yes

(14) In valuing the property, we have assumed about RMB32,000 per sq.m. for multi-storey portion and RMB18,600 per sq.m. for medium-rise portion of the property.

In undertaking our valuation of the property, we have made reference to various recent sales prices of residential premises within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered comparables of similar type of development within the same district. The prices of multi-storey premises range from about RMB23,000 to RMB30,000 per sq.m. The prices of medium-rise premises range from about RMB16,500 to RMB19,000 per sq.m. The unit rates assumed by us are consistent with the relevant comparables after due adjustments by decoration standard, age, location, size and quality.

(15) For investment portion, Our key assumptions in the Investment Approach are:

Market Monthly Rent (per sq.m)	**Capitalization Rate**
RMB49-55	3.5%

In undertaking our valuation, we have made reference to various recent lettings within the same district. These comparable properties are selected as they have characteristics comparable to the property. We have gathered comparables of similar type of commercial developments. The rental levels of those major retail lettings range from RMB45 to RMB81 per sq.m per month.

We have gathered and analyzed various recent sales and noted that the yields implied in those sales are generally within the range from 3.0% to 4.0% for service apartment premises.

The above market rents assumed by us are consistent with the level of the recent lettings within the property and other similar properties as mentioned above. The capitalization rate is reasonable having regard to the yields analyzed from sales of comparable properties which we have collected.

VALUATION CERTIFICATES

Property held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016
5.	Danzhou Phoenix Aqua City (儋州鳳凰水城), Binhai Avenue, Baimajing Town, Danzhou City, Hainan Province, The PRC	Danzhou Phoenix Aqua City is a proposed residential, commercial and hotel development erected on a parcel of land with a total site area of 399,657.20 sq.m. According to the information provided by the Group, the property comprises planned gross floor area of the property with details as follows: **Building** / **Gross Floor Area (sq.m.)** Above Ground 599,007.49 Under Ground 105,305.30 **Total: 704,312.79** According to the information provided by the Group, the construction works of the property is planned to commence in March 2017 and scheduled to be completed in January 2023. The property is located at Binhai Avenue in Baimajing Town, Danzhou City. Developments nearby are mainly civic facilities and residential developments. According to the Group, the property is planned for residential, commercial and hotel uses; there is no environmental issues and litigation dispute. The land use rights of the property have been granted for a term of 40 years for commercial and hotel use and a term for 70 years for residential use.	The property is currently vacant land and pending for future development.	RMB531,000,000 (60% interest attributable to the Group: RMB318,600,000)

Notes:

(1) The market value of the property is shown as below:

Portion	Gross Floor Area	Market value in existing state as at 30 April 2016
	(sq.m.)	(RMB)
Vacant land	704,312.79	531,000,000
Total:	**704,312.79**	**531,000,000**

The interest of the property attributable to the Group is 60%, and the market value is RMB318,600,000 to the Group.

(2) According to Land Use Rights Grant Contract No. (2010) 0315 dated 27 January 2010, the land use rights of the property, comprising a site area of 468,553.50 sq.m., have been granted to Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司) for a term of 40 years for commercial and hotel use and a term for 70 years for residential use.

As advised by the group, the property is a portion of aforesaid site area.

(3) According to 6 State-owned Land Use Rights Certificate, the land use rights of the property have been granted to Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司) with details as follows:

Certificate No.	Issue Date	Expiry Date	Land Use	Site Area
				(sq.m.)
(2010) 709	28 June 2010	40 years for commercial and hotel, 70 years for residential	Hotel, commercial and residential	52,726.90
(2010) 710	28 June 2010	40 years for commercial and hotel, 70 years for residential	Hotel, commercial and residential	207,800.00
(2010) 711	28 June 2010	40 years for commercial and hotel, 70 years for residential	Hotel, commercial and residential	62,752.80
(2010) 712	28 June 2010	40 years for commercial and hotel, 70 years for residential	Hotel, commercial and residential	50,596.50
(2010) 713	28 June 2010	40 years for commercial and hotel, 70 years for residential	Hotel, commercial and residential	65,097.50
(2010) 714	28 June 2010	40 years for commercial and hotel, 70 years for residential	Hotel, commercial and residential	29,579.70
			Total:	**468,553.40**

As advised by the group, the property is a portion of aforesaid site area.

(4) According to Planning Permit for Construction Use of Land No. 2010-0905 dated 21 September 2010, the construction site of the property with a site area of 468,554 sq.m. is in compliance with the urban planning requirements.

(5) According to Business Licence No. 914690036931976775, Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司) was established as a limited liability company with a registered capital of RMB412,500,000 for a valid operation period from 3 December 2009 to 3 December 2029.

(6) According to the PRC legal opinion:

(i) Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司) has obtained the Certificate for the Use of State-owned Land, Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司) has right to occupy, use, transfer, lease, pledge or other lawful measures of the land use rights;

(ii) The land use rights of the property is not subject to any pledge, guarantee or third party rights terms of interest; and

(iii) There does not exist the significant adverse circumstances of seizure, litigation, disputes or other situations that may affect Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司) to occupy, use, transfer, lease, pledge or other lawful measures of the land use rights.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC Legal Adviser:

Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

(8) In valuing the property, we have adopted the Direct Comparison Approach. The assumed accommodation value is about RMB880 per sq.m.

In undertaking our valuation of the property, we have made reference to prices of lands within the district. The prices of accommodation value range from about RMB523 to RMB1,130 per sq.m. The unit rate assumed by us is consistent with the relevant comparables after due adjustments by location, accessibility, usage and plot ratio.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 August 2015 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 June 2016. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities. Proceedings of the Board.

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 31 August 2015 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 15 September 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

(A) FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 31 August 2015. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 24 June 2016 and our principal place of business in Hong Kong is at Room 1603, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong. Loong & Yeung of Room 1603, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

(a) As at the date of incorporation of our Company, the authorised share capital was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. One Share was allotted and issued nil-paid to the subscriber to the memorandum and articles of association of our Company on the date of incorporation, which was subsequently transferred to Zhong Jia (International) on the same date.

(b) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of 50,000 Shares in Peak Well, representing its then entire issued share capital from Zhong Jia (International), on 24 March 2016, (i) the one nil-paid Share then held by Zhong Jia (International) was credited as fully paid at par, and (ii) 972 Shares, all credited as fully paid at par, were allotted and issued to Zhong Jia (International).

(c) On 24 March 2016, a sale and purchase agreement was entered into between Zhong Jia (International) and our Company, pursuant to which Zhong Jia (International) transferred 10,000 shares in Zhong Jia (Hong Kong), representing its then entire issued share capital, to our Company and in consideration of which our Company allotted and issued 24 Shares, credited as fully paid, to Zhong Jia (International).

