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*This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. The Company does not intend to make any public offering of securities in the United States.*



**AGILE GROUP HOLDINGS LIMITED**  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 3383)

## **OVERSEAS REGULATORY ANNOUNCEMENT**

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

Reference is made to the announcements of Agile Group Holdings Limited (the “**Company**”) dated 7 August 2017 and 8 August 2017 in relation to the 2017 Notes Issue (the “**Announcements**”). Unless otherwise defined, capitalised terms used herein have the same meanings as ascribed to them in the Announcements.

Please refer to the offering memorandum dated 7 August 2017 in relation to the 2017 Notes Issue as attached to this announcement (the “**Offering Memorandum**”), which was also published on the website of SGX-ST on 16 August 2017.

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

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

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

By Order of the Board  
**Agile Group Holdings Limited**  
**LAM Ping Yuk**  
*Company Secretary*

Hong Kong, 16 August 2017

*As at the date of this announcement, the Board comprises thirteen members being Mr. Chen Zhuo Lin\* (Chairman and President), Mr. Chan Cheuk Yin\*\* (Vice Chairperson), Madam Luk Sin Fong, Fion\*\* (Vice Chairperson), Mr. Chan Cheuk Hung\*, Mr. Huang Fengchao\*, Mr. Chen Zhongqi\*, Mr. Chan Cheuk Hei\*\*, Mr. Chan Cheuk Nam\*\*, Dr. Cheng Hon Kwan#, Mr. Kwong Che Keung, Gordon#, Mr. Cheung Wing Yui, Edward#, Mr. Hui Chiu Chung, Stephen# and Mr. Wong Shiu Hoi, Peter#.*

\* *Executive Directors*

\*\* *Non-executive Directors*

# *Independent Non-executive Directors*

## IMPORTANT NOTICE

### THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS OUTSIDE OF THE UNITED STATES

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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

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

This offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). This offering memorandum has been prepared on the basis that all offers of Securities will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of Securities.

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

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Joint Global Coordinators, the Joint Lead Managers and the Joint Bookrunners, or The Hongkong and Shanghai Banking Corporation Limited, as trustee, principal paying and transfer agent and registrar and the collateral agent, or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request.

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



## Agile Group Holdings Limited

(incorporated with limited liability under the law of the Cayman Islands)

### US\$200,000,000 5.125% Senior Notes due 2022

**Issue Price: 100%**

The US\$200,000,000 5.125% Senior Notes due 2022 (the “Notes”) will bear interest from August 14, 2017, at 5.125% per annum payable semiannually in arrears on February 14 and August 14 of each year, beginning February 14, 2018. The Notes will mature on August 14, 2022.

The Notes are senior obligations of Agile Group Holdings Limited (the “Company”) guaranteed (the “Subsidiary Guarantees”) by our existing subsidiaries (the “Subsidiary Guarantors”) other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in “Description of the Notes.”

We may at our option redeem the Notes, in whole or in part, at any time and from time to time on or after August 14, 2020, at redemption prices set forth in this offering memorandum, plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to August 14, 2020, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company at a redemption price of 105.125% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may redeem the Notes, in whole but not in part, at any time prior to August 14, 2020, at a price equal to 100% of the principal amount of the Notes plus the applicable premium as set forth in this offering memorandum as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined under the “Description of the Notes”), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

The Notes will (1) rank at least *pari passu* in right of payment against the Company with respect to the 2014 USD Notes, the 2015 Notes and all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law), (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (3) effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries, which will not provide a guarantee for the Notes. However, applicable law may limit the enforceability of the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the pledge of any collateral. See “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.”

For a more detailed description of the Notes, see “Description of the Notes” beginning on page 199.

**Investing in the Notes involves risks. See “Risk Factors” beginning on page 14 before investing in the Notes.**

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

The Notes are expected to be rated B+ by Standard & Poor’s Ratings Services and B1 by Moody’s Investors Service. The credit ratings accorded to the Notes are not a recommendation to purchase, hold or sell the Notes in as much as such ratings do not comment as to market price or suitability for a particular investor.

**The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered, sold or delivered within the United States or to U.S. person except pursuant to exemptions from, or on a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States to non-U.S. persons (as defined in Regulation S under the Securities Act) in compliance with Regulation S under the Securities Act (“Regulation S”) and in accordance with any other applicable laws. For a description of certain restrictions on resale or transfer, see “Transfer Restrictions” beginning on page 278.**

Pursuant to the Notice on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知《發改外資[2015]2044號》) (the “NDRC Notice”) promulgated by the National Development and Reform Commission of the PRC (the “NDRC”) on September 14, 2015, which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated July 3, 2017 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within 10 business days after the issue date of the Notes.

It is expected that delivery of the Notes will be made on or about August 14, 2017 through the book-entry facilities of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) against payment therefor in immediately available funds.

*Joint Global Coordinators*

**Standard Chartered Bank**

**HSBC**

*Joint Bookrunners and Joint Lead Managers*

**HSBC**

**Standard Chartered Bank**

**ABC International**

**China Securities International**

The date of this Offering Memorandum is August 7, 2017

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This offering memorandum has been prepared by us solely for use in connection with the proposed placement of the Notes. We, as well as Standard Chartered Bank and The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) (the “Joint Global Coordinators”), HSBC, Standard Chartered Bank, ABCI Capital Limited and China Securities (International) Corporate Finance Company Limited (the “Joint Bookrunners and Joint Lead Managers” and the “Initial Purchasers” and, together with the Joint Global Coordinators, the “Managers”), reserve the right to withdraw the offering of the Notes at any time or to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered hereby.

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

The attached offering memorandum is not a prospectus for the purposes of the European Union’s Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the “EU Prospectus Directive”). The attached offering memorandum has been prepared on the basis that all offers of the securities made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the securities.

**IN CONNECTION WITH THIS OFFERING, THE JOINT GLOBAL COORDINATORS ACTING IN ITS CAPACITY AS A STABILIZING MANAGER, OR ANY PERSON ACTING FOR THEM, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME.**

This offering memorandum is personal to the prospective investor to whom it has been delivered by the Managers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes. Distribution of this offering memorandum to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorized, and any disclosure of its contents without our prior written consent is prohibited. The prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and agrees not to make any photocopies of this offering memorandum.

This offering memorandum is intended solely for the purpose of soliciting indications of interest in the Notes from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions contained in the Indenture and other transaction documents described herein. The information provided is not all-inclusive. The market information in this offering memorandum has been obtained by us from publicly available sources deemed by us to be reliable. Notwithstanding any investigation that the Managers may have conducted with respect to the information contained herein, the Managers do not accept any liability in relation to the information contained in this offering memorandum or its distribution or with regard to any other information supplied by or on our behalf.

You should rely only on the information contained in this offering memorandum. We have not authorized anyone to provide you with information that is different. This offering memorandum may only be used where it is legal to sell the Notes. The information in this document may only be accurate at the date of this offering memorandum. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

We confirm that, after having made all reasonable inquiries, this offering memorandum contains all information with regard to us and the Notes which is material to the offering and sale of the Notes, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no omissions of any other facts from this offering memorandum which, by their absence herefrom, make this offering memorandum misleading in any material respect. We accept responsibility accordingly.

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

We are not, and the Managers are not, making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The Notes are subject to restrictions on transferability and resale. Purchasers of the Notes may not transfer or resell the Notes except as permitted under the Securities Act and applicable state securities laws. Prospective investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this offering memorandum, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales. Persons into whose possession this offering memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this offering memorandum and the offering and sale of the Notes. In particular, there are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States and the European Economic Area and to persons connected therewith. See "Plan of Distributions and "Transfer Restrictions".

The distribution of this offering memorandum and the offer and sale of the Notes may, in certain jurisdictions, be restricted by law. Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this offering memorandum, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales.

For a description of the restrictions on offers, sales and resales of the Notes and distribution of this offering memorandum, see the sections headed “Transfer Restrictions” and “Plan of Distribution” below.

**None of us, the Managers, the Trustee, Principal Paying and Transfer Agent and Registrar and the Collateral Agent, or any of their respective affiliates or representatives, is making any representation to any offeree or purchaser of the Notes offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each prospective investor should consult with its own advisers as to legal, tax, business, financial and related aspects of a purchase of the Notes. None of the Managers, the Trustee, Principal Paying and Transfer Agent and Registrar and the Collateral Agent makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this offering memorandum. To the fullest extent permitted by law, none of the Managers, the Trustee, Principal Paying and Transfer Agent and Registrar and the Collateral Agent accepts any responsibility for the contents of this offering memorandum or for any other statement made or purported to be made by the Managers or on their behalf in connection with us or the issue and offering of the Notes. Each of the Managers, the Trustee, Principal Paying and Transfer Agent and Registrar and the Collateral Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement.**

#### **CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION**

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

Market data and certain industry forecast and statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Managers or their respective directors and advisors, and neither us, the Managers nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This offering memorandum summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Notes, including the merits and risks involved.

The statistics set forth in this offering memorandum relating to the PRC and the property industry in the PRC were taken or derived from various government and private publications. The Managers do not make any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon.

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

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.9430 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2016, and all translations from H.K. dollars into U.S. dollars were made at the rate

of HK\$7.7534 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2016. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or *vice versa*, at any particular rate or at all. For further information relating to the exchange rates, see “Exchange Rate Information.”

References to “PRC” and “China,” for the purposes of this offering memorandum only, except where the context requires, do not include Hong Kong, Macau Special Administrative Region of the PRC (“Macau”), or Taiwan. “PRC government” or “State” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

References to the “Chen family” in this offering memorandum are to Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei, Chan Cheuk Nam, Lu Liqing, Lu Yanping, Chan Siu Na and Zheng Huiqiong.

References to “2010 Notes” are to our US\$650 million aggregate principal amount of 8.875% Senior Notes due by 2017. We redeemed all outstanding amount of the 2010 Notes on June 27, 2016.

References to “Convertible Bonds” are to our 4% convertible bonds in an aggregate principle amount of US\$500 million due 2016. We redeemed all outstanding Convertible Bonds in full on May 28, 2014.

References to “2012 Notes” are to our US\$700 million aggregate principal amount of 9.875% Senior Notes due 2017. We redeemed all outstanding amount of the 2012 Notes on March 20, 2017.

References to “Perpetual Capital Securities” are to our subordinated perpetual capital securities in an aggregate principal amount of US\$700 million.

References to “Domestic Perpetual Capital Securities” are to our PRC perpetual capital securities in an aggregate principal amount of RMB1,100 million.

References to “Asset-backed Securities” are to our asset-backed securities in the principal amount of RMB1,100,000,000 established on July 26, 2016.

References to “2014 USD Notes” are to our US\$500 million aggregate principal amount of 8.375% Senior Notes due 2019.

References to “2014 RMB Notes” are to our RMB2,000 million aggregate principal amount of 6.50% Senior Notes due 2017. We redeemed all outstanding amount of the 2014 RMB Notes on February 28, 2017.

References to “2014 HSB Club Facility I” are to our US\$475 million term loan facility with a syndicate of three lenders and Hang Seng Bank Limited as facility agent and security agent, which we entered into in April 2014, as amended and restated on November 28, 2014. As of the date of this offering memorandum, we have repaid in full the 2014 HSB Club Facility I.

References to “2014 HSB Club Facility II” are to our HK\$2,665 million term loan facility, with a greenshoe option of HK\$3,000 million, with a syndicate of five lenders and Hang Seng Bank Limited as facility agent and security agent, which we entered into in June 2014. An additional facility lender acceded to the facility agreement in September 2014 and the total term loan facility amount was increased to HK\$2,895 million. As of the date of this offering memorandum, we have repaid in full the 2014 HSB Club Facility II.



References to “2015 Notes” are to our US\$500 million aggregate principal amount of 9.0% Senior Notes due 2020.

References to “2016 HSB Syndicated Loan” are to our HK\$6,707 million term loan facility, with greenshoe option of HK\$2,000 million, with various lenders and Hang Seng Bank Limited as the facility agent which we entered on May 26, 2016.

References to “2017 SCB Facility” are to our HK\$624 million term loan facility with various lenders and Standard Chartered Bank (Hong Kong) Limited as the facility agent which we entered on June 2, 2017.

References to “2017 SCB Syndicated Loan” are to our dual tranche transferable term loan facilities denominated in both H.K. dollars and U.S. dollars in the amount of HK\$3,519 million and US\$0 with various lenders and Standard Chartered Bank (Hong Kong) Limited as the facility agent which we entered on July 17, 2017.

References to the “Guangzhou Asian Games City Project” are to the development of certain parcels of land located in the Panyu District of Guangzhou City that we, together with certain other property developers in the PRC, acquired pursuant to a land grant contract with the PRC government dated December 22, 2009, as amended and supplemented. The development of this project is implemented through a project company (the “Asian Games JV”), in which we hold a minority equity interest. We have included this project in the total number of our property projects as of December 31, 2016, and also have taken into account this project when calculating the site area or GFA data included in this offering memorandum, unless otherwise specified. For additional information, see “Business — Guangzhou Asian Games City Project.”

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and GFA information presented in this offering memorandum represent the site area and GFA of the entire project, including those attributable to the minority shareholders of our non-wholly owned project companies.

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

Totals presented in this offering memorandum may not equal the apparent total of individual items because of rounding of numbers.

## FORWARD-LOOKING STATEMENTS

This offering memorandum includes “forward-looking statements.” All statements other than statements of historical fact contained in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “aim,” “intend,” “will,” “may,” “anticipate,” “seek,” “should,” “estimate” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business and operating strategies;
- our capital expenditure, plans and property development plans;
- various business opportunities that we may pursue;
- our operations and business prospects;
- our financial condition and results of operations;
- availability of and changes to bank loans and other forms of financing;
- amount and nature of, and potential for, future development of our business;
- the industry outlook generally;
- future developments in and the performance of the property market in Guangdong Province, other areas of the PRC and any other area that we may enter into;
- changes in political, economic, legal and social conditions in the PRC and any other market that we may enter into, including the PRC central and local governments’ specific policies which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property developments;
- the timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and commitments of our joint venture partners under the existing and future joint venture agreements;
- the performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;
- changes in currency exchange rates;
- significant delay in obtaining the occupation permits, proper legal titles or approvals for our properties under development or held for future development; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this offering memorandum. We caution you not to place undue reliance on these forward-looking statements

which reflect our management's view only as of the date of this offering memorandum. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering memorandum might not occur.

## ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability. The Cayman Islands has a different body of securities laws from the United States and protections for investors may differ.

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

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

Conyers Dill & Pearman, our counsel as to Cayman Islands laws, has advised us that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the federal or state courts in the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an *in personam* judgment for non-monetary relief, and would give a judgment based thereon provided that: (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Conyers Dill & Pearman, our counsel as to British Virgin Islands laws, has advised us that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the federal or state courts in the United States against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the British Virgin Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands; and (f) there is due compliance with the correct procedures under the laws of the British Virgin Islands.

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

money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

- (a) was obtained by fraud;
- (b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);
- (c) is contrary to public policy or natural justice;
- (d) is based on foreign penal, revenue or other public law; or
- (e) falls within Section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance.

Further, we have been advised by our PRC legal counsel, Jingtian & Gongcheng Attorneys at Law (“Jingtian”), and our Cayman Islands legal counsel, Conyers Dill & Pearman, that there is uncertainty as to whether the courts of the PRC and the Cayman Islands, respectively, would (i) enforce judgments of the U.S. courts obtained against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state or territory within the United States or (ii) entertain original actions brought in the courts of the PRC and the Cayman Islands, respectively, against us or our directors and officers predicated upon the federal securities laws of the United States or the securities laws of any state or territory within the United States.

## **PRESENTATION OF FINANCIAL INFORMATION**

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) which differ in certain respects from generally accepted accounting principles (“GAAP”) in certain other countries.

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

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

Our definition of EBITDA should not be considered in isolation or construed as an alternative to profit for the year or any other standard measure under HKFRS or as an indicator of operating performance. Our definition of EBITDA does not account for income taxes, interests, depreciation and amortization, fair value gains on investment properties, non-recurring other income/expense, and exchange gains/losses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures” for more information. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See “Description of the Notes — Definitions” for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

## GLOSSARY OF TECHNICAL TERMS

“certificate of completion” . . . . .	a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities, or an equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection.
“commodity properties” . . . . .	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion.
“construction land planning permit” . . . .	a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China.
“construction permit” . . . . .	a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China.
“construction works planning permit” . . . .	a construction works planning permit (建築工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China.
“GFA” . . . . .	gross floor area.
“land grant contract” . . . . .	(國有土地使用權出讓合同) an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land use rights of a parcel of land to such property developer.
“land grant confirmation agreement” . . . . .	(國有土地使用權成交確認書) a confirmation given by a PRC land authority that a property developer has won the bid for the land use rights of a parcel of land in the government-organized land bidding, auction or listing-for-sale process.
“land grant or transfer document” . . . . .	a land grant contract, land grant confirmation agreement or land use rights transfer agreement.
“land use rights certificate” . . . . .	a state-owned land use rights certificate (國有土地使用證) issued by a local real estate and land resources bureau with respect to the land use rights.
“land use rights transfer agreement” . . . . .	(國有土地使用權轉讓合同) an agreement in respect of the transfer of the land use rights of a parcel of land by the previous grantee of the land use rights in the secondary market.
“LAT” . . . . .	land appreciation tax (土地增值稅).
“low-density units” . . . . .	the low-density units that we develop include stand-alone houses, semi-detached houses and townhouses.
“pre-sale” . . . . .	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations.
“pre-sale permit” . . . . .	a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties.

“property ownership certificate” . . . . . a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land.

“sq.ft.” . . . . . square feet.

“sq.m.” . . . . . square meter.

## SUMMARY

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

### Overview

We are one of the leading property developers in China. We focus primarily on the development and sale of medium to large-scale high-quality residential properties in China. We expect to benefit from the continuing economic growth and the related expansion of the property market in China. We enjoy strong brand name recognition. In 2016, we received numerous awards and recognition, including “2016 China Top 500 Private Enterprises” and “2016 China Top 100 Private Service Enterprises” by All-China Federation of Industry & Commerce, “2015 Ranking of China’s 100 Best Real Estate Enterprises” and “2015 Top 30 Listed China’s Real Estate Enterprises” by Guandian Real Estate New Media, “China Property Award of Supreme Excellence 2016” by Organizing Committee of China Property Award of Supreme Excellence and “2015 Silver Cup of Guangdong Poverty Relief Hongmian Cup” by Guangdong Leadership Group of Poverty Alleviation.