(d) On 24 March 2016, a sale and purchase agreement was entered into between Zhong Ze (International) and our Company, pursuant to which Zhong Ze (International) transferred 10,000 shares in Zhong Ze (Hong Kong), representing its then entire issued share capital, to our Company and in consideration of which our Company allotted and issued 3 Shares, credited as fully paid, to Zhong Ze (International).

(e) On 22 June 2016, our Shareholders resolved to increase the authorised share capital of our Company from HK$380,000 to HK$20 million by the creation of an additional 1,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.

(f) Immediately following completion of the Capitalisation Issue and the Global Offering, 300,000,000 Shares will be issued fully paid or credited as fully paid, and 1,700,000,000 Shares will remain unissued.

(g) Other than pursuant to the general mandate to issue Shares referred to in the paragraph "Further Information about our Company – Written resolutions of Shareholders passed on 22 June 2016" in this appendix, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(h) Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 22 June 2016

By written resolutions of our Shareholders passed on 22 June 2016:

(a) our Company approved and adopted the Memorandum and the Articles, the material terms of which are summarised in Appendix IV to this prospectus;

(b) conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned in this prospectus and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Global Coordinator acting for themselves and on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering to rank pari passu with the then existing Shares in all respects; and

(ii) conditional further on the share premium account of our Company being credited as a result of the Global Offering, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK$2,249,990 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 224,999,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 23 June 2016 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking pari passu in all respects with the Shares then in issue, and our Directors were authorised to give effect to such capitalisation and distributions;

(c) a general unconditional mandate was given to our Directors to exercise all powers of the Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under any share option scheme of our Company or any Share allotted and issued in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders at general meeting or pursuant to the Global Offering, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with the number of Shares not exceeding 20% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue and such mandate to remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue and such mandate to remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and

(e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering.

4. Corporate Reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing, pursuant to which our Company became the holding company of our Group. The Reorganisation included the following major steps:

(a) Nanjing Si Yue was established by Lian Yun Gang Long Ji Properties as a limited liability company in the PRC on 29 April 2015 with an initial registered capital of RMB50 million. The initial registered capital was settled on 28 May 2015.

(b) After the additional capital injection in Nanjing Si Yue by Lian Yun Gang Long Ji Properties, the value of the audited total assets in Nanjing Si Yue as at 30 June 2015 as indicated in the audit report dated 26 June 2015 was RMB471,727,465.18.

(c) Zhong Hui Nanjing entered into an equity acquisition reorganisation agreement dated 16 June 2015 and an equity transfer agreement with Lian Yun Gang Long Ji Properties on 7 July 2015, pursuant to which Zhong Hui Nanjing transferred its 100% equity interest in Sanya Fenghuang Xincheng to Lian Yun Gang Long Ji Properties while Lian Yun Gang Long Ji Properties transferred its 100% equity interest in Nanjing Si Yue to Zhong Hui Nanjing as consideration thereof. The value of the equity interest in Sanya Fenghuang Xincheng as at 30 June 2015 was RMB471,727,465.18 which is the same as the valuation of the audited total assets in Nanjing Si Yue as at 30 June 2015. After the aforesaid transfer, Sanya Fenghuang Xincheng became a wholly-owned subsidiary of Lian Yun Gang Long Ji Properties.

(d) In July 2015, Sanya Fenghuang Shuiyun entered into an equity transfer agreement with Nanjing Hui Yin Da pursuant to which Sanya Fenghuang Shuiyun transferred its 49% equity interest in Sanya Huan Peng to Nanjing Hui Yin Da at a consideration of RMB2,450,000 which was determined with reference to the registered paid-up capital of Sanya Huan Peng and was settled on 26 August 2015. After the aforesaid transfer, Sanya Huan Peng ceased to be a member of our Group.

(e) On 14 July 2015, Sanya Hui Xin Trading entered into an equity transfer agreement with Nanjing Hui Yin Da pursuant to which Sanya Hui Xin Trading transferred its entire equity interest in Sanya Bai Yue to Nanjing Hui Yin Da at nil consideration which was determined with reference to the valuation of the equity interest of Sanya Bai Yue as at 31 May 2015 which was negative. After the aforesaid transfer, Sanya Bai Yue ceased to be a member of our Group.

(f) On 28 July 2015, Sanya Fenghuang Xincheng entered into an equity transfer agreement with Mr. Ma Weimin (an Independent Third Party) pursuant to which Sanya Fenghuang Xincheng transferred its 100% equity interest in Nanjing Hui Yin Da to Mr. Ma Weimin (an Independent Third Party) at a consideration of RMB5 million. The consideration was determined with reference to the value of the equity interest of Nanjing Hui Yin Da as at 10 July 2015 as indicated in the valuation report dated 25 July 2015 and was settled on 6 August 2015. After the aforesaid transfer, Nanjing Hui Yin Da ceased to be a member of our Group.

(g) Nanjing Bai Rui Ze entered into equity transfer agreements with Yincheng Real Estate Group Co., Ltd, a company indirectly owned as to approximately 15.4% by Mr. Yeung at the time of transfer in August 2015, pursuant to which Nanjing Bai Rui Ze transferred to Yincheng Real Estate Group Co., Ltd (i) its approximately 12% equity interest in Nanjing Yin Zhuo at a consideration of RMB25 million; and (ii) its 12% equity interest in Nanjing Yin Guang at a consideration of RMB18 million. The aforesaid consideration was determined with reference to the registered paid-up capital of Nanjing Yin Zhuo and Nanjing Yin Guang and was settled on 25 June 2015 pursuant to the memorandum of understanding entered into between Nanjing Bai Rui Ze and Yincheng Real Estate Group Co., Ltd on 19 June 2015. After the aforesaid transfers, each of Nanjing Yin Zhuo and Nanjing Yin Guang ceased to be a member of our Group.

(h) Hainan Hui Lin has completed the process of deregistration which was approved by Hainan AIC on 17 September 2015.

(i) Nanjing Yu Ming Hang was established by Sanya Fenghuang Xincheng on 14 October 2015 with an initial registered capital of RMB4,860,000 which was contributed by Sanya Fenghuang Xincheng's transfer of its 30% equity interest in Wenchang Citi-Verdure to Nanjing Yu Ming Hang pursuant to an equity transfer agreement entered into with Nanjing Yu Ming Hang on 29 October 2015. After the aforesaid transfer, Wenchang Citi-Verdure was directly held as to 30% by Nanjing Yu Ming Hang which was held as to 100% by Sanya Fenghuang Xincheng.