We offer a wide range of real estate products, including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments, to satisfy a broad range of customers of varying income levels with a majority of our products targeting end users including both first time home purchasers and upgraders. In addition to residential properties, we develop commercial properties, including retail shops complementary to our residential properties, shopping malls, office buildings and hotels. We also provide property management and hotel operation services.

Our management team includes members with over 25 years of experience in the PRC real estate industry and has contributed to the growth of our business substantially since we first commenced property development activities in Guangdong Province in 1992. As of December 31, 2016, we had 83 projects within our land bank, 42 of which were located in Southern China region with a total GFA of approximately 10.3 million sq.m.; 16 in Eastern China region with a total GFA of approximately 3.5 million sq.m.; six in Western China region with a total GFA of approximately 1.0 million sq.m.; seven in Central China region with a total GFA of approximately 1.7 million sq.m.; three in Hainan Province with a total GFA of approximately 7.7 million sq.m.; three in Yunnan Province with a total GFA of approximately 5.1 million sq.m.; one in Northeast China region with a total GFA of approximately 0.8 million sq.m.; two in Northern China region with a total GFA of approximately 0.6 million sq.m.; two in Kuala Lumpur of Malaysia with a total GFA of approximately 0.3 million sq.m. and one in South San Francisco of the U.S. with a total GFA of approximately 0.02 million sq.m. These 83 projects have an aggregate site area of approximately 41.1 million sq.m., and an aggregate GFA of approximately 65.2 million sq.m., which includes an aggregate GFA of approximately 1.9 million sq.m. of completed properties, an aggregate GFA of approximately 6.5 million sq.m. of properties under development and an aggregate GFA of approximately 22.6 million sq.m. of properties held for future development. We have obtained land use rights certificates for each of these 83 projects. As of December 31, 2016, we had also entered into contracts to acquire additional parcels of land with a total site area of 0.9 million sq.m. and a total planned GFA of 1.6 million sq.m. We are in the process of applying for the land use rights certificates or the land titles with respect to such land.

For 2014, 2015 and 2016, the total GFA sold was approximately 4.0 million sq.m., 4.8 million sq.m. and 5.1 million sq.m., respectively. For 2014, 2015 and 2016, we recorded sales revenue from property development of RMB37,036.6 million, RMB41,421.2 million and RMB44,751.8 million (US\$6,445.6 million), respectively, and the net profit attributable to our equity holders was approximately RMB4,287.2 million, RMB1,390.3 million and RMB2,283.6 million (US\$328.9 million), respectively.

Since 2006, we have begun to expand our property development business to strategically selected cities outside Southern China Region such as in Eastern China Region, Western China Region,

Central China Region, Northeast China Region, Northern China Region, Hainan and Yunnan Region. We intend to continue the expansion of our presence in markets outside the Southern China region while maintaining our core focus in Southern China. We also initiated our tourism property business in Hainan and Yunnan region in 2007 and 2012, respectively, in order to leverage the thriving tourism industry in these provinces to attract purchasers of vacation homes. In 2014, we further expanded our business outside of China with our first overseas project in Malaysia. In 2016, we entered the market in the United States by investing 10% of equity interest of a project in South San Francisco. On a selective basis, we also engage in other complementary businesses, such as property management, the development and management of hotels, investment properties, with a view to dispersing operational risks, generating steady income and enhancing the value of the nearby property projects. As of December 31, 2016, total GFA of properties managed by us exceeded 58 million sq.m. As of the date of this offering memorandum, we have eight hotels, two major shopping malls and one office building in operation.

In recent years, we entered into the environmental protection business to further diversify our source of income and organically increase the value-add of our property development and management projects. Our environmental protection business primarily includes solid waste business, environmental restoration business and water affairs business. See “Business — Environmental Protection.”

As of June 30, 2017, our market capitalization was approximately HK\$35.9 billion based on the closing price of our shares as quoted on the Hong Kong Stock Exchange. We are a constituent stock of the Hang Seng Composite Index, the Hang Seng Global Composite Index, the Hang Seng Stock Connect Hong Kong Index Series, the Hang Seng High Dividend Yield Index and Lippo Select HK & Mainland Property Index.

The following table sets forth the geographical distribution of our 83 projects in terms of GFA completed, GFA under development and GFA held for future development within the land bank as of December 31, 2016<sup>(1)</sup>:

	GFA Completed		GFA under Development (Residential, Commercial & Investment Properties)		GFA Held for Future Development		Total	
	sq.m.	%	sq.m.	%	sq.m.	%	sq.m.	%
Southern China Region . . . . .	579,370	29.8	2,736,037	42.3	6,982,733	30.9	10,298,139	33.2
Eastern China Region . . . . .	310,381	15.9	1,395,068	21.6	1,775,301	7.8	3,480,750	11.2
Western China Region . . . . .	235,685	12.1	361,769	5.6	450,281	2.0	1,047,714	3.3
Central China Region . . . . .	44,938	2.3	72,232	1.1	1,538,079	6.8	1,655,249	5.3
Hainan & Yunnan Region . . . . .	732,487	37.6	1,555,818	24.1	10,552,274	46.6	12,840,579	41.4
Northeast China Region . . . . .	32,652	1.7	173,641	2.7	615,149	2.7	821,442	2.6
Northern China Region . . . . .	10,715	0.6	78,333	1.2	467,362	2.1	556,409	1.8
Overseas . . . . .	—	—	95,006	1.5	244,958	2.0	339,964	1.1
	<u>1,946,227</u>	<u>100.0</u>	<u>6,467,903</u>	<u>100.0</u>	<u>22,626,117</u>	<u>100.0</u>	<u>31,040,246</u>	<u>100.0</u>

*Notes:*

- (1) We hold 100% of the equity interest in all of the projects listed in this table, except for:
- (a) the Guangzhou Asian Games City Project in which we hold a 20% equity interest (which was further increased to 26.66% in June 2017);
  - (b) the Keep Orange Huadu in which we hold a 50% equity interest;
  - (c) the Beautiful Lake Zhongshan in which we hold a 50% equity interest;
  - (d) the Zhongshan Mountain City Project in which we hold a 50% equity interest;
  - (e) the Zhongshan Nanlong Tianlu Project in which we hold a 50% equity interest;
  - (f) the Zhongshan Dongcheng Lufeng Project in which we hold a 50% equity interest;
  - (g) the Zhongshan Junhui Project in which we hold a 60% equity interest;



- (h) the Agile Personage Nanhai in which we hold a 51% equity interest;
- (i) the Agile International Center Nanning in which we hold a 50% equity interest;
- (j) the Suzhou Xiangcheng Development Zone Project in which we hold a 62.5% equity interest;
- (k) the Agile Chairman Xi'an in which we hold a 70% equity interest;
- (l) the Bund Mansion Changsha in which we hold a 50% equity interest;
- (m) the Agile International Garden Zhengzhou in which we hold a 60% equity interest;
- (n) the Wuhan Jiangxia District Project in which we hold a 50% equity interest;
- (o) the Hainan ClearwaterBay Project A in which we hold a 70% equity interest;
- (p) the Tianjin Jinnan New City in which we hold a 25% equity interest;
- (q) the Beijing Yanqing District Project in which we hold a 51% equity interest;
- (r) the Agile Mont Kiara Kuala Lumpur in which we hold a 70% equity interest;
- (s) the Kuala Lumpur Bukit Bintang Project in which we hold a 70% equity interest;
- (t) the South San Francisco Oyster Point Project in which we hold a 10% equity interest;

### ***Recent Developments***

#### *2017 SCB Syndicated Loans*

On July 17, 2017, we, as borrower, certain of our subsidiaries, as guarantors, and Standard Chartered Bank (Hong Kong) Limited, as original lender, mandated lead arranger and bookrunner, and facility agent and security agent, entered into facility agreement pursuant to which we were granted term loan facility in the amount of HK\$3,519 million for a term of 36 months. See “Description of Other Material Indebtedness — Offshore Facility Agreements.”

#### *2017 SCB Facility*

On June 2, 2017, we, as borrower, certain of our subsidiaries, as guarantors, and Standard Chartered Bank (Hong Kong) Limited, as original lender, facility agent and security agent, entered into facility agreement pursuant to which we were granted term loan facility in the amount of HK\$624 million for a term of 36 months. See “Description of Other Material Indebtedness — Offshore Facility Agreements.”

#### *Domestic Corporate Bonds*

On July 12, 2017, we issued non-public domestic corporate bonds in aggregate principal amount of RMB3.0 billion (US\$0.4 billion) at a coupon rate of 6.98% per annum for a term of three years to qualified institutional investors in the PRC. See “Description of Other Material Indebtedness — Domestic Corporate Bonds.”

#### *Crown Golden Repurchase*

On May 9, 2017, Crown Golden Investments Limited (“Crown Golden”), a non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement with, among others, a third party seller to purchase 30% equity interests in Crown Golden from the third party seller for a consideration of US\$900,000,000 (the “Repurchase”). After the completion of the Repurchase, Crown Golden has become our wholly-owned subsidiary. Crown Golden and its subsidiaries are principally engaged in the development of tourism property projects, including Hainan Clearwater Bay project in Hainan, a high-end resort and residential development project of the Company.

#### *Tianjin JV Guarantee*

On March 28, 2017, we entered into a commitment letter in favor of China Bohai Bank Beijing Branch, pursuant to which we agreed to provide guarantee in proportion to the 25% shareholding interests in Tianjin JV Co owned by us through Foshan Agile Real Estate Co., Ltd. (“Foshan Agile”),

a wholly-owned subsidiary of the Company, for repayment of a loan in principal amount of RMB3,000 million (US\$432.1 million) granted to Tianjin JV Co by China Bohai Bank Beijing Branch. See “Description of Other Material Indebtedness — Tianjin JV Guarantee.”

#### *Redemption of the 2012 Notes*

On March 20, 2017, we redeemed all outstanding principal amount of the 2012 Notes of US\$700 million in full upon its maturity.

#### *Redemption of the 2014 RMB Notes*

On February 28, 2017, we redeemed all outstanding principal amount of RMB2,000 million of the 2014 RMB Notes in full upon its maturity.

### **Competitive Strengths**

We believe that our success and future prospects are supported by a combination of the following competitive strengths:

- market leadership with a well-established track record;
- diversified, sizeable and low-cost land bank;
- strong brand name recognition and a wide spectrum of high-quality products
- stable income from other segments
- experience in large-scale multi-phase developments; and
- strong corporate governance and experienced management.

### **Business Strategies**

We plan to further diversify our “1+N” business model, strengthen our position in the property development business and accelerate the development of other businesses. We also aim to improve our execution, operational efficiency and overall management quality. We intend to achieve our overall business objectives by pursuing the following strategies:

- Optimize land bank with an active but prudent land acquisition strategy;
- Enhance overall management to maximize profits;
- Expand property management business with diversified value-added services;
- Increase our competitive edge in other businesses, including hotel operations, property investment, environmental protection, education and construction; and
- Strengthen our brand recognition nationwide and overseas.

### **General Information**

The Company is incorporated in the Cayman Islands on July 14, 2005 as an exempted company with limited liability, with registered number CT-151949. Its principal place of office in the PRC is at 33rd Floor, Agile Center, 26 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, PRC, Postal Code: 510623. Our principal place of business in Hong Kong is at 18/F., Three Pacific Place, 1 Queen’s Road East, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

## Summary of the Offering

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this offering memorandum. For a detailed description of the Notes, see the section entitled “Description of the Notes.” The terms and conditions of the Notes prevail to the extent of any inconsistency with the summary set forth in this section. This summary is not intended to be complete and does not contain all of the information that is important to an investor. Terms used in this summary and not otherwise defined shall have the meanings given to them in “Description of the Notes.”

Issuer . . . . .	Agile Group Holdings Limited (the “Company”).
Notes Offered . . . . .	US\$200,000,000 aggregate principal amount of 5.125% Senior Notes due 2022 (the “Notes”).
Offering Price . . . . .	100% of the principal amount of the Notes.
Maturity Date . . . . .	August 14, 2022.
Interest . . . . .	The Notes will bear interest at a rate of 5.125% per annum, payable semi-annually in arrears on February 14 and August 14 of each year, commencing February 14, 2018.
Ranking of the Notes . . . . .	The Notes are: <ul style="list-style-type: none"><li>● general obligations of the Company;</li><li>● senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;</li><li>● at least <i>pari passu</i> in right of payment against the Company with respect to the 2014 USD Notes, the 2015 Notes, the 2016 HSB Syndicated Loan, the 2017 SCB Facility, the 2017 SCB Syndicated Loan and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);</li><li>● guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantor (if any) on a senior basis, subject to the limitations described under the caption “Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral;”</li><li>● effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and</li><li>● effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries, which will not provide a Guarantee for the Notes.</li></ul>

After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors and subject to certain limitations described under

“Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will:

- be entitled to a security interest in the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors (subject to any Permitted Liens) shared on a *pari passu* basis pursuant to the Intercreditor Agreement among (i) the holders of the 2014 USD Notes, (ii) the holders of the 2015 Notes, (iii) the lenders of the 2016 HSB Syndicated Loan, (iv) the lenders of the 2017 SCB Facility, (v) the lenders of the 2017 SCB Syndicated Loan and (vi) any other creditors with respect to Permitted *Pari Passu* Secured Indebtedness; and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Subsidiary Guarantees  
and JV Subsidiary  
Guarantees . . . . .

Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The initial Subsidiary Guarantors will consist of all of the Company’s Restricted Subsidiaries other than (i) those Subsidiaries organized under the laws of the PRC and (ii) the other Non-Guarantor Restricted Subsidiaries listed under “Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries, Listed Subsidiaries and members of the Crown Golden Group) to guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 30% of the Total Assets of the Company.

A Subsidiary Guarantee may be released or replaced in certain circumstances. See “Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.” In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may (i) release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, (ii) discharge the pledge of the Capital Stock granted by such Subsidiary Guarantor, and (iii) discharge the pledge of Capital Stock

made by the Company or any Subsidiary Guarantor over the shares it owns in such Subsidiary Guarantor, *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the Subsidiary Guarantors whose Subsidiary Guarantees were released) do not account for more than 30% of the Total Assets of the Company. For purposes of the calculations in this paragraph and the foregoing paragraph, the Consolidated Assets of the Crown Golden Group will be excluded.

Ranking of Subsidiary  
Guarantees . . . . .

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* with the guarantees provided for the 2014 USD Notes, the 2015 Notes, the 2016 HSB Syndicated Loan, the 2017 SCB Facility, the 2017 SCB Syndicated Loan and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

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

JV Subsidiary  
Guarantees . . . . .

A JV Subsidiary Guarantee is required to be delivered by a Subsidiary Guarantor if the Company wishes to release such Subsidiary Guarantor from its Subsidiary Guarantee following a sale by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale is for no less than 20% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor. If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

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

- will be limited to the JV Entitlement Amount and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- will be limited to the JV Entitlement Amount and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company may also deliver a JV Subsidiary Guarantee instead of a Subsidiary Guarantee on substantially similar conditions for certain Restricted Subsidiaries that are established after the Original Issue Date. See “Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Security . . . . .

The Company has agreed, for the benefit of the holders of the Notes, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of each initial Subsidiary Guarantor held directly by the Company or the Subsidiary Guarantor Pledgors (the “Collateral”) (subject to Permitted Liens and *pari passu* sharing described below) in order to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor Pledgor under its Subsidiary Guarantee.

The Collateral securing the Notes and the Subsidiary Guarantees may be released, reduced or diluted under certain other circumstances, subject to the terms of the Indenture and the Intercreditor Agreement. In addition, the Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement by the holders of the Notes and the holders of other Permitted Pari Passu Secured Indebtedness, including the holders of the 2014 USD Notes, the holders of the 2015 Notes, the lenders of the 2016 HSB Syndicated Loan, the lenders of the 2017 SCB Facility and the lenders of the 2017 SCB Syndicated Loan. See “Description of the Notes — Security.”

Intercreditor Agreement . . . . .

The Company, the Subsidiary Guarantor Pledgors, the Collateral Agent, the 2014 USD Notes Trustee, the 2015 Notes Trustee, Hang Seng Bank Limited as security agent to the 2016 HSB Syndicated Loan, Standard Chartered Bank (Hong Kong) Limited as security agent to the 2017 SCB Facility and Standard Chartered Bank (Hong Kong) Limited as security agent to the 2017 SCB Syndicated Loan have entered into or acceded to an intercreditor agreement dated November 12, 2009 to which the trustee for the Notes will accede, pursuant to which they agree to (1) share the Collateral on a equal and ratable basis, the parties thereto shall share equal priority and pro rata entitlement in and to the Collateral; (2) the conditions that are applicable to the release of or granting of any Lien on such Collateral; and (3) the conditions under which their rights with respect to such Collateral and the Indebtedness secured thereby will be enforced. See “Description of the Notes — Security — Intercreditor Agreement.”

Use of Proceeds . . . . .

We intend to use the net proceeds to refinance part of the 2014 USD Notes. See “Use of Proceeds.”

Optional Redemption . . . . . At any time and from time to time on or after August 14, 2020, the Company may redeem the Notes, in whole or in part, at the redemption prices set forth in “Description of the Notes — Optional Redemption” plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to August 14, 2020, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.125% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to August 14, 2020, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

See “Description of the Notes — Optional Redemption.”

Repurchase of Notes  
Upon a Change of  
Control Triggering  
Event . . . . .

Upon the occurrence of a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date. See “Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event.”

Redemption for Taxation  
Reasons . . . . .

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

Covenants . . . . .

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

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;

- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

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

Transfer Restrictions . . . The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."

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

Book-Entry Only . . . . . The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see "Description of the Notes — Book-Entry; Delivery and Form."

Delivery of the Notes . . . The Company expects to make delivery of the Notes, against payment in same-day funds, on or about August 14, 2017, which the Company expects will be the fifth business day following the date of this offering memorandum referred to as "T+5". You should note that initial trading of the Notes may be affected by the T+5 settlement. See "Plan of Distribution."

Trustee . . . . . The Hongkong and Shanghai Banking Corporation Limited

Principal Paying and Transfer Agent and Registrar . . . . . The Hongkong and Shanghai Banking Corporation Limited

Collateral Agent . . . . . The Hongkong and Shanghai Banking Corporation Limited

Listings . . . . . Application has been made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies).