(j) On 9 November 2015, Sanya Fenghuang Xincheng entered into an equity transfer agreement with Nanjing Rui Ke, being a company indirectly held as to 100% by Mr. Yeung pursuant to which Sanya Fenghuang Xincheng transferred its entire equity interest in Nanjing Yu Ming Hang to Nanjing Rui Ke at a consideration of RMB4,860,000 which was determined with reference to the registered paid-up capital of Nanjing Yu Ming Hang and was settled on 25 November 2015. After the aforesaid transfer, Wenchang Citi-Verdure Investment ceased to be a member of our Group.

(k) Sanya Fenghuang Hai Yuan has completed the process of deregistration which was approved by Sanya AIC on 1 December 2015.

(l) On 31 December 2015, Zhong Ze (Hong Kong) entered into equity transfer agreement with the other shareholder of Nanjing Aitekaidun, being an Independent Third Party, pursuant to which Zhong Ze (Hong Kong) transferred its 10% equity interest in Nanjing Aitekaidun to the aforesaid Independent Third Party at a consideration of RMB50,000 which was determined with reference to the original investment amount injected into Nanjing Aitekaidun by Zhong Jia (Hong Kong). After the aforesaid transfer, Zhong Ze (Hong Kong) ceased to hold any interest in Nanjing Aitekaidun.

(m) On 31 March 2016, Zhong Ze (Hong Kong) entered into equity transfer agreement with an Independent Third Party, pursuant to which Zhong Ze (Hong Kong) transferred its 20% equity interest in Nanjing Youbi to the aforesaid Independent Third Party at a consideration of RMB15,000 which was determined with reference to the original investment amount injected into Nanjing Youbi by Zhong Ze (Hong Kong). After the aforesaid transfer, Zhong Ze (Hong Kong) ceased to hold any interest in Nanjing Youbi.

(n) Zhong Jia (International) Holding was incorporated on 12 August 2015 in the BVI with an authorised share capital of US$50,000 divided into 50,000 shares of US1.00 each. On 12 August 2015, 50,000 fully paid ordinary shares of Zhong Jia (International) Holding, representing its then entire issued share capital, were issued and allotted to Zhong Jia (International) at a consideration of US$50,000.

(o) Our Company was incorporated on 31 August 2015 in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 shares with a par value of HK$0.01 each. One nil-paid Share was allotted and issued to the subscriber to the memorandum and articles of association of the Company on the date of incorporation which was later transferred to Zhong Jia (International) on the same day.

(p) On 25 September 2015, Lian Yun Gang Long Ji Properties injected a sum of RMB47,142,857.14 to Sanya Hui Xin Trading. After the aforesaid capital injection, the registered capital of Sanya Hui Xin Trading was increased from RMB10 million to RMB57,142,857.14 and Sanya Hui Xin Trading was then owned as to 8.75%, 8.75% and 82.5% by Mr. Yang Jinhe, Mr. Fang Jing and Lian Yun Gang Long Ji Properties respectively. Mr. Yang Jinhe and Mr. Fang Jing hold the equity interest in Sanya Hui Xin Trading on trust for Mr. Yeung through Zhonghui (China) Investment.

(q) On 23 March 2016, a sale and purchase agreement was entered into between Perfect Win and Zhong Jia (International), pursuant to which Perfect Win transferred its 100% equity interest in Peak Well to Zhong Jia (International), the consideration was satisfied by Zhong Jia (International) transferring its 100% equity interest in Zhong Jia (International) Holding to Perfect Win.

(r) On 24 March 2016, a sale and purchase agreement was entered into between Zhong Jia (International) and our Company, pursuant to which Zhong Jia (International) transferred 50,000 shares in Peak Well, representing its then entire issued share capital, to our Company and in consideration of which (i) the one nil-paid Share held by Zhong Jia (International) was credited as fully-paid; and (ii) our Company allotted and issued 972 Shares, credited as fully paid, to Zhong Jia (International). After the aforesaid transfer, Peak Well became a directly wholly-owned subsidiary of our Company.

(s) On 24 March 2016, a sale and purchase agreement was entered into between Zhong Jia (International) and our Company, pursuant to which Zhong Jia (International) transferred 10,000 shares in Zhong Jia (Hong Kong), representing its then entire issued share capital, to our Company and in consideration of which our Company allotted and issued 24 Shares, credited as fully paid, to Zhong Jia (International). After the aforesaid transfer, Zhong Jia (Hong Kong) became a direct wholly-owned subsidiary of our Company.

(t) On 24 March 2016, a sale and purchase agreement was entered into between Zhong Ze (International) and our Company, pursuant to which Zhong Ze (International) transferred 10,000 shares in Zhong Ze (Hong Kong), representing its then entire issued share capital, to our Company and in consideration of which our Company allotted and issued 3 Shares, credited as fully paid, to Zhong Ze (International). After the aforesaid transfer, Zhong Ze (Hong Kong) became a direct wholly-owned subsidiary of our Company.

Immediately after completion of the share transfer referred to in item (u) above, our Company became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed above, and as mentioned in the section headed "A. Further Information about our Company – 4. Corporate reorganisation" in this appendix above and in the section headed "History, Reorganisation and Group Structure – Reorganisation" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions which includes:

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 22 June 2016, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to repurchase on the Stock Exchange such number of Shares representing up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Trading restrictions

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares may be held as treasury shares or treated as cancelled and, if so cancelled, the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Stock Exchange Listing Rules) and (b) the deadline for a listed company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not purchase its shares on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(vi) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of our Company or any of our subsidiaries or a close associate (as defined in the Listing Rules) of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations from time to time in force in the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequence that may arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate. Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

(B) FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company as a whole:

(a) an equity acquisition reorganisation agreement dated 16 June 2015 entered into between Zhong Hui Nanjing, Lian Yun Gang Long Ji Properties and Sanya Fenghuang Xincheng, pursuant to which Zhong Hui Nanjing transferred its 100% equity interest in Sanya Fenghuang Xincheng to Lian Yun Gang Long Ji Properties, and as consideration, Lian Yun Gang Long Ji Properties transferred its 100% equity interest in Nanjing Si Yue to Zhong Hui Nanjing;

(b) an equity transfer agreement dated 7 July 2015 entered into between Zhong Hui Nanjing and Lian Yun Gang Long Ji Properties, pursuant to which Zhong Hui Nanjing transferred its 100% equity interest in Sanya Fenghuang Xincheng to Lian Yun Gang Long Ji Properties, and as consideration, Lian Yun Gang Long Ji Properties transferred its 100% equity interest in Nanjing Si Yue to Zhong Hui Nanjing;

(c) an equity transfer agreement dated 14 July 2015 entered into between Sanya Hui Xin Trading and Nanjing Hui Yin Da pursuant to which Sanya Hui Xin Trading transferred its entire equity interest in Sanya Bai Yue to Nanjing Hui Yin Da at nil consideration;

(d) an equity transfer agreement dated 28 July 2015 entered into between Mr. Ma Weimin and Sanya Fenghuang Xincheng pursuant to which Sanya Fenghuang Xincheng transferred its 100% equity interest in Nanjing Hui Yin Da to Mr. Ma Weimin at a consideration of RMB5 million;

(e) an equity transfer agreement dated 4 August 2015 entered into between Nanjing Bai Rui Ze and Yincheng Real Estate Group Co., Ltd pursuant to which Nanjing Bai Rui Ze transferred to Yincheng Real Estate Group Co., Ltd its 11.90% equity interest in Nanjing Yin Zhuo at a consideration of RMB25 million;

(f) an equity transfer agreement dated 27 August 2015 entered into between Nanjing Bai Rui Ze and Yincheng Real Estate Group Co., Ltd pursuant to which Nanjing Bai Rui Ze transferred to Yincheng Real Estate Group Co., Ltd its 12% equity interest in Nanjing Yin Guang at a consideration of RMB18 million;

(g) an equity transfer agreement dated 29 October 2015 entered into between Nanjing Yu Ming Hang and Sanya Fenghuang Xincheng pursuant to which Sanya Fenghuang Xincheng transferred its 30% equity interest in Wenchang Citi-Verdure to Nanjing Yu Ming Hang as capital contributed by Sanya Fenghuang Xincheng to establish Nanjing Yu Ming Hang;

(h) an equity transfer agreement dated 9 November 2015 entered into between Sanya Fenghuang Xincheng and Nanjing Rui Ke pursuant to which Sanya Fenghuang Xincheng transferred its entire equity interest in Nanjing Yu Ming Hang to Nanjing Rui Ke at a consideration of RMB4,860,000;

(i) a sale and purchase agreement dated 23 March 2016 entered into between Zhong Jia (International) (as purchaser) and Perfect Win (as vendor) pursuant to which Perfect Win transferred 50,000 shares in Peak Well, representing its then entire issued share capital, to Zhong Jia (International), the consideration was satisfied by Zhong Jia (International) transferring its 100% equity interest in Zhong Jia (International) Holding to Perfect Win;

(j) a sale and purchase agreement dated 24 March 2016 entered into between Zhong Jia (International) (as vendor), our Company (as purchaser) and Mr. Yeung Man (as warrantor) pursuant to which Zhong Jia (International) transferred 50,000 shares in Peak Well, representing its then entire issued share capital, to our Company and in consideration of which (i) the one nil-paid Share held by Zhong Jia (International) was credited as fully-paid; and (ii) our Company allotted and issued 972 Shares, credited as fully paid, to Zhong Jia (International);

(k) a sale and purchase agreement dated 24 March 2016 entered into between Zhong Jia (International) (as vendor), our Company (as purchaser) and Mr. Yeung Man (as warrantor), pursuant to which Zhong Jia (International) transferred 10,000 shares in Zhong Jia (Hong Kong), representing its then entire issued share capital, to our Company and in consideration of which our Company allotted and issued 24 Shares, credited as fully paid, to Zhong Jia (International);

(l) a sale and purchase agreement dated 24 March 2016 entered into between Zhong Ze (International) (as vendor), our Company (as purchaser) and Mr. Yeung Man (as warrantor), pursuant to which Zhong Ze (International) transferred 10,000 shares in Zhong Ze (Hong Kong), representing its then entire issued share capital, to our Company and in consideration of which our Company allotted and issued 3 Shares, credited as fully paid, to Zhong Ze (International);

(m) an instrument of transfer dated 23 March 2016 entered into between Perfect Win and Zhong Jia (International) for the transfer of 50,000 shares in the share capital of Peak Well as referred to in item (i) above;

(n) an instrument of transfer dated 23 March 2016 entered into between Zhong Jia (International) and Perfect Win for the transfer of 50,000 shares in the share capital of Zhong Jia (International) Holding as referred to in item (i) above;

(o) an instrument of transfer dated 24 March 2016 entered into between Zhong Jia (International) and our Company for the transfer of 50,000 shares in the share capital of Peak Well as referred to item (j) above;

(p) an instrument of transfer dated 8 April 2016 entered into between Zhong Jia (International) and our Company for the transfer of 10,000 shares in the share capital of Zhong Jia (Hong Kong) as referred to item (k) above;

(q) bought and sold notes dated 8 April 2016 entered into between Zhong Jia (International) and our Company for the transfer of 10,000 shares in the share capital of Zhong Jia (Hong Kong) as referred to item (k) above;

(r) an instrument of transfer dated 8 April 2016 entered into between Zhong Ze (International) and our Company for the transfer of 10,000 shares in the share capital of Zhong Ze (Hong Kong) as referred to item (l) above;

(s) bought and sold notes dated 8 April 2016 entered into between Zhong Ze (International) and our Company for the transfer of 10,000 shares in the share capital of Zhong Ze (Hong Kong) as referred to item (l) above;

(t) the Deed of Non-competition;

(u) the Deed of Indemnity; and

(v) the Underwriting Agreement.

2. Intellectual property rights

Set out below is a summary of our material intellectual property rights. Our material intellectual property rights were determined by our Directors on the basis of their materiality to our business operation, financial position and prospects.

(a) Patents

As at the Latest Practicable Date, our Group has not obtained any patent and has not applied for registration of any patent.

(b) Registered Trademarks

As at the Latest Practicable Date, our Group had the following registered trademarks:

Trademark	Application number	Class	Place of application	Registrant
	303551490	19	Hong Kong	Sanya Fenghuang Xincheng
	303551490	36	Hong Kong	Sanya Fenghuang Xincheng
	303551490	39	Hong Kong	Sanya Fenghuang Xincheng
	303551490	42	Hong Kong	Sanya Fenghuang Xincheng
	303551490	44	Hong Kong	Sanya Fenghuang Xincheng
	303551508	19	Hong Kong	Sanya Fenghuang Xincheng

Trademark	Application number	Class	Place of application	Registrant
	303551508	36	Hong Kong	Sanya Fenghuang Xincheng
	303551508	39	Hong Kong	Sanya Fenghuang Xincheng
	303551508	42	Hong Kong	Sanya Fenghuang Xincheng
	303551508	44	Hong Kong	Sanya Fenghuang Xincheng
海蓝控股	303551481	19	Hong Kong	Sanya Fenghuang Xincheng
海蓝控股	303551481	36	Hong Kong	Sanya Fenghuang Xincheng
海蓝控股	303551481	39	Hong Kong	Sanya Fenghuang Xincheng
海蓝控股	303551481	42	Hong Kong	Sanya Fenghuang Xincheng
海蓝控股	303551481	44	Hong Kong	Sanya Fenghuang Xincheng