Ratings . . . . . We expect the Notes to be rated B+ by Standard and Poor’s Rating Services and B1 by Moody’s Investors Service. We cannot assure investors that these ratings will not be adversely revised or withdrawn either before or after delivery of the Notes.

Governing Law . . . . . The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York.

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

ISIN . . . . .		<u>ISIN</u>	<u>Common Code</u>
	Global Note	XS1659119629	165911962

## Summary Consolidated Financial and Other Data

The following table presents our summary financial and other data. The summary financial data as of and for each of the fiscal years ended December 31, 2014, 2015 and 2016 except for EBITDA data and amounts presented in U.S. dollars, are derived from our audited consolidated financial statements for those years and as of the dates indicated. The summary financial data below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the audited consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

### Summary Consolidated Income Statement Information

	Year Ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US\$
	(unaudited)			
	(in thousands, except percentages)			
<b>Revenue</b> . . . . .	38,317,599	43,004,312	46,678,865	6,723,155
Cost of sales . . . . .	(25,886,775)	(32,191,005)	(34,313,168)	(4,942,124)
<b>Gross profit</b> . . . . .	12,430,824	10,813,307	12,365,697	1,781,031
Selling and marketing costs . . . . .	(1,784,164)	(1,785,859)	(2,097,973)	(302,171)
Administrative expenses . . . . .	(1,437,438)	(1,444,024)	(1,458,191)	(210,023)
Fair value gains on investment properties . . . . .	469,625	62,523	42,960	6,188
Other gains/(losses), net . . . . .	146,034	(139,387)	(334,708)	(48,208)
Other income . . . . .	979,166	212,162	278,662	40,136
Other expenses . . . . .	(312,950)	(82,439)	(195,880)	(28,213)
<b>Operating profit</b> . . . . .	10,491,097	7,636,283	8,600,567	1,238,739
Finance (costs)/income, net . . . . .	(292,573)	(1,325,206)	(1,124,531)	(161,966)
Share of post-tax loss of an associate . . . . .	(27,636)	(27,190)	(3,375)	(486)
Share of post-tax (loss)/profit of joint ventures . . . . .	(44,997)	(87,400)	10,453	1,506
<b>Profit before income tax</b> . . . . .	10,125,891	6,196,487	7,483,114	1,077,793
Income tax expenses . . . . .	(5,034,790)	(3,894,950)	(4,433,480)	(638,554)
<b>Profit for the year</b> . . . . .	5,091,101	2,301,537	3,049,634	439,239
<b>Attributable to:</b>				
Shareholders of the Company . . . . .	4,287,245	1,390,343	2,283,640	328,913
Holders of perpetual capital securities . . . . .	354,782	358,565	415,263	59,810
Non-controlling interests . . . . .	449,074	552,629	350,731	50,516
	5,091,101	2,301,537	3,049,634	439,239
<b>Dividends</b> . . . . .	1,162,273	1,276,543	1,555,147	223,988
<b>OTHER FINANCIAL DATA</b>				
EBITDA <sup>(1)</sup> . . . . .	12,177,615	9,836,514	11,608,980	1,672,041
EBITDA Margin <sup>(2)</sup> . . . . .	31.8%	22.9%	24.9%	24.9%

*Notes:*

- (1) The calculation of earnings before interest, taxation, depreciation and amortization (EBITDA) excluded fair value gains on investment properties. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company’s ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for income taxes, interests, depreciation and amortization, fair value gains on investment properties, non-recurring other income/expense, and exchange gains/losses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures” for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See

“Description of the Notes — Definitions” for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

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

## Summary Consolidated Balance Sheet Information

	As of December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US\$
	(in thousands, except percentages)			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	7,696,021	6,651,965	7,309,147	1,052,736
Land use rights . . . . .	2,288,324	1,940,762	2,029,966	292,376
Properties under development . . . . .	9,663,011	6,798,703	9,510,651	1,369,819
Intangible assets . . . . .	60,863	54,400	55,357	7,973
Investment properties . . . . .	5,846,317	6,369,011	6,326,943	911,269
Interest in an associate . . . . .	30,565	3,375	114,461	16,486
Interest in joint ventures . . . . .	1,220,848	1,133,448	4,624,663	666,090
Available-for-sale financial assets . . . . .	117,500	117,500	277,500	39,968
Derivative financial instruments . . . . .	—	—	254,497	36,655
Receivables from the associates and joint ventures . . . . .	2,039,716	3,554,716	4,383,129	631,302
Deferred income tax assets . . . . .	501,790	570,208	699,275	100,717
	<u>29,464,955</u>	<u>27,194,088</u>	<u>35,585,589</u>	<u>5,125,391</u>
<b>Current assets</b>				
Properties under development . . . . .	50,518,110	44,523,607	36,706,691	5,286,863
Completed properties held for sale . . . . .	16,138,247	16,888,695	13,976,133	2,012,982
Prepayments for acquisition of land use rights . . . . .	3,700,798	5,540,880	9,614,483	1,384,774
Trade and other receivables . . . . .	11,674,857	8,383,115	11,462,643	1,650,964
Prepaid income taxes . . . . .	721,307	1,645,454	1,760,871	253,618
Derivative financial instruments . . . . .	—	—	307,870	44,343
Restricted cash . . . . .	5,362,080	5,729,642	9,878,734	1,422,834
Cash and cash equivalents . . . . .	6,067,802	7,407,450	12,431,884	1,790,564
	<u>94,183,201</u>	<u>90,118,843</u>	<u>96,139,309</u>	<u>13,846,941</u>
<b>Total assets . . . . .</b>	<b><u>123,648,156</u></b>	<b><u>117,312,931</u></b>	<b><u>131,724,898</u></b>	<b><u>18,972,332</u></b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the shareholders of the Company</b>				
Share capital and premium . . . . .	5,097,967	5,097,967	4,290,028	617,893
Shares held for Share Award Scheme . . . . .	(156,588)	(156,588)	(156,588)	(22,553)
Other reserves . . . . .	2,453,809	3,044,577	3,092,833	445,461
Retained earnings . . . . .	26,255,811	26,322,308	28,083,330	4,044,841
	<u>33,650,999</u>	<u>34,308,264</u>	<u>35,309,603</u>	<u>5,085,641</u>
<b>Perpetual capital securities . . . . .</b>	<b>4,483,409</b>	<b>4,488,659</b>	<b>5,597,503</b>	<b>806,208</b>
<b>Non-controlling interests . . . . .</b>	<b>2,960,884</b>	<b>3,198,064</b>	<b>3,248,124</b>	<b>467,827</b>
<b>Total equity . . . . .</b>	<b><u>41,095,292</u></b>	<b><u>41,994,987</u></b>	<b><u>44,155,230</u></b>	<b><u>6,359,676</u></b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings . . . . .	25,850,994	23,543,043	31,180,908	4,490,985
Deferred income tax liabilities . . . . .	1,315,858	1,243,798	1,137,167	163,786
	<u>27,166,852</u>	<u>24,786,841</u>	<u>32,318,075</u>	<u>4,654,771</u>
<b>Current liabilities</b>				
Borrowings . . . . .	16,470,701	16,487,415	12,815,016	1,845,746
Trade and other payables . . . . .	17,333,365	15,620,891	21,101,960	3,039,314
Advanced proceeds received from customers . . . . .	9,215,606	7,110,576	10,617,432	1,529,228
Current tax liabilities . . . . .	12,366,340	11,312,221	10,717,185	1,543,596
	<u>55,386,012</u>	<u>50,531,103</u>	<u>55,251,593</u>	<u>7,957,885</u>
<b>Total liabilities . . . . .</b>	<b><u>82,552,864</u></b>	<b><u>75,317,944</u></b>	<b><u>87,569,668</u></b>	<b><u>12,612,656</u></b>
<b>Total equity and liabilities . . . . .</b>	<b><u>123,648,156</u></b>	<b><u>117,312,931</u></b>	<b><u>131,724,898</u></b>	<b><u>18,972,332</u></b>
<b>Net current assets . . . . .</b>	<b><u>38,797,189</u></b>	<b><u>39,587,740</u></b>	<b><u>40,887,716</u></b>	<b><u>5,889,056</u></b>
<b>Total assets less current liabilities . . . . .</b>	<b><u>68,262,144</u></b>	<b><u>66,781,828</u></b>	<b><u>76,473,305</u></b>	<b><u>11,014,447</u></b>

## RISK FACTORS

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

### **Risks Relating to Our Business**

#### ***We are heavily dependent on the performance of the property market in the PRC, particularly in Southern China Region, Eastern China Region and Hainan Province***

Our business and prospects depend on the performance of the PRC property market. Any housing market downturn in China generally or in the regions where we have property developments could adversely affect our business, financial condition and results of operations. Most of our property developments are located in Southern China Region, Eastern China Region and Hainan Province. We established our business by developing private residential properties in the City of Zhongshan in Guangdong Province in 1992 and began expanding our project development activities to other locations outside Southern China Region in 2006. As of December 31, 2016, we had 42 projects in Southern China region, 16 projects in Eastern China region, three projects in Hainan Province, 19 projects in the rest of China, two project in Kuala Lumpur, Malaysia and one project in South San Francisco, the United States, at various stages of development.

Since our business is and will continue to be heavily dependent on the continued growth of the property market in Southern China region, Eastern China region and Hainan Province and any adverse developments in the supply and demand or in property prices in Southern China region, Eastern China region and Hainan Province would have an adverse effect on our results of operations and financial condition. In addition, future demand for different types of residential properties is uncertain. If we fail to respond to market changes or customer preferences in a timely manner or at all, our business, financial condition and results of operations will be adversely affected.

As consumer spending changes due to changing economic conditions, we cannot assure you that property development and investment activities will continue to grow or that we will be able to benefit from future growth in the property market in Guangdong Province, Hainan Province or the PRC. In addition, we cannot assure you that there will not be any over-supply of properties in the cities or regions where we have property projects. Any such over-supply or adverse developments in national and local economic conditions as measured by such factors as GDP growth (which has slowed down in recent years, with real annual GDP growth slowing to 6.7% in 2016 from 14.2% in 2007), employment levels, job growth, consumer confidence, interest rates and population growth in the PRC, particularly in the regions where our projects are located, may reduce demand and depress prices for our products and services and have a material adverse effect on our business, financial condition and results of operations. Demand for and prices of properties in the PRC are also directly affected by the macroeconomic control measures adopted by the PRC government from time to time. In the past few years, the PRC government has announced a series of measures designed to stabilize the rapid growth of the PRC economy and the growth of specific sectors, including the property market, to a more sustainable level. Also see “— Risks Relating to Property Development in the PRC — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of property market in China.” We cannot assure you that property development and investment activities will continue at past levels, or that we will be able to benefit from the future growth, if any, of the property market in Guangdong Province and Hainan Province or the PRC in general.

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

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC

real estate industry and many other industries. Since then, the PRC and many other foreign economies have shown signs of recovery. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these European nations to continue to service their sovereign debt obligations. On August 6, 2011, Standard and Poor's Ratings Services ("S&P") downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, could lead to another global economic downturn and financial market crisis. In June 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). A process of negotiation will determine the future terms of the United Kingdom's relationship with the European Union, as well as whether the United Kingdom will be able to continue to benefit from the European Union's free trade and similar agreements. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

The outlook for the world economy and financial markets remains uncertain. In Europe, the Greek economy remains in a deep recession due to its sovereign debt crisis, which the Eurozone is still trying to tackle. In the United States, economy growth remains slow, creating further uncertainty with respect to the Federal Reserve's monetary policy and the trend of interest rates. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may slow down due to weakened exports.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their selling prices. While the PRC economy and property market have improved recently, the potential momentum will still be very much dependent on the global market, especially the economic conditions in Europe and the United States. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity and potential property purchaser's ability to obtain financing. Therefore, if the global economic slowdown and uncertainty in the financial markets continue, our business, financial condition and results of operations may be adversely affected.

***Increasing competition in the PRC, particularly in Southern China Region, Eastern China region and Hainan Province, may adversely affect our business and financial condition***

In recent years, a large number of property developers have undertaken property development and investment projects in Southern China region, Eastern China region, Hainan Province and elsewhere in the PRC. Our major competitors include large national and regional property developers and overseas developers (including a number of leading Hong Kong property developers), some of which may have better track records and greater financial and other resources than us. In addition, we also compete with small local homebuilders.

The intensity of competition among property developers in Southern China Region, Eastern China region, Hainan Province and elsewhere in the PRC for land, financing, raw materials and skilled management and labor resources may result in increased cost for land acquisition and construction, an over-supply of properties in certain parts of the PRC, including Southern China Region, Eastern China region and Hainan Province, a decrease in property prices and delays in the government approval process. Any of the above may adversely affect our business, financial condition and results of operations.

In addition, the property markets in Southern China Region, Eastern China region, Hainan Province and elsewhere in the PRC have been rapidly changing. If we cannot respond to changes in market conditions in Southern China Region, Eastern China region and Hainan Province or elsewhere or

changes in customer preferences more swiftly or effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

***Our strategy of expanding into new geographical areas may fail***

Since 2006, we have been expanding our business into geographical areas outside Southern China region. We may also evaluate potential projects for development outside the PRC from time to time, including but not limited to those in Hong Kong, Macau, Malaysia and the U.S. We may also pursue selective strategic acquisitions of businesses and properties if suitable opportunities arise. We cannot assure you that we will be able to replicate our successful business models and leverage such experience to expand into other parts of China. In January 2014, we partnered with PJ Development Holdings Berhad to develop a property project in Kuala Lumpur, Malaysia, which is our first project in the overseas market. In May 2014, we partnered with Tropicana Corporation Berhad to develop another property in Kuala Lumpur, Malaysia. In May 2016, we partnered with Greenland Holdings Group Company Limited (the “Greenland Group”), Ping An Trust Co., Ltd. and Poly Sino Capital Limited to develop a property project in South San Francisco, the United States. When we enter new markets, we may face intense competition from developers with experience or established presence in the geographical areas or segments that we plan to expand into and from other developers with similar expansion plans. In addition, expansion or acquisition requires a significant amount of capital investment, and it may divert the resources and time of our management. Further, if we fail to integrate the new businesses effectively, our operating efficiency may be adversely affected. Our failure to manage any of our planned expansion or acquisitions may have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to successfully manage our growth***

We have been expanding our operations in recent years and expect to continue expanding. We have entered new markets geographical and new industries such as tourism and environmental protection. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. Accordingly, we will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

***Our expansion into commercial property development may not be successful***

We have derived the majority of our historical revenue from, and most of our experience is related to, residential property developments. We have expanded into commercial property developments, including hotels, shopping malls and office buildings since 2007, as we believe these segments will generate synergies and value and provide us with an increasing proportion of recurring and stable revenue. Commercial properties typically require government approvals, design specifications and building materials that are different from residential properties. In addition, the customers that we target for residential properties are very different from those for commercial properties. We may also not have sufficient human resources or the necessary expertise to handle such challenges. We cannot assure you that we will be able to leverage our past experience in residential property development to meet the challenges in these new commercial property businesses. Although we may choose to operate some of the hotels we are developing or plan to develop, we will mainly rely on third-party hotel management companies to conduct the daily operations of these hotels. We manage and operate our shopping malls and office buildings. If these properties are not properly managed by

us or the third parties, the occupancy rate and/or rental value for our commercial properties may decrease, thus adversely affecting our business, financial condition, results of operations and our reputation. We also may not be able to reduce the costs associated with the management of our commercial properties in a timely manner in response to changes in demand for those properties. Furthermore, the return on our investment properties is subject to various factors beyond our control, such as the prevailing economic conditions and the level of business activities, business travel and tourism in the regions. There may not be sufficient and consistent market demand for high-end hotels and office space in our target markets, and, as a result, our results of operations in new business segments may not be profitable or generate recurring income or cashflow as we expect.

***We have started expanding our operations into other industries and such expansion may not be successful***

We have taken initiatives or made plans to expand into new industries such as environmental protection with a view to establishing alternative revenue sources. For more information, see the section entitled “Business — Environmental Protection.” There is no assurance that we can leverage our experience in the property industry and replicate our success in other industries.

Our expansion in general may require a significant amount of capital investment and involve various risks and uncertainties, including the risk of operating in a new environment or market, navigating different regulatory regimes or obtaining necessary governmental approvals, difficulties in gaining market recognition or competing effectively with established industry participants, difficulties of integrating new businesses and employees into our existing businesses, ability to develop the necessary technology or know-how for the new businesses, and the diversion of resources and attention of our management.

Moreover, our entry into a new industry has exposed or will expose us to additional risks common in such industry. Operations in new industries may elevate our risks in areas such as regulatory compliance, customer complaints or lawsuits. Any failure to address these risks and uncertainties may adversely affect our business, financial condition and results of operations.

***Our financing costs are affected by changes in interest rates***

Our financing costs and, as a result, our business, financial condition and results of operations, are affected by changes in interest rates. A substantial portion of our borrowings are linked to benchmark lending rates published by the People’s Bank of China (the “PBOC”). From April 2006 to December 2007, the PBOC raised the benchmark one-year lending rate eight times from 5.85% to 7.47%. In 2008, the PBOC decreased the benchmark one-year lending rate five times from 7.47% to 5.31%. Since late 2009, the PRC Government has introduced a new round of austerity measures to control the growth of the economy, including increasing the one-year benchmark lending rate to 5.56% on October 20, 2010 and to 6.56% on July 7, 2011. This rate has since been reduced twice in 2012 to 6.00% and further in 2015 to 4.35% in light of signs of slowing economic growth. As of the date of this offering memorandum, the benchmark one-year lending rate is 4.35%. The PBOC may raise lending rates again in the future, in which case our business, financial condition and results of operations will be adversely affected as a result. As of December 31, 2016, the effective interest rate on our outstanding borrowings was 7.6% and we had RMB43,995.9 million (US\$6,336.7 million) of outstanding borrowings (including the 2012 USD Notes, the 2014 RMB Notes, the 2014 USD Notes, the 2015 Notes, various credit facilities and other borrowings). Our interest expenses on bank and other borrowings and syndicated loans for 2014, 2015 and 2016 was RMB2,337.4 million, RMB2,006.5 million and RMB1,551.1 million (US\$223.4 million), respectively.