(c) Trademarks yet to be granted

As at the Latest Practicable Date, our Group has applied for registration of the following trademarks:

Trademark	Application number	Class	Place of application	Registrant
海蓝控股	17944965	19	The PRC	Sanya Fenghuang Xincheng
海蓝控股	17944998	36	The PRC	Sanya Fenghuang Xincheng
海蓝控股	17945066	39	The PRC	Sanya Fenghuang Xincheng
海蓝控股	17945090	42	The PRC	Sanya Fenghuang Xincheng
海蓝控股	17945145	44	The PRC	Sanya Fenghuang Xincheng
	17946794	19	The PRC	Sanya Fenghuang Xincheng
	17946846	36	The PRC	Sanya Fenghuang Xincheng
	17946916	39	The PRC	Sanya Fenghuang Xincheng
	17947021	42	The PRC	Sanya Fenghuang Xincheng
	17947132	44	The PRC	Sanya Fenghuang Xincheng
	17946457	19	The PRC	Sanya Fenghuang Xincheng

Trademark	Application number	Class	Place of application	Registrant
	17946511	36	The PRC	Sanya Fenghuang Xincheng
	17946600	39	The PRC	Sanya Fenghuang Xincheng
	17946665	42	The PRC	Sanya Fenghuang Xincheng
	17946726	44	The PRC	Sanya Fenghuang Xincheng
凤凰水城	Pending	36	The PRC	Sanya Fenghuang Xincheng
凤凰水城	Pending	39	The PRC	Sanya Fenghuang Xincheng
海蓝凤凰水城	Pending	36	The PRC	Sanya Fenghuang Xincheng
海蓝凤凰水城	Pending	39	The PRC	Sanya Fenghuang Xincheng

(d) Trademarks licensed to our Group

As at the Latest Practicable Date, the following trademarks had been licensed to our Group for use:

Trademark	Place of application/ registration	Application number	Class	Duration of validity
翠屏	The PRC	6314524	19	three years
翠屏	The PRC	6314523	36	three years

Trademark	Place of application/ registration	Application number	Class	Duration of validity
翠屏	The PRC	6314522	37	three years
翠屏	The PRC	6314521	42	three years
翠屏国际	The PRC	6314520	19	three years
翠屏国际	The PRC	6314519	36	three years
翠屏国际	The PRC	6314518	37	three years
翠屏国际	The PRC	6314517	42	three years
	The PRC	6624229	36	three years
	The PRC	6624230	19	three years
	The PRC	6624228	37	three years
	The PRC	6624227	42	three years

(e) Domain names

Our Group has registered the following domain name(s) which is material to the business of our Group:

Registrant/Holder	Domain Name	Registration date (date/month/year)	Expiration date (date/month/year)
Sanya Fenghuang Shuiyun	hailanholdings.hk	14/04/2016	14/04/2017
Sanya Fenghuang Shuiyun	hailanholdings.com	14/04/2016	14/04/2017
Sanya Fenghuang Shuiyun	hailanholdings.com.cn	14/04/2016	14/04/2017
Sanya Fenghuang Shuiyun	hailanholdings.cn	14/04/2016	14/04/2017

The contents of the website, registered or licenced, do not form part of this prospectus.

(C) FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity	Position	Number of Shares held/ interested in	Approximate shareholding percentage
Mr. Yeung . . .	Interest of a controlled corporation *(Note 1)*	Long	225,000,000 Shares	75%
Ms. Zhou Li . .	Interest of spouse *(Note 2)*	Long	225,000,000 Shares	75%

Notes:

1. The 225,000,000 Shares are held by Zhong Jia (International) and Zhong Ze (International) as to 224,325,000 Shares and 675,000 Shares, respectively, Mr. Yeung beneficially owns 100% of the issued share capital of Zhong Jia (International) and Zhong Ze (International) and is deemed, or taken to be, interested in all our Shares held by Zhong Jia (International) and Zhong Ze (International) for the purposes of the SFO. Mr. Yeung is the sole director of Zhong Jia (International) and Zhong Ze (International).

2. Mr. Yeung and Ms. Zhou Li have declared that they are cohabiting as spouse. Accordingly, Ms. Zhou Li is deemed, or taken to be, interested in the Shares in which Mr. Yeung is interested for the purpose of the SFO.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Position	Number and class of securities held/ interested in	Approximate shareholding percentage
Mr. Yeung .	Zhong Jia (International)	Beneficial owner *(Note 1)*	Long	1 ordinary share	100%
	Zhong Ze (International)	Beneficial owner *(Note 1)*	Long	7,000 ordinary shares	100%
Ms. Zhou Li	Zhong Jia (International)	Interest of spouse *(Note 2)*	Long	1 ordinary share	100%
	Zhong Ze (International)	Interest of spouse *(Note 2)*	Long	7,000 ordinary shares	100%

Notes:

1. Mr. Yeung, the Chairman and an executive Director, owns 100% interest in Zhong Jia (International) and Zhong Ze (International). Mr. Yeung is also the sole director of Zhong Jia (International) and Zhong Ze (International).

2. Mr. Yeung and Ms. Zhou Li have declared that they are cohabiting as spouse. Accordingly, Ms. Zhou Li is deemed, or taken to be, interested in the Shares of Zhong Jia (International) and Zhong Ze (International) in which Mr. Yeung is interested for the purpose of the SFO.

So far as is known to our Directors, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Global Offering, have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Our Company

Name	Capacity/Nature of interest	Number of Shares held/ interested in	Approximate Percentage of shareholding
Zhong Jia (International).	Beneficial owner	224,325,000	74.78%
Zhong Ze (International)	Beneficial owner	675,000	0.22%

2. Information about the PRC subsidiaries of our Group

(i)	Name:	Lian Yun Gang Tai Sheng Development
	Date of establishment:	18 November 2009
	Corporate nature:	Limited liability company (solely owned by legal person of Taiwan, Hong Kong or Macau Special Administrative Region, PRC)
	Total investment:	RMB10 million
	Total registered capital and paid-up registered capital:	RMB10 million
	Attributable effective interest of our Company:	100%
	Term:	20 years (18 November 2009 to 17 November 2029)
	Scope of business:	Urban infrastructure development; consultancy services on international economy, technology and environmental information (excluding those involving special approvals and qualification management)
	Legal representative:	Zhu Juan Juan (郝娟娟)

(ii) Name: Lian Yun Gang Long Ji Properties

Date of establishment: 7 February 2007

Corporate nature: Limited liability company (legal person sole investment)

Total registered capital and paid-up registered capital: RMB10 million

Attributable effective interest of our Company: 100%

Term: 50 years (7 February 2007 to 6 February 2057)

Scope of business: Real estate development, consultation; sale of commercial residential building; property management services (for projects that need to be approved in accordance with the laws, business activities can only commence after the approvals of relevant authorities have been obtained)

Legal representative: Zhu Juan Juan (郝娟娟)

(iii) Name: Nanjing Jia Pei

Date of establishment: 11 September 2013

Corporate nature: Limited liability company (solely owned by legal person of Taiwan, Hong Kong or Macau Special Administrative Region, PRC)

Total investment: US$0.5 million

Total registered capital and paid-up registered capital: US$0.5 million

Attributable effective interest of our Company: 100%

Term: 20 years (11 September 2013 to 10 September 2033)

Scope of business: Investment management consultation; enterprise management consultation; economic information consultation; business information consultation (for projects that need to be approved in accordance with the laws, business activities can only commence after the approvals of relevant authorities have been obtained)

Legal representative: Huang Zhi Can (黃志燦)

(iv)	Name:	Hainan Nanhai Xiang Long
	Date of establishment:	18 April 2002
	Corporate nature:	Limited liability company (solely owned by legal person)
	Total registered capital and paid-up registered capital:	RMB300 million
	Attributable effective interest of our Company:	100%
	Term:	48 years (18 April 2002 to 17 April 2050)
	Scope of business:	Real estate development, sale of commercial residential building, real estate investment consultation, contracting services for decoration and refurbishment projects, sale of construction and decorative materials, hotel management (the operation for all projects that involve business permits will rely on the permit) (for projects that need to be approved in accordance with the laws, business activities can only commence after the approvals of relevant authorities have been obtained)
	Legal representative:	Xie Wei Xiong (謝偉雄)

(v)	Name:	Sanya Hui Xin Trading
	Date of establishment:	29 December 2010
	Corporate nature:	Limited liability company (invested or controlled by natural persons)
	Total registered capital and paid-up registered capital:	RMB57,142,857.14
	Attributable effective interest of our Company:	82.5%
	Term:	20 years (29 December 2010 to 28 December 2030)
	Scope of business:	Aluminum and steel, windows manufacturing and sale, fire-proof and security doors manufacturing and sale, installation of fire-fighting facilities, external wall and curtain wall installation, manufacturing and sale of wood work and furniture, indoor and outdoor decoration design (general business projects operate autonomously, licensed business projects operate in accordance with relevant permits or approval documents) (for projects that need to be approved in accordance with the laws, business activities can only commence after the approvals of relevant authorities have been obtained)
	Legal representative:	Fang Jing (方晶)

(vi)	Name:	Sanya Fenghuang Shuiyun
	Date of establishment:	21 October 2009
	Corporate nature:	Other limited liability company
	Total registered capital and paid-up registered capital:	RMB280 million
	Attributable effective interest of our Company:	approximately 97.0%
	Term:	50 years (21 October 2009 to 21 October 2059)
	Scope of business:	Real estate development and operation, house leasing, hotel and guesthouse development, urban infrastructure construction, sale of construction materials and general machinery, exhibition and conference servicing (general business projects operate autonomously, licensed business projects operate in accordance with relevant permits or approval documents) (for projects that need to be approved in accordance with the laws, business activities can only commence after the approvals of relevant authorities have been obtained)
	Legal representative:	Fan Wen Yi (范文燚)

(vii)	Name:	Sanya Fenghuang Xincheng
	Date of establishment:	11 July 2007
	Corporate nature:	Limited liability company (solely owned by legal person)
	Total registered capital and paid-up registered capital:	RMB400 million
	Attributable effective interest of our Company:	100%
	Term:	20 years (11 July 2007 to 11 July 2027)
	Scope of business:	Real estate development and operation, hotel and guesthouse development, urban infrastructure construction, sale of construction materials and general machinery, indoor decoration and refurbishment (general business projects operate autonomously, licensed business projects operate in accordance with relevant permits or approval documents) (for projects that need to be approved in accordance with the laws, business activities can only commence after the approvals of relevant authorities have been obtained)
	Legal representative:	Fan Wen Yi (范文燚)

(viii) Name: Nanjing Bai Rui Ze

Date of establishment: 16 January 2013

Corporate nature: Limited liability company (solely owned by legal person)

Total registered capital and paid-up registered capital: RMB210 million

Attributable effective interest of our Company: 100%

Term: 50 years (16 January 2013 to 15 January 2063)

Scope of business: Real estate development and operation, house leasing and property management services (for projects that need to be approved in accordance with the laws, business activities can only commence after the approvals of relevant authorities have been obtained)

Legal representative: Huang Zhi Can (黃志燦)

(ix) Name: Sanya Zhong Ze Kai

Date of establishment: 1 April 2012

Corporate nature: Limited liability company (solely owned by legal person of Taiwan, Hong Kong or Macau Special Administrative Region, PRC)

Total investment: US$4.8 million

Total registered capital and paid-up registered capital: US$4.8 million

Attributable effective interest of our Company: 100%

Term: 20 years (1 April 2012 to 17 January 2032)

Scope of business: Real estate consultation and sales agency (general business projects operate autonomously, licensed business projects operate in accordance with relevant permits or approval documents) (for projects that need to be approved in accordance with the laws, business activities can only commence after the approvals of relevant authorities have been obtained)

Legal representative: Fan Wen Yi (范文燚)

(x) Name: Danzhou Shuang Lian

Date of establishment: 3 December 2009

Corporate nature: Limited liability company (sino-foreign equity joint venture enterprise)

Total registered capital and paid-up registered capital: RMB412.5 million

Attributable effective interest of our Company: 60%

Term: 20 years (3 December 2009 to 3 December 2029)

Scope of business: Real estate development, sales and after-sale services of properties, greening projects, real estate planning and consultation (the operation for all projects that involve business permits will rely on the permit) (general business projects operate autonomously, licensed business projects operate in accordance with relevant permits or approval documents) (for projects that need to be approved in accordance with the laws, business activities can only commence after the approvals of relevant authorities have been obtained)

Legal representative: Fan Wen Yi (范文燚)

3. Particulars of service agreements

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. Directors' remuneration

The aggregate amount of remuneration paid to and benefits in kind receivable by our Directors by our Group in respect of the three financial years ended 31 December 2013, 2014 and 2015 were approximately RMB1.4 million, RMB1.4 million and RMB2.3 million respectively.

(a) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ended 31 December 2016 will be approximately HK$4.7 million.