***The PRC government has imposed restrictions on PRC property developers to obtain offshore financing which could affect our ability to inject the funds raised in the offering into our business in the PRC***

The “Notice on Further Strengthening the Regulation on Approval and Supervision of Foreign Direct Investment in Real Estate Industry in the PRC” (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) jointly issued by the Ministry of Commerce (“MOFCOM”) and the State Administration of Foreign Exchange (“SAFE”) on May 23, 2007, and the “Notice regarding Promulgation of Administrative Measures on Foreign Debt Registration” (國家外匯管理局關於發

佈<外債登記管理辦法>的通知) issued by SAFE on April 28, 2013, which became effective on May 13, 2013 and contains an appendix named the “Operating Guidelines for Foreign Debt Registration Administration” (外債登記管理操作指引), stipulate, among other things, (i) that the local foreign exchange authorities will no longer process foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from and registered with MOFCOM on or after June 1, 2007; and (ii) that the local foreign exchange authorities will no longer process foreign exchange registrations (or any change in such registrations) or applications for settlement and sale of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from local commerce departments on or after June 1, 2007 but that did not register with MOFCOM. These regulations effectively restrict us from injecting funds raised offshore into our PRC project companies by way of shareholder loans. Without this flexibility, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes, or on a redemption date to pay for the principal of the Notes.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from or filings with the commerce department of the local government, which may take considerable time and delay the actual contribution to our PRC subsidiaries. This may adversely affect the financial condition of our PRC subsidiaries and may cause delays to the projects undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation. Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China the funds raised outside of China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

According to Circular on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination of Authenticity and Compliance (“Circular 3”), issued by SAFE on January 26, 2017, enterprises are permitted to directly or indirectly transfer proceeds from overseas loans guaranteed by an onshore enterprise for onshore use by loaning the proceeds to an onshore enterprise or using the proceeds to make investments in an onshore enterprise’s capital or securities. Whether Circular 3 applies to the real estate industry, however, is presently unclear and subject to SAFE’s subsequent practice.

***We may not be able to obtain sites that are suitable for property developments***

We derive a substantial portion of our revenue from sales and delivery of properties developed by us. This revenue stream is dependent on the completion of, and our ability to sell, our property developments. To maintain or grow our business in the future, we are required to replenish our land bank with suitable sites for development. Our ability to identify and acquire suitable sites is subject to a number of factors that are beyond our control. Our business, financial condition and results of operations may be adversely affected if we are unable to obtain substitute land sites for development in the future at commercially acceptable prices or at all.

The PRC government controls all new land supply in the PRC and regulates land sales in the secondary market. As a result, the policies of the PRC government towards land supply affect our ability to acquire land use rights for sites we identify and the costs of our acquisitions. The PRC central and local governments may regulate the means by which property developers, including ourselves, obtain land sites for property developments. See “— Risks Relating to Property Development in the PRC — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of property market in China.”

***We may not be able to obtain land use rights certificates with respect to certain parcels of land in which we currently have interests***

We have signed land grant contracts or transfer documents for, or otherwise hold other forms of interests in, certain land parcels for nine of our projects for which we have not yet obtained land use rights certificates. As of December 31, 2016, these parcels of land occupied an aggregate site area of



approximately 891,561 sq.m. As of December 31, 2016, the total amount of our outstanding land premium payments amounted to approximately RMB762.2 million (US\$109.8 million). We cannot assure you that we will not be subject to a late payment penalty and there are instances that we have been subject to late payment penalties. There are also instances that we have not finally obtained land use rights after entered into the land grant contract because of the government's adjustment on the land planning and other reasons. If we fail to complete the acquisition of these pieces of land, we will not be able to develop and sell properties on such land. We may not be able to acquire replacement land on terms commercially acceptable to us, or at all, which could have a material adverse effect on our business, financial condition, results of operations and business prospects. See "Business — Description of Property Developments."

***The PRC government has implemented restrictions on the payment terms for land use rights***

On September 28, 2007, the Ministry of Land and Resources issued the revised "Rules regarding the Grant of State-owned Land Use Rights for Construction by Way of 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), which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on November 1, 2007. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. On March 8, 2010, the Ministry of Land and Resources issued the "Circular on Strengthening Real Estate Land Supply and Supervision" (關於加強房地產用地供應和監管有關問題的通知), under which property developers are required to pay 50% of the land premium as a down payment within one month of signing a land grant contract, and the balance is to be paid in full within one year of the date of the land grant contract. The implementation of the regulation requires property developers to maintain a higher level of working capital. This may have a material adverse effect on our cash flow position, financial condition and business plans.

The MOHURD and the Ministry of Land and Resources jointly issued the "Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply" (關於加強近期住房及用地供應管理和調控有關問題的通知) dated April 1, 2017 which requires that local authorities should adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers should be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. We cannot assure you that we will be able to acquire land suitable for development at reasonable cost or that our cash flow position, financial condition or business plans will not be materially and adversely affected by the implementation of these regulations.

***Our profit margin is sensitive to fluctuations in the costs of construction materials and land***

Construction and land costs constitute one of the main components of our cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third party contractors, labor costs, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been the principal driver of the construction costs of our property development projects, with the cost of third-party contractors remaining relatively stable. However, as construction material costs are often included in the construction costs paid to our contractors, it has been difficult for us to estimate such costs. We also carry out certain construction work through our construction subsidiary which is directly affected by such cost fluctuations. There has been a significant increase in construction material costs and labor costs since 2011. We believe that construction costs will likely continue to rise with inflation in the foreseeable future.

Construction costs may fluctuate as a result of the price volatility of construction materials such as steel and cement. In line with industry practice, if there is a significant price fluctuation, depending on the specific terms of each contract, we will be required to re-negotiate existing construction contracts to top up payment to, or receive refund from, the contractors, depending on the price movement. Our profit margin is sensitive to changes in the market prices for construction materials and our profit margins will be adversely affected.

In addition, land price in the PRC has in general increased significantly in recent years. In 2014, 2015 and 2016, our total land costs transferred to cost of sales amounted to approximately RMB5,681.4 million, RMB8,171.8 million and RMB8,336.5 million (US\$1,200.7 million), representing 15.3%, 19.7% and 18.6% of our sales revenue from property development during these periods, respectively. Our profit margin is sensitive to changes in market prices of land.

***We may not have adequate capital resources to fund land acquisitions or property developments, or to service our financing obligations***

The property development business is capital intensive. We have financed our land acquisition and property developments primarily through a combination of internal funds, borrowings from both domestic and foreign banks, pre-sales and sales proceeds, and proceeds from our equity and debt financing. However, we cannot assure you that we will have sufficient cash flow available for land acquisitions or property developments or that we will be able to achieve sufficient pre-sales and sales to fund land acquisitions or property developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all. As of December 31, 2016, our outstanding long-term and short-term borrowings were RMB31,180.9 million (US\$4,491.0 million) and RMB12,815.0 million (US\$1,845.7 million), respectively.

Our ability to obtain adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors, many of which are beyond our control. The PRC government has in recent years taken a number of policy initiatives in the financial sector to further tighten lending requirements for property developers, which, among other things:

- forbid PRC commercial banks from extending loans to property developers to finance land premiums;
- restrict PRC commercial banks from extending loans for the development of luxury residential properties;
- restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- forbid property developers from using borrowings obtained from any local banks to fund property developments outside that local region; and
- forbid commercial banks from issuing loans or providing loan extension services to a developer for its new projects if the developer has a record of maintaining idle land, changing the land use purpose and nature without proper approval, delaying the construction commencement or completion date, hoarding properties or other forms of non-compliance.

In addition, the PBOC regulates the lending rates and reserve requirement ratios for commercial banks in the PRC, which affects the availability and cost of financing from PRC commercial banks. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. The PBOC raised the benchmark one-year lending rate several times between 2004 and 2008. The PBOC increased the reserve requirement ratio for commercial banks several times between 2006 and 2008 to curtail the overheating of the property sector. After the commencement of the global economic slowdown in the second half of 2008, the PRC government adopted measures intended to stimulate economic development, including lowering benchmark lending rates and the reserve requirement ratios for commercial banks. However, the PBOC increased the benchmark one-year lending rate and the reserve requirement ratios several times since 2010. Since 2012, the PBOC decreased both the one-year lending rate and the reserve requirement several times. We cannot assure you that the PBOC will not raise either the reserve requirement ratios or the benchmark one-year lending rate in the future. Such increases may negatively impact the amount of funds available to commercial banks in China to lend to businesses,

including us, and may therefore adversely affect our business, financial condition and results of operations. The benchmark one-year lending rate is currently 4.35% and the current reserve requirement ratio ranges from 13% to 16.5%.

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC government raised the minimum downpayment of land premium to 50%. In March 2010, this requirement was further tightened. The PRC government set the minimum land premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 20% of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days after the land grant deal is closed, and the down payment of 50% of the land premium is to be paid within one month of signing the land grant contract, with the balance to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. Such policy may constrain our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments. In April 2017, the PRC government required that local authorities should adopt procedures to examine the source of funds for land acquisitions to insure the property developers acquiring land with internal funds. These requirements may constrain our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments, or to service our financing obligations, and our business and financial condition may be materially adversely affected. In addition, the increase in benchmark lending rates has led to higher interest rates for mortgage loans, which may depress demand in the property market in general.

We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital resources. The foregoing and other initiatives introduced by the PRC government may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. As a result, our business, financial condition and results of operations may be materially and adversely affected.

***We are subject to legal and business risks if we fail to obtain formal qualification certificates***

Property developers in the PRC must obtain a formal qualification certificate in order to engage in a property development business in the PRC. According to the “Provisions on Administration of Qualification Certificates of Property Developers” (房地產開發企業資質管理規定), newly established developers must first apply for a provisional qualification certificate valid for one year, which can be renewed for a maximum of two additional one-year periods. Entities engaged in property management or interior decoration should also obtain qualification certifications before commencing their business, according to the “Measures on Administration of Qualification Certificates of Property Service Enterprises” (物業服務企業資質管理規定) and the “Provisions on Administration of Qualification Certificates of Construction Enterprises” (建築業企業資質管理規定).

In addition, property developers in the PRC, such as our individual project companies, are required to present a valid qualification certificate when they apply for a pre-sale permit. If a newly established property developer fails to commence developing property within one-year of the provisional qualification certificate becoming effective, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates once every two to three years in most cities, subject to an annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates. In reviewing the renewal of a qualification certificate, the local authority takes into account the property developer’s registered capital, property development investments, history of property development, quality of property construction, expertise of the developer’s management, as well as whether the property developer has any illegal or inappropriate operations. Each of our project companies needs to renew such certificates every year.

If any one of our project companies is unable to meet the relevant requirements, and is therefore unable to obtain or renew its qualification certificate, that project company will typically be given a grace period to rectify any insufficiency or non-compliance, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of the qualification certificate and the business license of such project company. As of the date of this offering memorandum, certain of our project companies which have property development projects are in the process of applying for qualification certificates or in the process of renewing their qualification certificates. However, we cannot assure you that any of our project, property service or construction companies will be able to obtain, maintain or renew such qualification certificates from the government in a timely manner, or at all, as and when they expire. If our project, property service or construction companies are unable to obtain or renew their qualification certificates, they may not be permitted to continue their businesses, which could materially and adversely affect our business, financial condition and results of operations.

***We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee banks if our purchasers default on their mortgage payments***

We arrange for various domestic banks to provide mortgages to the purchasers of our properties. In accordance with market practice, financial institutions require us to provide guarantees in respect of these mortgages. Substantially all of these guarantees are discharged upon earlier of (i) the issuance of the property ownership certificate, which generally takes place within one year after we deliver possession of the relevant property to the purchaser and (ii) the settlement of relevant mortgage loans purchasers. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the by financial institutions. As of December 31, 2014, 2015 and 2016, our outstanding guarantees over mortgage loans of our customers amounted to RMB14,658.1 million, RMB22,449.0 million and RMB33,293.6 million (US\$4,795.3 million), respectively. In addition, we also provide guarantee to mortgages for purchases of properties developed by joint venture or associates to which we participated. As of December 31, 2014, 2015 and 2016, our proportionate interest in financial guarantee of mortgage facilities for purchasers relating to the associate was RMB272 million, RMB440 million, RMB359 million (US\$51.8 million), respectively, and our proportionate interest in financial guarantee of mortgage facilities for purchasers relating to the joint ventures was RMB142 million, RMB208 million, RMB524 million (US\$75.5 million), respectively. Although we have historically experienced a low rate of default on mortgage loans guaranteed by us, we cannot assure you that such purchaser default rates will not increase in the future. If such default occurs and our relevant guarantee is called upon, our business, results of operations and financial condition could be materially and adversely affected to the extent that there is a material depreciation in the value of the related properties or if we are unable to sell the properties due to unfavorable market conditions or other reasons.

***Our operating results fluctuate from period to period and the fluctuations make it difficult to predict our future performance***

Our results of operations have varied significantly in the past and may continue to fluctuate significantly from period to period in the future. In the years ended December 31, 2014, 2015 and 2016, our revenue was RMB38,317.6 million, RMB43,004.3 million and RMB46,678.9 million (US\$6,723.2 million), respectively, and net profit attributable to our shareholders was RMB4,287.2 million, RMB1,390.3 million and RMB2,283.6 million (US\$328.9 million), respectively. Because we derive our revenue substantially from the sale of properties, our results of operations are affected by the demand for our properties and the price at which we are able to sell them. The demand for and pricing of the properties are in turn, to a large extent, affected by the general condition of the property market. In addition, we recognize proceeds from the sale of a property as revenue only upon the delivery of the property. Therefore, our revenue and profit during any given period reflects the quantity of properties delivered during that period and are affected by peaks or troughs in our property delivery schedule and may not be indicative of the actual demand for our properties or sales achieved during that period. Our revenue and profit during any given period generally reflect property investment decisions made by purchasers in the past, typically in the prior fiscal period. As a result, our current or historical operating results are not necessarily indicative of future results.

***We rely on independent contractors to provide property development products and services***

In line with industry practice, we engage independent contractors to provide various property development services, including construction, piling and foundation, engineering, interior decoration and fitting out, mechanical and electrical installation and utilities installation. We select independent contractors through open tenders. We typically invite contractors to tender bids based on their reputation for quality, track record, financial strength, price and references, and once a contract is awarded, we supervise the contractor's work. However, we cannot assure you that the services rendered by any of these independent contractors or subcontractors will be completed in a timely manner or of satisfactory quality.

If these services are not timely provided or of acceptable quality, we may incur substantial costs to complete the projects and remedy any defects, and our reputation could be significantly harmed. We are also exposed to the risk that a contractor may require additional funds in excess of the fixed sum to which they committed contractually and we may have to bear such additional amounts. Furthermore, any contractor that experiences financial or other difficulties, including labor disputes with its employees, may be unable to carry out construction or related work, resulting in a delay in the completion of our projects or resulting in additional costs. We believe that any problems with our contractors, individually or in the aggregate, may materially and adversely affect our financial condition, results of operations or reputation. We cannot assure you that such problems with our contractors will not occur in the future.

***Disputes with joint venture partners or our project development partners may adversely affect our business***

We began to develop a number of projects through joint venture arrangements with independent third parties, such as the principal investment groups of global investment banks, real estate funds and other property developers.

Our joint venture partners or project development partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture or cooperation agreements; or
- have financial difficulties and expose us to potential credit risk.

Furthermore, any actual or perceived deterioration in the reputation of our joint venture partners could have an adverse impact on our business operations, profitability and prospects.

In addition, a disagreement with any of our joint venture partners or project development partners in connection with the scope or performance of our respective obligations under the project or joint venture or cooperation arrangement could affect our ability to develop or operate a property. Our joint venture partners or project development partners may be unable or unwilling to perform their obligations under the relevant agreements, including their obligation to make required capital contributions and shareholder loans, whether as a result of financial difficulties or otherwise. A serious dispute with our joint venture partners or project development partners or the early termination of our joint venture or cooperation arrangements could adversely affect our business, financial condition and results of operations and would divert resources and management's attention. See "— We may be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result."

Should a situation arise in which we cannot complete a project being jointly developed with our joint venture partners or property development partners, due to one of the above reasons or for any other reason, the rights and obligations of each party with respect to the uncompleted project will be determined by the relevant joint venture or cooperation agreements. If such agreements are silent or

inconclusive with regard to such rights and obligations, the resolution of any dispute may require arbitration or, failing that, litigation, which could have an adverse effect on our business, results of operations and financial condition. See “— We may be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.” In addition, even if a jointly developed project is successfully completed, the project may not be well received by the market and we may not realize all the benefits we anticipated.

In the event that we encounter any of the foregoing problems with respect to our joint venture partners or project development partners, our business operations, profitability and prospects may be materially and adversely affected. See “— We may be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.”

***Our land use rights may be subject to forfeiture by the PRC government if we fail to comply with the terms of the land grant contracts***

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, designated use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Any violation of the land grant terms may also restrict a developer’s ability to participate, or prevent it from participating, in future land bidding. Specifically, under current PRC laws and regulations, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture to the PRC government unless the delay in development is caused by government actions or force majeure. Moreover, even if the time of commencement of the land development is in line with the land grant contract, if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital invested is less than one-fourth of the total estimated investment of the project under the land grant contract; and (ii) the development of the land has been suspended for over one year without government approval, the land will be treated as idle land.

We historically have received idle land notices or idle land investigation notices from the relevant local PRC government for certain parcels of land of our projects. We were also requested to pay idle land fees for certain parcels of land which were regarded as idle lands by the local government. We have now commenced the development of most of these parcels. In relation to some parcels of the aforesaid land, the local PRC government has withdrawn its idle land notice or has granted an extension of the development time. For certain parcels of land, we received idle land investigation notices from the relevant local government but these parcels of land have not yet been deemed as idle lands by the local government as of the date of this offering memorandum.

In addition, we currently have certain projects, of which we have not commenced property development within the time period as stipulated in the respective land grant contracts but have not received any idle land notice. However, we cannot assure you that the government will waive the idle land fee or allow us to postpone the development or not issue an idle land notice for such land parcels. If the local government authorities do not waive the idle land fee imposed on us or grant an extension under the existing land grant contracts, we will be required to pay the idle land fee as stipulated in the relevant notice and may further be required to pay penalties or be negatively impacted in relation to our future ability to obtain land from the PRC government. We cannot assure you that future circumstances leading to penalty on, or forfeiture of, land use rights in respect of idle land or delays in the completion of a property development may not arise in the future. If our land use rights are forfeited, we will not be able to continue our property development on the affected land or recover the costs incurred for the initial acquisition of the forfeited land use rights or recover development costs and other costs incurred up to the date of forfeiture, each of which will have a material adverse effect on our business, financial condition and results of operations.