(b) Under the arrangements currently in force at the date of this prospectus, conditional upon the Listing, the aggregate remuneration payable to, and benefits in kind receivable by, our Directors by our Group in respect of the year ending 31 December 2016:

	RMB
Executive Directors	
Mr. Yeung	500,000
Ms. Zhou Li	700,000
Mr. Huang Annan	2,000,000
Ms. Fan Wen Yi	500,000
Non-executive Director	
Mr. Wang Pei	400,000
Independent non-executive Directors	
Mr. Li Zhong	200,000
Mr. E Jun Yu	200,000
Mr. Chen Shimin	200,000

(c) Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than six months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

5. Agency fees or commission received

Save as disclosed in the section headed "Underwriting" in this prospectus and this appendix, none of our Directors or the experts named in the section headed "E. Other Information – 7. Consents of Experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

6. Related party transactions

Details of the related party transactions are set out under Note 31 to the Accountants' Report set out in Appendix I to this prospectus.

7. Disclaimers

Save as disclosed in this prospectus:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

(b) none of our Directors or the experts named in the paragraph "Other Information – Consents of experts" in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors or the experts named in the paragraph "Other Information – Consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Global Offering, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;

(e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange;

(f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;

(g) none of the experts named in the paragraph "Other Information – Consents of experts" in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(h) within the two years immediately preceding the date of this Prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of member of the Group.

(D) PRE-IPO EQUITY INTEREST INCENTIVE SCHEME

Summary of terms

The Pre-IPO Equity Interest Incentive Scheme was adopted on 5 January 2016, the principal terms of which are set out below:

(i) Purpose

The Pre-IPO Equity Interest Incentive Scheme is a Pre-IPO Equity Interest Incentive Scheme established by Sanya Hui Xin Trading to recognize and reward the contribution of certain eligible participants (as set out in paragraph (ii) below) have or may have made to the growth and development of the business(es) of our Group.

(ii) Operation

Under the Pre-IPO Equity Interest Incentive Scheme, we allocated the total 17.50% of equity interest in Sanya Hui Xin Trading (representing approximately 3% effective interest in Sanya Fenghuang Shuiyun) held by Mr. Yang Jinhe or Mr. Fang Jing, both of whom held such interest on trust for Mr. Yeung to the Target Participants. The Target Participants entered into trust agreements with Mr. Yeung, Mr. Yang Jinhe, Mr. Fang Jing, Zhonghui (China) Investment and our Company on 5 January 2016, pursuant to which the Incentive Equity Interest shall be held on trust by Mr. Yang Jinhe or Mr. Fang Jing for the Target Participants until such Incentive Equity interest are vested in the relevant Target Participant in accordance with the provision of the Pre-IPO Equity Interest Incentive Scheme.

(iii) Participants and Incentive Equity Interest

The list of the Target Participants and each of their percentage of equity interest to be interested in Sanya Hui Xin Trading under the Pre-IPO Equity Interest Incentive Scheme are set out below:

Target Participants	Position in our Company	Percentage (%) of Incentive Equity Interest in Sanya Hui Xin Trading
Ms. Zhou Li	Executive Director	6.5625%
Mr. Huang Annan	Executive Director and general manager	6.5625%
Ms. Fan Wen Yi	Executive Director and deputy general manager of operation	1.75%
Ms. Wu Lijuan	Chief Financial Officer	0.525%
Mr. Wang Tao	Chief Marketing Officer	0.525%
Ms. Zhao Lin	Chief Administration Officer	0.525%
Mr. Chen Xiang	Chief Cost Controller	0.525%
Mr. Wang Pei	Non-executive Director	0.525%
Total:		17.50%

(iv) Time and Conditions to Exercise Incentive Equity Interest

Under the Pre-IPO Equity Interest Incentive Scheme, the Target Participants can exercise his/her rights in the abovementioned Incentive Equity Interest after their completion of three service years (commenced from the date of trust agreement) in our Group and satisfaction of the achievement targets in these three consecutive years.

(v) Exercise of right of transfer under Pre-IPO Equity Interest Incentive Scheme

After fulfilment of the conditions as set out in (iv) above, the relevant Target Participant may serve a written notice to us to request the exercise of right of transfer under Pre-IPO Equity Interest Incentive Scheme. We shall confirm if the relevant Target Participant fulfill the conditions as set out in (iv) above, and serve a written notice to the relevant Target Participant, Mr. Yang Jinhe and Mr. Fang Jing. Upon receive of the written notice by Mr. Yang Jinhe and Mr. Fang Jing, the relevant Incentive Equity Interest will be owned by the relevant Target Participant. Mr. Yang Jinhe and Mr. Fang Jing shall assist the relevant Target Participant to complete registration of change in the relevant Administration for Industry and Commerce.

(vi) Rights of the Target Participants

After the Target Participants' exercise their right of transfer under Pre-IPO Equity Interest Incentive Scheme, (i) the Target Participants will be entitled to the dividends pertaining to their Incentive Equity Interest; (ii) subject to our approval, the Incentive Equity Interest can be transferred to the legal personal representatives of the Target Participant; and (iii) according to the relevant laws and regulations, the terms of the trust agreements entered into between, amongst others, Mr. Yang Jinhe and Mr. Fang Jing, Mr. Yeung and the Target Participants and the Pre-IPO Equity Interest Incentive Scheme, the Target Participants may transfer the Incentive Equity Interest and we (or any other third parties designated by us) should have priority right to acquire such interest.

(vii) Obligation of the Target Participants

Each of the Target Participants should enter into an employment contract with us to govern the three service years. During the three service years, the Target Participants should (i) serve us on a full time basis; (ii) comply with our rules and regulations; (iii) not damage, in any way, any of our interest; (iv) not resign or cease to work for us (except those who died, reached his normal retirement age, lost his working ability due to ill health or injury or with the approval of our Directors); (v) not in any way pledge, charge, guarantee or create any interest in favour of any other person over or in relation to the Incentive Equity Interest referable to him/her under the Pre-IPO Equity Interest Incentive Scheme; (vi) satisfy the achievement targets set by us. The Target Participants can only transfer the Incentive Equity Interest only after such interest has been, pursuant to the Pre-IPO Equity Interest Incentive Scheme, registered under their names (except where we repurchase such interest). Target participants shall not transfer the Incentive Equity Interest to external parties during their term of office with the Group (including but not limited to the three years' service).

(viii) Violation of obligations by Target Participants

The Target Participants will not be entitled to exercise the Incentive Equity Interest where he/she (i) breaches the employment contract and/or Equity Interest Incentive Scheme in any material aspect; or (ii) cannot satisfy any achievement targets set by us in any of the three service years. In case where the Target Participants, without our approval, in any way create restrictions such as pledge, guarantee create any interest in relation to the Incentive Equity Interest referable to him/her under the Pre-IPO Equity Interest Incentive Scheme, such act will be void and such Target Participant should be responsible for any damages suffered by us as a result thereof.

(ix) Transfer of the Incentive Equity Interest

In the following circumstances, the Target Participants (or his/her legal personal representatives) may submit a written request to transfer the Incentive Equity Interest, yet our Company or any third parties designated by us should have the priority right to acquire such interest: (i) the completion of the service period or ceased to work for us due to illness or retirement after holding such interest for one year (if we approve, such one year restriction can be waived); (ii) after the death of the Target Participant, his/her legal personal representative refuses to hold such interest; or (iii) other situation that the relevant Target Participant(s) applied for the transfer which has been approved by us.

Save for the above, no further Incentive Equity Interest has been offered under the Pre-IPO Equity Interest Incentive Scheme and no further Incentive Equity Interest will be offered thereunder on or after the Listing Date.

Further details of the Pre-IPO Equity Incentive Scheme are as follows:

Target Participants	Address	Consideration of Pre-IPO Equity Interest	Price of the Pre-IPO Equity Interest
Ms. Zhou Li	18 Tang Shan Jie, Tang Shan Jie Dao, Jiangning District, Nanjing, Jiangsu Province, the PRC	Nil	Nil
Mr. Huang Annan	Room 709, Block B, Dong San Huan Bei Lu (Wu 2 Hao), Chaoyang District, Beijing, the PRC	Nil	Nil
Ms. Fan Wen Yi	Room 606, Floor 6, Block 3, Xi Yuan, Bao An Jiang Nan Cheng (Phase 3), 66 He Ping Da Dao, Meilan District, Haikou City, Hainan Province, the PRC	Nil	Nil
Ms. Wu Lijuan	Room 405, Unit 3, Block 14, No. 699-39 Xuan Wu Da Dao, Xuan Wu District, Nanjing, Jiangsu Province, the PRC	Nil	Nil
Mr. Wang Tao	Si Ji Hua Ting, Nan Hai Da Dao No.28, Haikou City, Hainan Province, the PRC	Nil	Nil
Ms. Zhao Lin	Room 103, No.24, Block 7, Dian Ya Ju, Nanjing, Jiangsu Province, the PRC	Nil	Nil
Mr. Chen Xiang	Room 908, Block 04, Wang Lin Ju, Tuo Le Jia Hua Yuan, No. 9 Jiang Jun Da Dao, Mo Ling Sub-District, Jiangning District, Nanjing, Jiangsu Province, the PRC	Nil	Nil
Mr. Wang Pei	Flat 1902, Unit 2, Block 4, 8 Zheng He Nan Lu, Gulou District, Nanjing, Jiangsu Province, the PRC	Nil	Nil

(E) OTHER INFORMATION

1. Tax and other indemnities

The Covenantors have, under the Deed of Indemnity referred to in the paragraph "B. Further Information about the Business – 1. Summary of material contracts" in this appendix above, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things,

(a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time and by reason of any transfer of any property to any member of our Group on or before the date on which the Global Offering becomes unconditional;

(b) any taxation which might be payable by any member of our Group (i) in respect of or by reference to any income, profits or gains, transactions, events, matters or things earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Global Offering becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Global Offering becomes unconditional;

(c) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with:

  (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Global Offering becomes unconditional;

  (ii) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Global Offering becomes unconditional;

  (iii) any non-compliance with the applicable laws, rules or regulations by our Company and/or any member of our Group on or before the date on which the Global Offering becomes unconditional; and

(d) any losses and damages suffered or incurred by any member of our Group as a result of or in connection with any expropriation of land by any government authority in the PRC on or before the date on which the Global Offering becomes unconditional.

The Covenantors will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

(a) specific provision, reserve or allowance has been made for such taxation liability in the audited combined financial statements of any member of our Group for the Track Record Period; or

(b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Global Offering becomes unconditional; or

(c) the liability arises in the ordinary course of business of our Group after 31 December 2015 up to and including the date on which the Global Offering becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the PRC or Hong Kong or the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the section "Business – Legal Proceedings", no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group as at the Latest Practicable Date.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fee in relation to the Listing is HK$6.0 million.

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK$42,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Haitong International Capital Limited	A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity
KPMG	Certified public accountants
Appleby	Cayman Islands attorneys-at-law
Beijing Dentons Law Offices, LLP (Guangzhou)	Registered law firm in the PRC
Hainan ChangYu Law Office	Registered law firm in the PRC
DTZ Cushman & Wakefield Limited	Property valuers
DTZ Cushman & Wakefield Limited	Industry consultant

7. Consents of experts

Each of Haitong International Capital Limited, KPMG, Appleby, Beijing Dentons Law Offices, LLP (Guangzhou), Hainan ChangYu Law Office and DTZ Cushman & Wakefield Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its/his reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its/his name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;

(iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and

(iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Neither our Company nor any of the subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

(c) Save as disclosed in the paragraph “Underwriting” in this prospectus, none of the parties listed in the paragraph headed “Consents of experts” in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.

(d) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investors Services Limited, our Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.

(e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) We have no outstanding convertible debt securities.

(h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law.

(i) The English text of this prospectus shall prevail over the Chinese text.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the Application Forms; (b) the written consents referred to in the section headed "Statutory and General Information – E. Other Information – Consents of experts" in Appendix V to this prospectus; and copies of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information about the Business – 1. Summary of material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Loong & Yeung at Room 1603, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the Accountants' Report of our Group dated the date of this prospectus prepared by KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the report on unaudited pro forma financial information prepared by KPMG, the text of which is set out in Appendix II to this prospectus;

(d) the letter, summary of valuations and valuation certificates relating to the property interests of our Group prepared by DTZ Cushman & Wakefield Limited, the text of which is set out in Appendix III to this prospectus;

(e) the PRC legal opinions issued by Beijing Dentons Law Offices, LLP (Guangzhou) in relation to, among other things, the property matters and general matters of our Group;

(f) the PRC legal opinion issued by Hainan ChangYu Law Office in relation to, among other things, a civil claim against Sanya Fenghuang Xincheng;

(g) the material contracts referred to in the section headed "Statutory and General Information – B. Further information about the business – 1. Summary of material contracts" in Appendix V to this prospectus;

(h) the service agreements referred to in the section headed "Statutory and General Information – C. Further Information about Substantial Shareholders, Directors and Experts – 4. Particulars of service agreements" in Appendix V to this prospectus;

(i) the written consents referred to in the section headed "Statutory and General Information – E. Other Information – 7. Consents of Experts" in Appendix V to this prospectus;

(j) the rules of the Pre-IPO Equity Interest Incentive Scheme;

(k) the Companies Law;

(l) the letters of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus; and

(m) the market study report prepared by DTZ.

Hailan Holdings Limited
海藍控股有限公司