***The availability and affordability of mortgages to purchasers may affect our sales***

Most of our purchasers rely on mortgages 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 affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in such manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Under PRC law, monthly mortgage payments are limited to 50% of an individual borrower's monthly income. In addition, to curtail the overheating of the property sector, between 2006 and 2008, the PRC government implemented, among other things, regulations that increased the down payment requirement for mortgage loans in respect of residential and commercial properties. In the second half of 2008 and in 2009, in order to mitigate the impact of the global economic slowdown, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding the PBOC benchmark bank lending rates. Furthermore, the minimum down payment ratio for residential properties was lowered to 20% for units with a unit floor area of less than 90 sq.m. per unit. However, to curtail the overheating of the PRC property market, the General Office of the State Council on January 7, 2010 issued the "Circular on Facilitating the Stable and Healthy Development of Property Market" (關於促進房地產市場平穩健康發展的通知), which provides that the down payment for the second property bought with mortgage loans shall not be less than 40% of the total purchase price. On April 17, 2010, the State Council issued the "Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities" Guofa (2010) No. 10 (國務院關於堅決遏制部份城市房價快上漲的通知) which stipulated that down payment for the first property that is larger than 90 sq.m. shall not be less than 30% of the purchase price; down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans. In certain areas where commodity residential property is in short supply and prices rise too quickly, the banks may suspend granting mortgage loans for the third or further properties bought with mortgage loans or to non-residents who cannot provide any proof of income tax or social insurance payment more than one year. On September 29, 2010, PBOC and the China Banking Regulatory Commission (the "CBRC") jointly issued the "Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies" (關於完善差別化住房信貸政策有關問題的通知), under which, the minimum down payment for all first home purchases is increased to 30% of the purchase price. On January 26, 2011, the State Council issued the "Notice Concerning Further Strengthening the Macro economic Control of Real 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), according to which, the minimum down payment is raised to 60% of the purchase price for second-house purchases with the minimum loan interest rate at 110% of the benchmark rate. In October 2011, a number of PRC domestic banks raised the mortgage rates for first-time home buyers by a minimum of 5%. In addition, due in large part to the PRC government's credit tightening policies, the bank approval process for a mortgage loan application in 2011 generally took longer than before. On February 26, 2013, the General Office of the State Council announced the "Notice on Continuing to Improve the Regulation and Control of the Real Estate Market" (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides that for cities with excessive growth in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties. In the third quarter of 2013, there has been a further increase on the down payment ratio of second home purchase mortgages. On September 29, 2014, the PBOC and CBRC jointly issued the "Notice on Further Improving Financial Services for Real Estate Sector" (關於進一步做好住房金融服務工作的通知), which provides that (1) the minimum mortgage loan interest rate for first-time purchasers of residential property is 70% of the benchmark lending interest rate; (2) where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property; and (3) in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. On March 30, 2015, the PBOC, CBRC and MOHURD jointly issued the "Notice on Relevant Issues Concerning the Individual Housing Loan Policy" (關於個人住房貸款政策有關問題的通知), which provides that where a household that owns a residential property and has not paid off its existing mortgage loan applies for a new

mortgage loan to buy another residential property to improve its living conditions, the minimum down payment will be 40% of the property price, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower. Due to these factors, the availability and attractiveness mortgage financing may change from time to time. Our prospective customers may not be able to obtain mortgage loans in time, if at all, and as a result, our business, liquidity and results of operations could be adversely affected.

Since September 2016, certain local governments including without limitation Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Jinan, Qingdao, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou, Shijiazhuang, Langfang, Baoding, Changzhou, Chengde, Chengdu, Chuzhou, Changsha, Xiamen, Zhongshan and Hangzhou, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. Our business, financial condition and results of operations may therefore be adversely affected.

In addition, in line with industry practice, we provide guarantees to banks for mortgages they offer to our purchasers. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and these banks would not accept any alternative guarantees by other third parties, or if no third party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks during pre-sales. Such difficulties in financing could result in a substantially lower rate of pre-sales of our properties, which could adversely affect our business, financial condition and results of operations. We cannot assure you that such changes in laws, regulations, policies or practices will not occur in the future.

***We face risks related to the pre-sale of properties, including the risk that property developments are not completed***

We face risks relating to the pre-sale of properties. For example, we may fail to complete a fully or partially pre-sold property development, in which case we would find ourselves liable to purchasers of pre-sold units for losses suffered by them. If a pre-sold property development is not completed on time, the purchaser may be entitled to compensation for late delivery. 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 3% from the GFA specified in the purchase contract, the purchaser will be entitled to terminate the purchase contract and claim damages. Any termination of the purchase contract as a result of our late delivery of properties will have a material adverse effect on our business, financial condition and results of operations.

On August 5, 2005, the PBOC issued a report entitled “2004 Real Estate Financing Report” in which it recommended that the practice of pre-selling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. At the “two meetings” (the plenary session of the National People’s Congress and that of the Chinese People’s Political Consultative Conference) held in March 2006, a total of 33 delegates to the National People Congress, including Bai Hexiang, head of the Nanning Central Sub-Branch of the PBOC, put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of the PBOC, published an article suggesting that the way to perfect the system for commodity housing presale of China is to abolish the financing function of presale. On July 24, 2007, an economy research group under the National Development and Reform Commission (the “NDRC”) proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. However, there can be no assurance that the PRC governmental authority will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our need to seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow results of operations and financial condition.



***We face significant property development risks before we realize any benefit from a development***

Property developments typically require substantial capital outlay during the construction period and may take months or years before positive cash flows can be generated by pre-sales or sales of property developments, if at all. The time and costs required in completing a property development may be subject to substantial increases due to many factors, including shortages of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may lead to delays in, or prevent, the completion of a property development and result in costs substantially exceeding those originally budgeted for. In addition, failure to complete a property development according to its original specifications or schedule may give rise to potential liabilities and, as a result, our return on investments may be lower than originally expected.

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

Property developers are typically required to deliver the property within a time set out in the relevant property purchase contract and deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame set out in the relevant property purchase contracts. Property developers, including ourselves, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the property purchase contracts to allow sufficient time for the application and approval processes. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration for it to issue a certificate of completion of the relevant properties before the delivery of such properties, and apply for the master property ownership certificate in respect of these properties after obtaining the certificate of completion. We are then required to submit within a certain period after delivery of the properties, the relevant property purchase contracts, identification documents of the purchasers, proof of payment of deed tax, together with the master property ownership certificate, to the relevant local authority for it to review and issue the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by any administrative authority in reviewing the application and granting approval as well as other factors may affect timely delivery of the property and the master as well as individual property ownership certificates. There are instances that we were liable for the late delivery of the property and the individual property ownership certificates and paid penalties to the purchasers. We cannot assure you that we will not become liable to purchasers for late delivery of the individual property ownership certificates due to our own fault or for any reason beyond our control in the future.

***Any failure to protect our brand and trademarks could have a negative impact on our business***

We believe our trademarks and brands are critical to our success. Any unauthorized use of our brand, trademarks and other intellectual property rights could harm our competitive advantages and business. Historically, China has not protected intellectual property rights to the same extent as certain other countries, and infringement of intellectual property rights continues to pose a serious risk of doing business in China. Monitoring and preventing unauthorized use is difficult. The measures we take to protect our intellectual property rights may not be adequate. Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving. If we are unable to adequately protect our brand and trademarks, we may lose these rights and our business may suffer materially.

***We may be materially and adversely affected if the resettlement costs or similar costs associated with certain property developments increase***

Land parcels acquired by property developers for future development may have existing buildings or other structures or may be occupied by third parties. Where land is obtained from the PRC government, resettlement or similar costs are usually included in the land premium payable. Government authorities are required to enter into written agreements with the owners or residents of

properties subject to demolition and to provide compensation for their relocation and resettlement. The compensation payable by government authorities cannot be lower than the market value of similar properties at the time of expropriation. If the compensation paid by government authorities increases significantly due to increases in property market prices, the land premiums payable by us may be subject to substantial increases, which could adversely affect our business, results of operations and financial condition. In addition, any delay or difficulty in the resettlement process may cause a delay in the delivery of land to us, in whole or in part, and may cause an increase in the fees payable in connection with the resettlement process. In addition, if a local government fails to reach an agreement over compensation with the owners or residents of the buildings subject to demolition, it may unilaterally decide on a compensation plan, but the owners or residents have the right to file for administrative review with relevant government authorities or initiate lawsuits, which may further delay a project's timetable for completion. Such delays may lead to an increase in cost and a delay in the expected cash inflow from pre-sales of the relevant projects. If we experience an increase in resettlement costs or any delays due to the inability to reach a resettlement agreement, our business, financial condition and results of operations may be materially and adversely affected.

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

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

See “— Disputes with joint venture partners or our project development partners may adversely affect our business.” We cannot assure you that we will not experience similar disputes with potential joint venture partners, or that any disputes with parties involved in the development and sale of our properties in the future will not have a material adverse effect on our business, financial condition and results of operations or have a negative impact on our reputation.

***Our branding and marketing strategy could be adversely affected if homeowners in the projects that we have developed elect to discontinue our engagement as the provider of property management services***

We provide post-sale property management services to the owners of each residential project that we have developed through our property management subsidiaries in the PRC. The services include leasing, security management, maintenance, shuttle bus services, clubhouse operations, gardening and landscaping and other customer services. We believe that property management is an integral part of our business and is very important to the successful marketing and promotion of our property developments. Under PRC laws and regulations, the homeowners in a residential community have the right to change the property management company through collective action. If owners of the projects that we currently manage elect to discontinue our property management services for any reason, our branding strategy and the marketing of our future property development could be adversely and significantly affected.

***We do not have insurance to cover potential losses and claims in our operations***

We do not maintain insurance for destruction of or damage to our property developments that are under development or completed and pending delivery, other than those buildings over which our lending banks have security interests and for which we are required to maintain insurance coverage

under the loan agreements. We also do not carry insurance to cover personal injuries that may occur during the construction of our property developments. In addition, we do not carry insurance for any liability arising from allegedly tortious acts committed on work sites. Although we believe any such liability would be borne by third-party construction companies, we cannot assure you that we will not be sued or held liable for damages due to such tortious acts. Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as losses suffered due to earthquake, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages and liabilities in the course of our operations and property development, we may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property development that has been destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, results of operations and financial condition.

***The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations and increase the LAT prepayment rate***

Under PRC tax laws and regulations, our PRC subsidiaries that are in the property development business are subject to LAT which is collected by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but are required to pay only a portion of such provisions each year pursuant to tax regulations. For 2014, 2015, and 2016, LAT charged to our income tax expense was RMB2,447.6 million, RMB2,172.1 million and RMB2,609.9 million, respectively. For the same periods, we made payments for provisional LAT in the amount of RMB2,611.5 million, RMB3,039.7 million, and RMB3,628.0 million, respectively. Our LAT provision balance as of December 31, 2014, 2015 and 2016 amounted to RMB8,937.2 million, RMB8,279.6 million and RMB7,261.4 million, respectively. Our LAT provisions are based on our estimate of a portion of our properties that are eligible for certain exemptions available to ordinary residential properties. We cannot assure you that the tax authorities will agree with our estimation or the basis on which we calculate our LAT obligations. In the event that the tax authorities assess us with additional LAT and we are unable to successfully challenge such assessments, our net profits after tax may be adversely affected. In addition, we will be subject to LAT in the new markets as we expand our property developments outside Guangdong Province and we cannot assure you that the LAT obligations we are to assess and provide for in respect of properties in these new markets will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on us.

Since January 2005, we have been required to pay provisional LAT in respect of the sales and pre-sales of our properties in Guangzhou, Guangdong Province. In Zhongshan and Foshan, Guangdong Province, provisional LAT requirements have been in effect since 1996 and 2002, respectively. Likewise, we are required under local regulations to pay provisional LAT in other regions or cities when we start to pre-sell our property developments in these regions or cities. Generally, the provisional LAT rates in these cities range from 1% to 2.5% of the pre-sale proceeds, depending on the type and location of the pre-sold properties.

On December 28, 2006, the State Administration of Taxation issued the “Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises” (關於房地產開發土地增值稅清算管理有關問題的通知), which requires that:

- final settlement of LAT will be conducted on a project-by-project basis. For multi-phase projects, each phase will be required to undergo the LAT clearance and settlement process;
- the appreciated value of ordinary residential properties and non-ordinary residential properties contained within a project shall be calculated separately; and
- property developers must conduct final settlement if one of the following conditions is satisfied:
  - the project is completed and has been sold entirely;

- the project is transferred as a whole before the completion of the construction; or
- the land use rights of the project are transferred.

This notice also stipulates that the PRC tax authorities may require the property developer to conduct final LAT settlement if one of the following conditions is met:

- for completed projects, the area sold exceeds 85% of the total saleable area or, if less than 85%, the unsold saleable area has been rented or is self-occupied;
- the project has held a sale/pre-sale license for at least three years but has not been sold out completely;
- the taxpayer has applied for tax de-registration but the LAT settlement has not been conducted; or
- other situations set forth by the provincial PRC tax authorities.

Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations and there are uncertainties as to how they will enforce this notice.

On May 25, 2010, the State Administration of Taxation published the “Circular on Strengthening the Collection and Administration of Land Appreciation Tax” (關於加強土地增值稅徵管工作的通知) (the “SAT Circular”). According to the SAT Circular, all local governments were required to make adjustments to the then prevailing provisional LAT rate. In addition to safeguarding housing, the provisional LAT rate of provinces in the eastern region shall not be lower than 2%, while the provinces in the middle and northeastern regions shall not be lower than 1.5% and the provinces in the western region shall not be lower than 1%; and the local governments may determine the provisional LAT rate applicable to different types of real estate.

In the event that relevant tax authorities change their requirements as to the amount or timing of payment of provisional LAT or increase the LAT prepayment rate, our cashflow may be materially and adversely affected.

***The construction business and the property development business are subject to claims under statutorily mandated quality warranties***

Under “Regulations on the Administration of Quality of Construction Works” (建設工程質量管理條例), all property development companies in the PRC are obliged to ensure the quality for the properties they construct or sell. We are required to provide quality warranties to our customers. We may sometimes receive quality warranties from third-party contractors we hire to construct our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the retention money retained by us is not sufficient to cover our payment obligations under the quality warranties, we could incur significant expenses to resolve such claims or face delays as a result of correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

***Our success depends on the continuing efforts of our senior management team and other key personnel and our business may be harmed if we lose their services***

Our future success depends heavily upon the continuing services of the members of our senior management team. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions or if their services are disrupted as a result of being involved in or providing assistance to any investigations by authorities or administrative, legal and other proceedings, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition, results of operations and prospects may be materially and adversely affected.

Competition for senior management and key personnel is intense while the pool of qualified candidates is very limited, and we may not be able to retain the services of our senior executives or

other key personnel, or attract and retain high-quality senior executives or other key personnel in the future. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, we may lose customers and key professionals and staff members.

***Our controlling shareholders are able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions***

As of the date of this offering memorandum, approximately 63.75% of our outstanding shares were beneficially owned by the Chen family. Subject to compliance with applicable laws, by maintaining such ownership, the Chen family is able to exercise substantial influence over our corporate policies, appoint our directors and officers and vote on corporate actions requiring shareholders' approval. In particular, the strategic goals and interests of the Chen family may not be aligned with our strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. The interests of our controlling shareholders may differ from those of the holders of the Notes.

***Our results of operations may be adversely affected if we fail to obtain, or there are material delays in obtaining, requisite governmental approvals for a significant number of our property developments***

The real estate industry in the PRC is heavily regulated by the PRC government. PRC property developers must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to complete a property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates of completion. Each approval is dependent on the satisfaction of certain conditions. There were instances where penalties were imposed on us by relevant local government for commencing construction before obtaining construction permits for certain of our property projects. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to the approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of our developments could be substantially disrupted, which would materially and adversely affect our business, results of operations and financial condition.

***The non-compliant GFA of some of our completed property developments may subject us to additional payments, corrective actions, or potential liabilities***

The local government authorities inspect our property developments after completion and issue completion certificates if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the amount of GFA authorized in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that are not in conformity with the plan authorized by the construction permit, we may be required to make additional payments or take corrective actions with respect to such non-compliant GFA before the property development may obtain a completion certificate. If we fail to obtain the completion certificate due to such non-compliance, we will not be allowed to deliver the relevant properties or recognize any revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. Any of the above could have a material adverse effect on our business, financial condition and results of operations.

***Potential liability for environmental problems could result in substantial costs and delays***

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project

development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as the nature of the adjoining properties. Environmental laws and conditions, may cause us to incur substantial compliance and other costs and can prohibit, delay, or severely restrict project development activity in environmentally-sensitive regions or areas.

As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request us to submit the environmental impact documents, issue orders to suspend construction and impose a penalty amounting up to 1%-5% of the total investment amount for each of our projects for which approval of the environmental impact assessment document has not been granted prior to the commencement of construction. For certain of our projects, we did not submit the environmental impact assessment documents although we have obtained the relevant government approvals to commence the development of these projects. However, we cannot assure you that the local authorities will not impose a penalty upon us with respect to these projects due to the lack of such environmental impact documents or that an environmental investigation with respect to these projects in the future would not reveal material environmental liabilities.

In addition, PRC law requires environmental facilities to be included in a property development to pass the inspection by the environmental authorities in order to obtain completion approval before commencing operations. Some of our projects have environmental facilities that are subject to this requirement and are undergoing inspections. If we fail to comply with such requirement, the local environmental authorities may order us to suspend the construction or use of such facilities, which may disrupt our operations and adversely affect our business. The authorities may also impose on us a fine of up to RMB100,000 per breach in respect of such projects. We cannot assure you that we can obtain such approvals in a timely manner, or at all. In the event that such completion approvals cannot be obtained or if fines are imposed on us, our business, results of operations and financial condition may be materially and adversely affected.

***There is no assurance that certain current ancillary facilities will continue to provide services to the owners or users of our property developments***

The ancillary facilities within our residential communities enhance the value of our properties by improving the overall quality and value of the surrounding areas, thus offering a better living environment to the owners and users of our properties. However, we do not operate or manage some of the ancillary facilities, such as schools and hospitals. We cannot assure you that these facilities will continue to operate and provide services in our residential communities. In the event that these facilities cease to operate in our residential communities, our properties may become less attractive and competitive and this may adversely affect the value of our properties.

***We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and PRC withholding taxes on interest we pay on the Notes***

Under PRC tax laws effective prior to January 1, 2008, dividends, interest and other amounts paid to foreign investors by foreign-invested enterprises, such as amounts paid to us by our operating subsidiaries in China, were exempt from PRC withholding tax. Under the Enterprise Income Tax Law (企業所得稅法)(“EIT Law”) and the implementation rules which both took effect on January 1, 2008, enterprises established outside the PRC whose “de facto management bodies” are located in China are considered “resident enterprises” for PRC tax purposes. The implementation rules define the term “de facto management body” as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the “de facto management bodies” for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises that are not controlled by PRC enterprises (including companies like ourselves).

We hold our shareholders' meetings and board meetings outside China and keep our shareholders' list outside China. However, most of our directors and senior management are currently based inside

China and we keep our books of account inside China. The above elements may be relevant for the tax authorities in determining whether we are a PRC resident enterprise for tax purposes. However, there is no clear standard published by the tax authorities for making such determination.

Although it is unclear under PRC tax law whether we have a “de facto management body” located in China for PRC tax purposes, we currently take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for EIT Law purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. Furthermore, we may be obligated to withhold PRC income tax of up to 7% on payments of interest and redemption premium on the Notes to investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest and redemption premium on the Notes to investors that are non-resident enterprises located outside Hong Kong, because the interest and redemption premium may be regarded as being derived from sources within the PRC. In the case of individual holders of Notes, the tax may be withheld at a rate of 20%. In addition, if we fail to do so, we may be subject to fines and other penalties. If we are required to withhold PRC tax from interest payments on the Notes, we will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Notes of such amounts as would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes and could have an adverse effect on our financial condition. Further, if we were treated as a PRC resident enterprise, any gain realized by a non-resident enterprise investor from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly may be subject to a 10% PRC tax in the case of non-resident enterprises or 20% in the case of non-resident individuals.

***Our investments in the PRC are subject to the PRC government’s control over foreign investment in the property sector***

The PRC government has in the past imposed restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC” (關於進一步加強規範外商直接投資房地產產業審批和監管的通知), which, among other things, provides that:

- foreign investment in the property sector in the PRC relating to high-end properties should be strictly controlled;
- prior to obtaining approval for the establishment of foreign-invested real estate enterprises, either (i) both the land use rights certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing titles should be entered into;
- foreign-invested real estate enterprises approved by local authorities shall immediately register with MOFCOM through a filing made by the local authorities; and
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effect foreign exchange settlements of capital account items for those foreign-invested real estate enterprises which have not completed their filings with MOFCOM or fail to pass the annual inspection.

On July 10, 2007, SAFE issued a circular indicating that for foreign-invested enterprises in the real estate sector, it would not process any foreign debt registration or conversion of foreign debt that was approved by the local MOFCOM and filed with MOFCOM on or after June 1, 2007.

In June 2008, MOFCOM issued the “Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector” (關於做外外商投資房地產產業備案工作的通知), often known as “Notice No. 23.” According to Notice No. 23, MOFCOM entrusts provincial MOFCOM departments to verify materials on records of foreign-invested real estate enterprises. Notice No. 23 requires that

the establishment (including the increase of registered capital) of a foreign-invested real estate enterprise shall comply with the project company principle of engaging in one approved real estate project only.

On November 22, 2010, MOFCOM promulgated the “Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry” (關於加強外商投資房地產業審批備案管理的通知), which provides that, among other things, when a real estate enterprise is established in China with overseas capital, it is prohibited to purchase and/or sell real estate properties completed or under construction for speculative purposes. The local MOFCOM authorities are not permitted to approve investment companies to engage in real estate development and management.

On June 24, 2014, MOFCOM and SAFE jointly issued the “Circular on Improving the Record-filing for Foreign Investment in Real Estate” (關於改進外商投資房地產備案工作的通知), effective on August 1, 2014. According to this circular, the provincial branch of MOFCOM instead of MOFCOM will be in charge of the filing work of the foreign-invested real estate enterprises.

On November 11, 2015, MOFCOM and SAFE jointly issued the “Circular on Further Improving the Record-filing for Foreign Investment in Real Estate” (關於改進外商投資房地產備案工作的通知). According to this circular, the record-filing procedure has been canceled.

Restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have an adverse effect on our business, financial condition and results of operations.

### **Risks Relating to Property Development in the PRC**

#### ***The PRC property market has been cyclical and our property development activities are susceptible to significant fluctuations***

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

The cyclical nature of the property market in the PRC affects the optimal timing for the acquisition of sites, pace of development as well as the sale of properties. This cyclicity, combined with the lead time required for completion of projects and the sale of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from year to year.

#### ***We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of property market in China***

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations,



including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, foreign exchange, property financing, taxation and foreign investment.

From 2004 to the first half of 2008, in response to concerns over the scale of the increase in property investment and the overheating of the property sector in the PRC, the PRC government introduced policies to restrict development in the property sector, including:

- limiting monthly mortgage payments to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- suspending or restricting land grants and development approvals for villas and larger sized units;
- charging an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land use right grant contract and voiding land use right for land which has not been developed for two years or more;
- prohibiting any onward transfer of pre-sold properties before the ownership certificate is obtained;
- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year be used for developing low to medium-cost and small to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 consist of units with floor area of less than 90 sq.m. per unit, and that projects which have received project approvals prior to this date but have not obtained construction permits to adjust their construction plan in order to be in compliance with this new requirement, with the exception of municipalities under direct administration of the PRC Government, provincial capitals and certain cities which may deviate from this ratio under special circumstances upon the approval by the Ministry of Construction (the "70:90 rule");
- tightening availability of bank loans to property developers and purchasers of developed properties and increasing the reserve requirements for commercial banks;
- imposing or increasing taxes on short-term gains from second-hand property sales;
- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign individuals and institutions; and
- limiting the number of the residential properties that a single household may purchase.

Regional and local governments are responsible for the implementation of the 70:90 rule. We have not, so far, seen this policy being stringently applied across all its applicable regions in China. If for any reason, political, economic, social or otherwise, these regional or local governments begin to stringently implement this policy, this may lead to an oversupply of units with floor area of less than 90 sq.m., increasing competition in this market segment and affecting the prices and profit margins of such type of property. This may also affect our existing and future business development plans. As a result, our business, financial condition, results of operations and prospects may be adversely affected.

Starting from late 2009 until now, the PRC government has adopted a series of new policies to cool down the property market, including, among other things:

- abolishing certain preferential treatments relating to business taxes payable upon transfers of residential properties by property owners and imposing more stringent requirements on the payment of land premium by property developers;
- imposing property purchase restrictions on non-local citizens, decreasing the maximum loan to value ratio of mortgage loans offered to borrowers, increasing mortgage interest rates and construction loan interest rates;
- increasing the minimum down payment to at least 60% of the total purchase price for second-house purchases with a minimum lending interest rate of at least 110% of the benchmark rate. Since September 2014, where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the minimum down payment will be 30% of the property price and the floor mortgage loan interest will be 70% of the benchmark lending interest rate. Since March 2015, where a household that owns a residential property and has not paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the minimum down payment will be 40% of the property price;
- restricting purchasers, in certain targeted cities, from acquiring second (or further) residential properties and restricting non-residents that cannot provide proof of local tax or social security payments for more than a specified time period from purchasing any residential properties. Since September 2014, in cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by the related policies;
- launching new property tax schemes in certain cities such as Shanghai and Chongqing on a trial basis, and levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase. Shanghai and Chongqing municipal governments have also issued provisional measures, respectively, levying property tax on, among other things, a second residential property purchased by individuals who do not have local household registration; and
- urging provincial governments to implement home purchase restrictions to control property prices, and listed certain criteria for the implementation of restrictions, and in the second half of 2011, extending such home purchase restrictions to certain second- and third-tier cities in addition to the 40-plus first- and second-tier cities which have already adopted home purchase restriction measures.

The PRC government has continued to increase regulation over the property market since 2010. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. To support the demand of buyers of property for residential purposes and to promote the sustainable development of the real estate market, PRC government issued notices in September 2014 and March 2015, which decreased the requirement of the minimum down payment and the floor loan interest rate for a household to buy another residential property to improve its living conditions, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off all of its the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency

and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by the related policies. Regulations were promulgated at various levels to promote affordable housing. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations. See “Regulation.” We have had to adapt our operations to these austerity measures. We adopted various sales tactics in 2011 to increase sales in different projects, such as offering discounts in property prices. We also adjusted the construction schedules of our projects and made the decision in December 2011 to temporarily suspend land purchases until February 2012.

Furthermore, the governments of Beijing and Guangzhou have adopted additional restrictive policies to curb property price increases. In September 2012, the Guangzhou government imposed restrictions on the presale of certain high-priced properties, while the Beijing government issued a new requirement that local purchasers must present the original copy of the “second generation” personal identification cards for the review of their eligibility to purchase residential properties in Beijing. Many cities in the PRC have already promulgated measures to restrict the number of residential properties a household is allowed to purchase. On February 26, 2013, the General Office of the State Council announced the “Notice on Continuing to Improve the Regulation and Control of the Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides, among other things, (i) limitations on the purchase of commodity properties and second-hand properties located within the entire administrative area of a city; (ii) further increase in the down payment ratios and interest rates for loans to purchase second properties for cities with excessive increase in housing prices; and (iii) implementing a capital gain tax of 20%. On November 15, 2013, the general office of the People’s Government of Guangzhou issued the “Opinions concerning Further Strengthening of the Macroeconomic Control of the Real Property Market” (《廣州市人民政府辦公廳關於進一步做好房地產市場調控工作的意見》), which requires: (1) the increase of low-cost commodity housing supply and controlling of high-end commodity housing supply; (2) limitation on the number of properties a non-local resident families can purchase; and (3) the further increase of minimum down payment for loans to purchase second properties for the Guangzhou Branch of PBOC. Any such measures could have a material adverse effect on our business, financial condition or results of operations. In order to implement the central government’s requirement, other cities in China, including those where our property projects are located, may issue similar or other restrictive measures in the near future. Since June 2014, many cities, including those where our property projects are located, have lifted or eased the limitation on the purchase of commodity properties. In 2015, the Ministry of Finance also expanded a business tax exemption to include sellers who have owned their home for as little as two years, rather than the previous minimum of five years.

Since September 30, 2016, Beijing, Tianjin, Suzhou, Chengdu and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy. To promote the stable and healthy development of the real estate market in Beijing, among other measures, a new policy was adopted. This new policy requires the government to set a ceiling price for land granting and when bidders all bid at the ceiling price, the bidder with the lowest proposed property selling price would win the land. On October 12, 2016, the MOHURD required investigation and punishment of persons or entities that spread rumors, deliberately hype or disrupt the market to protect the rights and interests of housing buyers. Shanghai recently launched a new campaign to regulate the so-called commercial-title apartments and suspended approval of all new commercial-title apartment applications. The construction and sale of commercial and office projects will also be strictly regulated. Property developers will be required to rectify any unsanctioned modifications to their original designs before the release of the commercial and office projects. We cannot assure you that our projects in Shanghai will not be affected by such new policy.

We cannot assure you that the PRC government will not adopt additional or more stringent policies, regulations and measures in the future. For instance, the PRC government may impose a countywide real estate tax in the future. We are not sure when or whether such tax reforms will be imposed and neither can we assess the adverse impact of such new tax policies on our business operations and financial results. If we fail to adapt our operations to such new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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

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

The lack of an effective liquid secondary market for residential property may discourage investors from acquiring new properties because resale is not only difficult, but can also be a long and costly process. The limited amount of property mortgage financing available to PRC individuals compounded by the lack of security of legal title and enforceability of property rights may further inhibit demand for residential developments.

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

**Risks Relating to the PRC**

***Economic, political and social conditions in the PRC as well as government policies could affect our business***

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

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

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

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial condition and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. However, since early 2004, the PRC government has from time to time implemented measures to prevent the PRC economy, including the property market, from overheating. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties and may

have an adverse impact on economic growth in the PRC. In May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. The full impact of the Moody's downgrade remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. If China's economic growth decreases or if the PRC economy experiences a recession, the growth in demand for our products may also decrease and our business, financial condition and results of operations will be adversely affected. See “— Risks Relating to Our Business — We may be adversely affected by fluctuations in the global economy and financial markets.”

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

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

***Governmental control of currency conversion may affect the value of your investment***

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all our revenues in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies, including the Notes. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

***PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations***

SAFE has promulgated several regulations, including the “Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents on Engaging in Financing and Inbound Investment via Overseas Special Purpose Vehicles” (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“Circular No. 75”) issued on October 21, 2005, and its implementation rules, or the attachment of Circular No. 59, issued in November 2012, which require PRC residents and PRC corporate entities to register with local branches of SAFE in connection with their direct or indirect offshore investment activities. In July 2014, Circular No. 75 was abolished by SAFE and was superseded by the “Notice regarding Certain Administrative Measures on Offshore Investing and Financing and Round-trip Investment by PRC Residents through 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) (“Circular No. 37”).

Circular No. 37 requires PRC residents, including both legal and natural persons, to register with the local SAFE branch before making capital contribution to any company outside of China (an “offshore SPV”) with onshore or offshore assets and equities interests legally owned by the PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its SAFE registration with the local SAFE branch with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, the shareholding by PRC individual resident, merger, division and with respect to the PRC individual resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the PRC individual resident. According to the “Notice on Further Simplifying and Improving Foreign Exchange Administration Policies for 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) issued by SAFE in February 2015, effective from June 1, 2015, the foreign exchange registration as required by Circular No. 37 can be conducted at banks rather than local branches of SAFE (except for supplemental registrations under Circular No. 37). Failure to comply with the required SAFE registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, paying dividends and other distributions to, and receiving capital injections from the offshore SPV. Failure to comply with Circular No. 37 may also subject the relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

Our controlling shareholders have completed the registration of their overseas invested companies in accordance with Circular No. 75 in January 2008 and renewed the registration in February 2009, July 2010, July 2012, December 2013, January 2014 and June 2014. Changes in the status of these overseas invested companies would, at the request of the local foreign exchange administration bureau, require further registration of changes in accordance with Circular No. 37. We cannot assure you that such process will be completed in a timely manner or at all, or that we will not be subject to fines or other sanctions which restrict our cross-border activities or limit our PRC subsidiaries’ ability to distribute dividends or to repay shareholder loans to us.

***Fluctuation in the value of the Renminbi may have a material adverse effect on our business***

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China’s political and economic conditions. The conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Further on May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012. On March 17, 2014, the PBOC further widened the floating bond against the U.S. dollar to 2.0%. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 33% from July 21, 2005 to December 31, 2014. The PBOC announced on August 11, 2015 that it would improve the middle price quotation mechanism for determining the US\$ — RMB exchange rates. On the same day, the daily reference rate for Renminbi against U.S. dollars depreciated by 1.9% to 6.2298 compared with 6.1162 for August 10, 2015. The International Monetary Fund announced on September 30, 2016 that, effective from October 1, 2016, the Renminbi will be added to its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. Any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the U.S. dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes. In addition, because of our substantial indebtedness and other obligations in foreign currencies, any significant fluctuation in the value of the Renminbi may have a material adverse effect on our business condition and results of operations. As of December 31, 2016, we had U.S. dollar-denominated debt totaling US\$1,683.8 million, consisting of the outstanding amounts under our senior notes and various U.S. dollar-

denomination loans, and Hong Kong dollar-denominated debt totaling HK\$8,072.3 million, representing primarily outstanding amounts under certain Hong Kong dollar-denominated loans.

***Uncertainty with respect to the PRC legal system could adversely affect us***

As substantially all of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations.

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. 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. For example, on September 14, 2015, the NDRC issued the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the “NDRC Notice”), which provides that enterprises domiciled within the PRC and their overseas subsidiaries or branches should file and register with the NDRC prior to issuance of foreign debt instruments and report relevant information on the issuance of the foreign debt instruments in relation to foreign debt with a maturity of more than one year to the NDRC within ten business days in the PRC after the completion of each issuance. In practice, enterprises incorporated outside of the PRC and controlled by individuals (other than those controlled by PRC enterprises as expressly provided in the NDRC Notice), and which have a substantial amount of assets located in the PRC, may also be required by the NDRC to comply with the NDRC Notice. The NDRC Notice is silent on the legal consequences of non-compliance with the pre-issue notification requirement. We have registered the issuance of the Notes with the NDRC pursuant to the NDRC Notices. Similarly, the legal consequences of non-compliance with the post-issuance reporting requirement under the NDRC is unclear. As the NDRC Notice is a new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

Our primary operating subsidiaries were incorporated in China as “wholly foreign-owned enterprises.” Although we or our wholly owned subsidiaries are the sole shareholder of, and therefore have full control over, these PRC entities, the exercise of our shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign-invested enterprises in China, which may be different from the laws of other developed jurisdictions.

China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. The relative inexperience of China’s judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents. We cannot predict the effect of future legal development in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in the Notes. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation has occurred. This may also limit the remedies available to you as an investor and to us in the event of any claims or disputes with third parties.

Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

***Holders of the Notes may experience difficulties in effecting service of legal process and enforcing judgments against us and our management***

Substantially all of our operating subsidiaries are incorporated under PRC laws, and substantially all of our assets are located in China. In addition, most of our directors and officers reside within China, and substantially all of their assets are located within China. As a result, it may not be possible to effect service of process outside of China upon most of our directors or officers. Moreover, our PRC counsel has advised us that China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in civil and commercial cases with the United States, the United Kingdom, Japan or most other Western Countries. Therefore, it may be difficult for you to enforce against us or our directors or officers in China any judgments obtained from non-PRC courts.

***Natural disasters, acts of war, occurrence of epidemics, and other disasters could affect our business and the national and regional economies in the PRC***

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome (“SARS”), and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics.

For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008, resulting in tremendous loss of life and injury, as well as destruction of assets in the region. Furthermore, the PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. In particular, any future outbreak of SARS, avian flu or other similar adverse epidemics may, among other things, significantly disrupt our business, including limiting our ability to travel or ship our products within the PRC. An outbreak of infectious disease may also severely restrict the level of economic activity in affected areas, which may in turn have a material and adverse effect on our results of operations, financial condition and business. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of swine flu, avian flu, SARS or any other epidemic.

Acts of war and terrorist attacks may cause damage or disruption to us, our employees and our markets, any of which could materially impact our sales, cost of sales, overall results of operations and financial condition. The potential for war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that currently we cannot predict.

**Risks Relating to the Notes**

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

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries, joint ventures and associated companies. The Notes will not be guaranteed by any current or future PRC subsidiaries. Moreover, the Notes will not be guaranteed by certain other Non-Guarantor Subsidiaries, and under the terms of the Indenture Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, joint ventures and associated companies, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries and may be held by JV Subsidiary Guarantors or New Non-Guarantor Restricted Subsidiaries in the future. In addition, our subsidiaries that hold our major project in Hainan Province, Hainan Clearwater Bay, will not guarantee the Notes and their shares will not be pledged for the benefit of the holders of the Notes. The Subsidiary Guarantors do not and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries, joint ventures and associated companies.



Creditors, including trade creditors of our PRC subsidiaries and other Non-Guarantor Subsidiaries any holders of preferred shares in such entities, would have a claim on such entities' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, joint ventures and associated companies, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our subsidiaries, joint ventures and associated companies will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of December 31, 2016, our Non-Guarantor Subsidiaries had outstanding indebtedness, including both current and non-current borrowings, in the amount of RMB16,536.4 million (US\$2,381.7 million) and capital commitment and contingent liabilities arising from guarantees of RMB33,293.6 million (US\$4,795.3 million). The Notes and the Indenture do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

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

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

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. As of December 31, 2016, our total indebtedness outstanding, including both current and non-current borrowings, amounts to RMB43,995.9 million (US\$6,336.7 million). Our amounts due to related parties as of December 31, 2016 was RMB3,086.6 million (US\$444.6 million).

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

- limit our ability to satisfy our obligations under the Notes and other obligations;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted

Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated EBITDA includes our unrealized gains on valuation adjustments on our investment properties and embedded financial derivatives, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenant could be substantially larger when compared to other similarly situated PRC-based issuers of high-yield bonds whose covenant does not typically include unrealized gains in the calculation of their respective Consolidated EBITDA. In addition, because our definition of Consolidated Interest Expense for the Notes excludes the interest expense on indebtedness of third parties that we guarantee except to the extent that such interest expense has become payable by us, our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of Consolidated Interest Expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt and other obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt and other obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. For 2014, we recorded a negative net cash flow used in operating activities of RMB2,402.3 million. For 2015 and 2016, we recorded positive cash flows generated from operating activities of RMB7,136.5 million and RMB6,886.6 million (US\$991.9 million). Our business may be exposed to unpredictable and unstable operating cash flows in the future. If we are unable to service our indebtedness and satisfy our other obligations, including our obligations under the Notes, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, the terms of the indentures governing the Notes, the 2014 USD Notes, the 2015 Notes and other financing agreements prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratios requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See “Description of Other Material Indebtedness.” Such restrictions may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Moreover, the distributions on the Perpetual Capital Securities and Domestic Perpetual Capital Securities are not accounted for as interest expenses under HKFRS and we therefore do not include such distributions when calculating the Fixed Charge Coverage Ratio under our bank facilities and senior notes, including the Notes. In addition, because the Perpetual Capital Securities and Domestic Perpetual Capital Securities are not Capital Stock, we do not treat distributions on the Perpetual Capital Securities and Domestic Perpetual Capital Securities as Restricted Payments under our senior notes, including the Notes. However, we have been voluntarily subtracting the amounts of distributions on the Perpetual Capital Securities and Domestic Perpetual Capital Securities from our Restricted Payments “basket” under our senior notes and will continue to do so in the future. We might in certain circumstances be able to make distributions on the Perpetual Capital Securities and Domestic Perpetual Capital Securities that we would not otherwise be entitled to under the covenants governing our bank facilities and senior notes, including the Notes, if the distributions were treated as an interest expense or a Restricted Payment. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other indebtedness.

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

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to pay dividends to our shareholders and to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes or pay dividends to our shareholders. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the ability of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In practice, our PRC project companies may pay dividends only after they have completed the project development and the construction of at least a phase or a building and the related revenue recognition as well as the required government tax clearance and foreign exchange procedures. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5% subject to approval by relevant PRC tax authorities, although there is uncertainty under a recent circular regarding whether intermediate Hong Kong holding companies will remain eligible for benefits under this arrangement. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy our obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

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

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

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other property developers and business partners. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest, such as the Guangzhou Asian Games City Project and the Tianjin Jinnan New City) and such joint ventures may or may not be Restricted Subsidiaries. Although the indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications. In particular, under the Indenture, we are not required to satisfy the Fixed Charge Coverage Ratio for making investments in minority joint ventures up to 5% of the Total Assets. See clause (16) in the definition of “Permitted Investment” in “Description of the Notes — Definitions” and “— Certain Covenants — Limitation on Restricted Payments.” In addition, we are not required to satisfy the Fixed Charge Coverage Ratio for any restricted payment consisting solely of the declaration or payment of dividends in cash on our Common Stock or the repurchase of our Common Stock up to a certain limit. See “Limitation on Restricted Payments” and the definition of “Permitted Investment” in “Description of the Notes.”

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

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

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

We may enter new businesses with a view to establishing alternative revenue sources and diversifying our business. We may spin off such new businesses in the future as we desire. Subject to certain restrictions, in connection with a spin-off listing of Non-Core Entities that are engaged in businesses other than our core real estate development business, the terms of the Notes permit us to designate any such Non-Core Entity as an Unrestricted Subsidiary, and any interests we retain in such Non-Core Entities will not constitute Restricted Payments upon such designation. See “Description of the Notes — Certain Covenants — Limitation on Restricted Payments” and the definition of “Permitted Investment.” We currently do not have any plan for such spin-off listing and do not expect to make such designations. The effects of any such designation, if applicable, include, but are not limited to, that:

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

***The terms of the Notes permit us to engage in businesses that may not be related to our core real estate business.***

Under the terms of the Notes, we are not subject to the restrictions related to “permitted business” and we are not restricted from expanding into businesses that we are not currently engaged in. Without such restrictions, we will, among other things, (i) be able to invest in and make payments to entities and businesses not in the real estate industry through Permitted Investment, and (ii) have additional flexibility to incur indebtedness, as “purchase money indebtedness” will no longer be subject to the condition that the indebtedness is incurred to acquire assets used in certain permitted businesses. Such changes may result in a higher indebtedness level, and additional cash outflow.

***Under PRC regulations, we may not be able to transfer to our PRC subsidiaries proceeds from this offering in the form of a loan, which could impair our ability to make timely payments of interest, or even principal, under the Notes***

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by or filings with the relevant PRC authorities. In addition, the “Notice on Further Strengthening the Regulation on Approval and Supervision of Foreign Direct Investment in Real Estate Industry in the PRC” (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) jointly issued by MOFCOM and SAFE on May 23, 2007, and the “Notice regarding Promulgation of Administrative Measures on Foreign Debt Registration” (國家外匯管理局關於發佈<外債登記管理辦法>的通知) issued by SAFE on April 28, 2013, which became effective on May 13, 2013 and contains an appendix named the “Operating Guidelines for Foreign Debt Registration Administration” (外債登記管理操作指引) indicate that SAFE would not process any foreign debt registration or settlement of foreign exchange for foreign debt for foreign invested enterprises in the real estate industry that was approved by the local office of MOFCOM and registered with MOFCOM after June 1, 2007. Foreign invested-enterprises include joint ventures and wholly foreign owned enterprises established in China, such as most of our PRC subsidiaries. Therefore, the proceeds of the current offering that will be used for land acquisitions and developments in China practicably may only be transferred to our PRC subsidiaries as equity investments. Any transfer of the proceeds to our PRC subsidiaries in the form of loans will be subject to the restrictions on foreign invested real estate enterprises as imposed by the foreign debt registration rules. Without having the flexibility to transfer funds to our PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes or on a redemption date or the maturity date to pay the principal of the outstanding Notes.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from or filings with the commerce department of the local government, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation.

On September 14, 2015, the NDRC issued the Circular of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-filing and Registration System for the Issuance of Foreign Debts by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) to remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system. We cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China the funds raised outside of China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

***Fluctuation in the exchange rates between the Renminbi and foreign currencies, particularly U.S. dollars, may have a material adverse effect on us and on your investment.***

The Notes are denominated in U.S. dollars, while substantially all of our revenue is generated by our PRC operating subsidiaries and is denominated in Renminbi. The exchange rates between the Renminbi and foreign currencies are affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. The floating band was further widened to 1.0% on April 16, 2012. On March 17, 2014, the PBOC further widened the floating bond against the U.S. dollar to 2.0%. The Renminbi depreciated against the U.S. dollar by 2.43% in 2014, while in general it appreciated against the U.S. dollar by approximately 33% from July 21, 2005 to December 31, 2014. There remains significant international pressure on the PRC government to adopt a more flexible currency policy and the PBOC have previously announced its intention to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currency.

The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented, it is possible that they may result in a devaluation of the Renminbi against the U.S. dollar or other foreign currencies, in which case our financial condition and results of operations could be adversely affected because of our substantial foreign-currency-denominated indebtedness and other obligations. As of December 31, 2016, we had U.S. dollar-denominated debt totaling US\$1,683.8 million, consisting of the outstanding amounts under our senior notes and various U.S. dollar-denominated loans, and Hong Kong dollar-denominated debt totaling HK\$8,072.3 million, representing primarily outstanding amounts under certain Hong Kong dollar-denominated loans. See "Description of Other Material Indebtedness." Such devaluation could also adversely affect the value, translated or converted to U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

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

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

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

We must offer to purchase the 2014 USD Notes and the 2015 Notes upon the occurrence of a change of control triggering event, at a certain purchase price plus accrued and unpaid interest. For the Perpetual Capital Securities, we have the option to redeem the securities upon the occurrence of a change of control triggering event. If we elect not to redeem, the applicable distribution rate will increase by 3% per annum beginning from the next distribution payment date. See the sections entitled “Description of the Notes” and “Description of Other Material Indebtedness.”

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any change of control triggering event to make purchases of outstanding Notes, the 2014 USD Notes and the 2015 Notes. Our failure to make the offer to purchase or purchase the outstanding Notes, the 2014 USD Notes and the 2015 Notes would constitute an Event of Default under the Notes, the 2014 USD Notes or the 2015 Notes, as the case may be. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

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

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

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

***The Notes are subject to optional redemption by us***

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

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

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

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in other jurisdictions, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. In addition, the Subsidiary Guarantors are incorporated in the British Virgin Islands or Hong Kong and the insolvency laws of the British Virgin Islands and Hong Kong may also differ from the laws of the United States or bankruptcy laws in other jurisdictions. We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. We and our non-PRC subsidiaries, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Notes are familiar. You should carefully analyze the risks and uncertainties in the insolvency laws of the Cayman Islands, the PRC and other jurisdictions applicable to us before you invest in the Notes.

***We may be unable to obtain and remit foreign exchange***

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

***If we are unable to comply with the restrictions and covenants in our debt agreements, the indentures governing the 2014 USD Notes, the 2015 Notes or the Indenture governing the Notes, there could be a default under the terms of these agreements, which could cause the acceleration of the repayment of our indebtedness***

If we are unable to comply with the restrictions and covenants in the Indenture governing the Notes, or our current or future debt obligations and other agreements (including the indentures governing the 2014 USD Notes, the 2015 Notes and various credit facility agreements), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the indentures governing the Notes, the 2014 USD Notes, the 2015 Notes and various credit facility agreements, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of other debt or result in a default under our other debt agreements, including the Notes, the 2014 USD Notes, the 2015 Notes and various credit facility agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.



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

Our debt documents include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of us and our Restricted Subsidiaries, to:

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

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

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

The Notes are a new issue of securities for which there is currently no trading market. Although application has been made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing on the SGX-ST, or that, if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. We cannot predict whether an active trading market for the Notes will develop or be sustained.

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

We expect the Notes to be rated B+ by Standard and Poor's Ratings Services ("S&P") and B1 by Moody's Investors Service ("Moody's"). The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that the ratings will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or

withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes. The ratings previously assigned by S&P and Moody's to the 2014 USD Notes were lowered from "BB-" to "B+" and from "Ba2" to "B1", respectively, on October 10, 2014.

***Certain transactions that constitute "connected transactions" under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") will not be subject to the "Limitation on Transactions with Shareholders and Affiliates" covenant***

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

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

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

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

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

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

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with HKFRS, which differs in certain significant respects from GAAP in other jurisdictions, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAP. You should consult your own professional advisers for an understanding of the differences between HKFRS and other GAAP and how those differences might affect the financial information contained in this offering memorandum.

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

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

**Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral**

***Our initial Subsidiary Guarantors do not currently have significant operations***

None of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC, that are not permitted by applicable law or regulation to guarantee the Notes (the “Exempted Subsidiaries”) or that are listed on certain qualified stock exchanges (the “Listed Subsidiaries”), will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the Notes will not be guaranteed by certain other Non-Guarantor Subsidiaries and under the terms of the Indenture Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. In addition, certain of our offshore subsidiaries are permitted to not guarantee the Notes and have their capital stock pledged to secure the Notes, if the consolidated assets of all these offshore subsidiaries (other than the Crown Golden Group, the Exempted Subsidiaries and the Listed Subsidiaries) do not exceed 30% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and such Non-Guarantor Subsidiaries. In addition, certain of our subsidiaries holding our major project in Hainan Province, Hainan Clearwater Bay, and other subsidiaries, including certain subsidiaries responsible for property management and marketing and certain dormant companies, will not provide Subsidiary Guarantees upon issuance of the Notes and as a result, the Notes will be effectively subordinated to all the debt and other obligations of these subsidiaries. See “Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries. Moreover, the Collateral will not include the capital stock of our existing or future PRC subsidiaries and Non-Guarantor Subsidiaries.

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

Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues more than 20% of the Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than the Crown Golden Group, the Exempted Subsidiaries and the Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 30% of our total assets.

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

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

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

For Subsidiary Guarantors incorporated in other jurisdictions:

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

For Subsidiary Guarantors incorporated in British Virgin Islands or BVI:

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

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the jurisdiction which are being applied. Generally, however, a guarantor would be considered insolvent

at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debt as it became absolute and matured.

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

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

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

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

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

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

The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes and other pari passu secured indebtedness. The Collateral will consist only of the capital stock of the initial Subsidiary Guarantors and may in the future include our proportional interest in certain JV Subsidiary Guarantors. The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional Collateral.

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

The value of the Collateral in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the

Collateral have been prepared by or on behalf of us in connection with this offering of the Notes. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes. By their nature, some or all of the Collateral, in particular, the capital stock of the existing or any future Subsidiary Guarantors or where applicable, certain future JV Subsidiary Guarantors, may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement by the holders of the Notes, the holders of our high-yield notes and bank lenders and may be shared on a *pari passu* basis with holders of other permitted indebtedness ranking *pari passu* with the Notes that we may issue in the future. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

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

If we dispose of not less than 20% of the shares of a Subsidiary Guarantor, the Subsidiary Guarantees provided by such Subsidiary Guarantor and its subsidiaries, and the Collateral comprising the shares of these companies, may be released if the consolidated assets of our non-PRC subsidiaries (other than the Crown Golden Group, the Exempted Subsidiaries and the Listed Subsidiaries) that do not guarantee the Notes do not account for more than 30% of our total assets immediately following such release.

Moreover, in the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge of the shares granted by such Subsidiary Guarantor, as well as the pledge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms of the Indenture, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

***The Intercreditor Agreement may impact our ability and the ability of the Subsidiary Guarantors to pay amounts due under the Notes and the Subsidiary Guarantees and may limit the rights of holders of the Notes to the Collateral***

Under the Intercreditor Agreement, upon the occurrence of an event of default under the respective debt instruments (including the Notes, the 2014 USD Notes, the 2015 Notes or other permitted *pari passu* secured indebtedness), the relevant secured party may take action to enforce the Collateral. Any such enforcement action will adversely affect our entitlement to receive dividend or other distributions from the Collateral, which will, in turn, have an adverse impact on our ability to fulfill our payment obligations under the Notes. Similarly, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected.

The Collateral Agent, pursuant to the Intercreditor Agreement, the security documents relating to the Collateral and underlying indentures or finance documents, has duties with respect to the Collateral pledged, assigned or granted. Under certain circumstances, such duties may conflict with the interests of the holders of the Notes and other secured parties.

In addition, the Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security

Documents as are set forth in the Intercreditor Agreement and as trustee and agent in respect of other obligations including the Notes, the 2014 USD Notes and the 2015 Notes. Under certain circumstances, the Collateral Agent may have obligations under the respective security documents or the Intercreditor Agreement and the underlying indentures or finance documents that are in conflict with the interests of the holders of the Notes, the holders of the 2014 USD Notes, the holders of the 2015 Notes or the holders of other permitted pari passu secured indebtedness. The Collateral Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes, the 2014 USD Notes or the 2015 Notes, unless such holders have offered to the Collateral Agent indemnity and/or security satisfactory to the Collateral Agent against any loss, liability, cost or expenses.

If an Event of Default occurs under the Notes, the 2014 USD Notes, the 2015 Notes or other permitted pari passu secured indebtedness, the holders of such indebtedness must decide whether to take any enforcement action with respect to the Collateral. Thereafter they may, through their respective trustee or representative, take such action pursuant to the terms of the Intercreditor Agreement and their security documents. Such action may be adverse to holders of the Notes. In that event, the holders of the Notes would retain only the remedy to sue for payment on the Notes and the Subsidiary Guarantees.

Further, the Collateral has already been granted in favor of the trustees for the 2014 USD Notes and the 2015 Notes and lenders of various credit facilities and term loans (or their agents or representatives). Although pursuant to the Intercreditor Agreement the Collateral will be shared on a *pari passu* basis among holders of the Notes, the 2014 USD Notes, the 2015 Notes, lenders of various credit facilities and term loans and other permitted pari passu secured indebtedness, under Hong Kong and BVI laws, the security interests that have been granted to the trustees for the 2014 USD Notes and the 2015 Notes and lenders of various credit facilities and term loans (or their agents or representatives) do have legal priority over the Collateral, varied only by contractual arrangements under the Intercreditor Agreement. If the Hong Kong courts or the BVI courts do not recognize the Intercreditor Agreement or if the Intercreditor Agreement has become invalid or void, the security interests held by the Trustee (for the benefit of the holders of the Notes) over the Collateral will rank behind the security interests over the Collateral held by other secured parties to which the Collateral was granted prior to the issuance of the Notes.

## **USE OF PROCEEDS**

We estimate that the net proceeds from this offering, after deducting the underwriting fees, commissions and other estimated expenses payable in connection with this offering, will be approximately US\$196.0 million. We intend to use the net proceeds to refinance part of the 2014 USD Notes.

We may adjust the foregoing plans in response to changing market conditions and circumstances and, thus, reallocate the use of the net proceeds. Pending application of the net proceeds of this offering, we intend to deposit such net proceeds to demand deposits, time deposits or money market instruments.



## EXCHANGE RATE INFORMATION

### PRC

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012. On March 17, 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0%. The PRC government in the future may make further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity rate for the trading against the Renminbi on the following working day.

Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The International Monetary Fund announced on September 30, 2016 that the Renmibi joins its Special Drawing Rights currency basket. Since October 2016, the RMB against the U.S. dollar continued to depreciate at an increasing rate. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends as indicated.

Period	Noon Buying Rate			
	Low	Average <sup>(1)</sup>	High	Period End
		(RMB per US\$1.00)		
2011 . . . . .	6.2939	6.4475	6.6364	6.2939
2012 . . . . .	6.2221	6.2990	6.3879	6.2301
2013 . . . . .	6.0537	6.1412	6.2438	6.0537
2014 . . . . .	6.0402	6.1704	6.2591	6.2046
2015 . . . . .	6.1870	6.2869	6.4896	6.4778
2016 . . . . .	6.4480	6.6549	6.9580	6.9430
2017				
January . . . . .	6.8360	6.8907	6.9575	6.8768
February . . . . .	6.8517	6.8694	6.8821	6.8665
March . . . . .	6.8687	6.8440	6.9132	6.8832
April . . . . .	6.8778	6.8876	6.8988	6.8900
May . . . . .	6.8098	6.8843	6.9060	6.8098
June . . . . .	6.7793	6.8066	6.8382	6.7793
July (through July 21) . . . . .	6.7451	6.7811	6.8039	6.7663

Source: Federal Reserve H.10 Statistical Release

Note:

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

## Hong Kong

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

The market exchange rate of the H.K. dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. The Hong Kong government has indicated its intention to maintain the link at that rate. Under the Basic Law, the H.K. dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the H.K. dollar will remain freely convertible into other currencies, including the U.S. dollar. However, we cannot assure you that the Hong Kong government will maintain the link at HK\$7.80 to US\$1.00, or at any exchange rate.

The following table sets forth the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends as indicated.

Period	Noon Buying Rate			Period End
	Low	Average <sup>(1)</sup>	High	
	(HK\$ per US\$1.00)			
2011 . . . . .	7.7634	7.7793	7.8087	7.7663
2012 . . . . .	7.7493	7.7556	7.7699	7.7507
2013 . . . . .	7.7503	7.7565	7.7654	7.7539
2014 . . . . .	7.7495	7.7554	7.7669	7.7531
2015 . . . . .	7.7495	7.7519	7.7686	7.7507
2016 . . . . .	7.7505	7.7618	7.8270	7.7534
2017				
January . . . . .	7.7540	7.7560	7.7580	7.7579
February . . . . .	7.7575	7.7596	7.7627	7.7627
March . . . . .	7.7611	7.7658	7.7714	7.7714
April . . . . .	7.7687	7.7737	7.7806	7.7779
May . . . . .	7.7775	7.7864	7.7933	7.7929
June . . . . .	7.7908	7.7984	7.8055	7.8055
July (through July 21) . . . . .	7.8034	7.8091	7.8128	7.8091

Source: Federal Reserve H.10 Statistical Release

Note:

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

## CAPITALIZATION

The following table sets forth on an actual basis our consolidated cash and cash equivalents, short-term borrowings and capitalization as of December 31, 2016, and as adjusted to give effect to the Notes now being issued after deducting the underwriting fees, commissions and other estimated expenses payable in connection with this offering. Except as otherwise disclosed in this offering memorandum, there has been no material change in our capitalization since December 31, 2016.

	As of December 31, 2016			
	Actual		Adjusted	
	RMB	US (unaudited) (in thousands)	RMB (unaudited) (in thousands)	US (unaudited)
<b>Cash and cash equivalents<sup>(1)</sup></b>	12,431,884	1,790,564	13,792,712	1,986,564
<b>Short-term borrowings<sup>(2)(3)(4)(5)</sup></b>				
2012 Notes <sup>(4)</sup>	4,847,305	698,157	4,847,305	698,157
2014 RMB Notes <sup>(5)</sup>	1,985,130	285,918	1,985,130	285,918
Current portion of non-current borrowings	4,717,581	679,473	4,717,581	679,473
Short-term bank borrowings				
— unsecured	1,265,000	182,198	1,265,000	182,198
Total short-term borrowings	12,815,016	1,845,746	12,815,016	1,845,746
<b>Long-term borrowings<sup>(3)(6)(7)</sup></b>				
2012 Notes <sup>(4)</sup>	—	—	—	—
2014 USD Notes	3,420,468	492,650	3,420,468	492,650
2014 RMB Notes <sup>(5)</sup>	—	—	—	—
2015 Notes	3,422,665	492,966	3,422,665	492,966
Notes to be issued <sup>(8)</sup>	—	—	1,360,828	196,000
PRC corporate bonds	8,739,290	1,258,719	8,739,290	1,258,719
Other borrowings				
— secured	1,600,000	230,448	1,600,000	230,448
Long-term syndicated loans				
— secured	2,225,000	320,467	2,225,000	320,467
— unsecured	5,869,958	845,450	5,869,958	845,450
Asset-backed securities	590,386	85,033	590,386	85,033
Long-term bank borrowings				
— secured	4,352,807	626,935	4,352,807	626,935
— unsecured	960,334	138,317	960,334	138,317
Total long-term borrowings	31,180,908	4,490,985	32,541,736	4,686,985
<b>Capital and reserves</b>				
Share capital and premium	4,290,028	617,893	4,290,028	617,893
Shares held for share award scheme	(156,588)	(22,553)	(156,588)	(22,553)
Other reserves	3,092,833	445,461	3,092,833	445,461
Retained earnings	28,083,330	4,044,841	28,083,330	4,044,841
Total capital and reserves attributable to our shareholders	35,309,603	5,085,641	35,309,603	5,085,641
<b>Perpetual capital securities</b>	5,597,503	806,208	5,597,503	806,208
Total capitalization <sup>(9)</sup>	72,088,014	10,382,834	73,448,842	10,578,834

*Notes:*

- (1) Cash and cash equivalents exclude restricted cash of RMB9,878.7 million (US\$1,422.8 million) as of December 31, 2016. Restricted cash consists principally of proceeds from pre-sales of properties which are required under PRC laws to be deposited at designated bank accounts as guarantee deposits for construction of related projects and bank deposits as collateral for borrowings.
- (2) Short-term borrowings include the current portion of long-term borrowings.
- (3) As of December 31, 2016, RMB15,942.4 million (US\$2,296.2 million) of our long-term and short-term borrowings had been incurred by our PRC subsidiaries.
- (4) The 2012 Notes were redeemed in full on March 20, 2017.
- (5) The 2014 RMB Notes were redeemed in full on February 28, 2017.
- (6) As of December 31, 2016, our consolidated capital commitments were RMB21,775.3 million (US\$3,136.3 million) and our contingent liabilities amounted to approximately RMB35,589.5 million (US\$5,126.0 million). See “Management’s Discussion and Analysis of Financial Conditions and Results of operations — Liquidity and Capital Resources — Contractual Obligations” and “— Contingent Liabilities.” We have, since December 31, 2016, in the ordinary course of business, entered into additional financial arrangements to finance our property development and for general corporate purposes, which are not reflected in the table above. See “Description of Other Material Indebtedness.”

- (7) Long-term borrowings exclude the current portion of long-term borrowings.
- (8) In accordance with HKFRS, the Notes should be recorded at their fair value upon initial recognition, which may be substantially different from the aggregate principal amount of the Notes. For illustrative purposes only, the Notes have been recorded at their aggregate principal amount, after deducting the underwriting fees, commissions and other estimated expenses payable in connection with this offering, in the “As Adjusted” column of the table above.
- (9) Total capitalization includes total long-term borrowings plus total capital and reserves attributable to our shareholders and perpetual capital securities.

We continue to enter into short-term and long-term borrowings in the ordinary course of business, including construction and project loans. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Borrowings.”

## SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected financial data as of and for each of the fiscal years ended December 31, 2014, 2015 and 2016 except for EBITDA data and amounts presented in U.S. dollars, are derived from our audited consolidated financial statements for those years and as of the dates indicated. The selected financial data below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the audited consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

### Selected Consolidated Income Statement Information

	Year Ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US\$
	(unaudited)			
	(in thousands, except percentages)			
Revenue	38,317,599	43,004,312	46,678,865	6,723,155
Cost of sales	(25,886,775)	(32,191,005)	(34,313,168)	(4,942,124)
<b>Gross profit</b>	<b>12,430,824</b>	<b>10,813,307</b>	<b>12,365,697</b>	<b>1,781,031</b>
Selling and marketing costs	(1,784,164)	(1,785,859)	(2,097,973)	(302,171)
Administrative expenses	(1,437,438)	(1,444,024)	(1,458,191)	(210,023)
Fair value gains on investment properties	469,625	62,523	42,960	6,188
Other gains/(losses), net	146,034	(139,387)	(334,708)	(48,208)
Other income	979,166	212,162	278,662	40,136
Other expenses	(312,950)	(82,439)	(195,880)	(28,213)
<b>Operating profit</b>	<b>10,491,097</b>	<b>7,636,283</b>	<b>8,600,567</b>	<b>1,238,739</b>
Finance (costs)/income, net	(292,573)	(1,325,206)	(1,124,531)	(161,966)
Share of post-tax loss of an associate	(27,636)	(27,190)	(3,375)	(486)
Share of post-tax (loss)/profit of joint ventures	(44,997)	(87,400)	10,453	1,506
<b>Profit before income tax</b>	<b>10,125,891</b>	<b>6,196,487</b>	<b>7,483,114</b>	<b>1,077,793</b>
Income tax expenses	(5,034,790)	(3,894,950)	(4,433,480)	(638,554)
<b>Profit for the year</b>	<b>5,091,101</b>	<b>2,301,537</b>	<b>3,049,634</b>	<b>439,239</b>
<b>Attributable to:</b>				
Shareholders of the Company	4,287,245	1,390,343	2,283,640	328,913
Holders of perpetual capital securities	354,782	358,565	415,263	59,810
Non-controlling interests	449,074	552,629	350,731	50,516
	<u>5,091,101</u>	<u>2,301,537</u>	<u>3,049,634</u>	<u>439,239</u>
<b>Dividends</b>	<u>1,162,273</u>	<u>1,276,543</u>	<u>1,555,147</u>	<u>223,988</u>
<b>OTHER FINANCIAL DATA</b>				
EBITDA <sup>(1)</sup>	12,177,615	10,030,223	11,638,702	1,676,322
EBITDA margin <sup>(2)</sup>	31.8%	23.3%	24.9%	24.9%

*Notes:*

- (1) The calculation of earnings before interest, taxation, depreciation and amortization (EBITDA) excluded fair value gains on investment properties. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company’s ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for income taxes, interests, depreciation and amortization, fair value gains on investment properties, non-recurring other income/expense, and exchange gains/losses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures” for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See “Description of the Notes — Definitions” for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

## Selected Consolidated Balance Sheet Information

	As of December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US\$
	(in thousands, except percentages)			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	7,696,021	6,651,965	7,309,147	1,052,736
Land use rights . . . . .	2,288,324	1,940,762	2,029,966	292,376
Properties under development . . . . .	9,663,011	6,798,703	9,510,651	1,369,819
Intangible assets . . . . .	60,863	54,400	55,357	7,973
Investment properties . . . . .	5,846,317	6,369,011	6,326,943	911,269
Interest in an associate . . . . .	30,565	3,375	114,461	16,486
Interest in joint ventures . . . . .	1,220,848	1,133,448	4,624,663	666,090
Available-for-sale financial assets . . . . .	117,500	117,500	277,500	39,968
Derivative financial instruments . . . . .	—	—	254,497	36,655
Receivables from the associates and joint ventures . . . . .	2,039,716	3,554,716	4,383,129	631,302
Deferred income tax assets . . . . .	501,790	570,208	699,275	100,717
	<u>29,464,955</u>	<u>27,194,088</u>	<u>35,585,589</u>	<u>5,125,391</u>
<b>Current assets</b>				
Properties under development . . . . .	50,518,110	44,523,607	36,706,691	5,286,863
Completed properties held for sale . . . . .	16,138,247	16,888,695	13,976,133	2,012,982
Prepayments for acquisition of land use rights . . . . .	3,700,798	5,540,880	9,614,483	1,384,774
Trade and other receivables . . . . .	11,674,857	8,383,115	11,462,643	1,650,964
Prepaid income taxes . . . . .	721,307	1,645,454	1,760,871	253,618
Derivative financial instruments . . . . .	—	—	307,870	44,343
Restricted cash . . . . .	5,362,080	5,729,642	9,878,734	1,422,834
Cash and cash equivalents . . . . .	6,067,802	7,407,450	12,431,884	1,790,564
	<u>94,183,201</u>	<u>90,118,843</u>	<u>96,139,309</u>	<u>13,846,941</u>
<b>Total assets</b> . . . . .	<b><u>123,648,156</u></b>	<b><u>117,312,931</u></b>	<b><u>131,724,898</u></b>	<b><u>18,972,332</u></b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the shareholders of the Company</b>				
Share capital and premium . . . . .	5,097,967	5,097,967	4,290,028	617,893
Shares held for Share Award Scheme . . . . .	(156,588)	(156,588)	(156,588)	(22,553)
Other reserves . . . . .	2,453,809	3,044,577	3,092,833	445,461
Retained earnings . . . . .	26,255,811	26,322,308	28,083,330	4,044,841
	<u>33,650,999</u>	<u>34,308,264</u>	<u>35,309,603</u>	<u>5,085,641</u>
<b>Perpetual capital securities</b> . . . . .	<b>4,483,409</b>	<b>4,488,659</b>	<b>5,597,503</b>	<b>806,208</b>
<b>Non-controlling interests</b> . . . . .	<b>2,960,884</b>	<b>3,198,064</b>	<b>3,248,124</b>	<b>467,827</b>
<b>Total equity</b> . . . . .	<b><u>41,095,292</u></b>	<b><u>41,994,987</u></b>	<b><u>44,155,230</u></b>	<b><u>6,359,676</u></b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings . . . . .	25,850,994	23,543,043	31,180,908	4,490,985
Deferred income tax liabilities . . . . .	1,315,858	1,243,798	1,137,167	163,786
	<u>27,166,852</u>	<u>24,786,841</u>	<u>32,318,075</u>	<u>4,654,771</u>
<b>Current liabilities</b>				
Borrowings . . . . .	16,470,701	16,487,415	12,815,016	1,845,746
Trade and other payables . . . . .	17,333,365	15,620,891	21,101,960	3,039,314
Advanced proceeds received from customers . . . . .	9,215,606	7,110,576	10,617,432	1,529,228
Current tax liabilities . . . . .	12,366,340	11,312,221	10,717,185	1,543,596
	<u>55,386,012</u>	<u>50,531,103</u>	<u>55,251,593</u>	<u>7,957,885</u>
<b>Total liabilities</b> . . . . .	<b><u>82,552,864</u></b>	<b><u>75,317,944</u></b>	<b><u>87,569,668</u></b>	<b><u>12,612,656</u></b>
<b>Total equity and liabilities</b> . . . . .	<b><u>123,648,156</u></b>	<b><u>117,312,931</u></b>	<b><u>131,724,898</u></b>	<b><u>18,972,332</u></b>
<b>Net current assets</b> . . . . .	<b><u>38,797,189</u></b>	<b><u>39,587,740</u></b>	<b><u>40,887,716</u></b>	<b><u>5,889,056</u></b>
<b>Total assets less current liabilities</b> . . . . .	<b><u>68,262,144</u></b>	<b><u>66,781,828</u></b>	<b><u>76,473,305</u></b>	<b><u>11,014,447</u></b>

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

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

*As from January 1, 2013, we adopted a new accounting policy in respect of investment in joint ventures.*

*Our consolidated financial statements were prepared in accordance with HKFRS, which differ in certain material respects from GAAP in other jurisdictions. In this section of the offering memorandum, references to "2014," "2015" and "2016" refer to our fiscal years ended December 31, 2014, 2015 and 2016, respectively.*

### **Overview**

We are one of the leading property developers in China. We focus primarily on the development and sale of medium to large-scale high-quality residential properties in China. We offer a wide range of real estate products, including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments, to satisfy a broad range of customers of varying income levels with a majority of our products targeting end-users including both first time home purchasers and upgraders. In addition to residential properties, we develop commercial properties, including retail shops complementary to our residential properties, shopping malls, office buildings and hotels. We also provide property management services.

Under our experienced management team, we have grown our business substantially since our inception in 1992. For 2014, 2015 and 2016, we recorded sales revenue from property development of RMB37,036.6 million, RMB41,421.2 million and RMB44,751.8 million (US\$6,445.6 million), respectively and the net profit attributable to our equity holders was approximately RMB4,287.2 million, RMB1,390.3 million and RMB2,283.6 million (US\$328.9 million), respectively.

We categorize our business into four business segments: property development, property management, hotel operations and property investment. We assess the performance of the operating segments based on a measure of segment results. Fair value gains on embedded financial derivatives and investment properties and net finance income/(costs) are not included in the result of any operating segment. Our joint ventures are principally engaged in property development and were proportionately consolidated in our property development segment in 2012. Since our adoption of a new accounting policy for investment in joint ventures from January 1, 2013, the results of our joint ventures have been separately recorded in our consolidated financial statements through the equity method of accounting.

### **Factors Affecting Our Performance**

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control. See "Risk Factors." Such factors include the following:

#### ***Economic Growth of the PRC and the Property Market in the PRC***

We believe that demand for our properties is driven in large part by the overall economic development, rising wages and the standard of living in the PRC as well as Hong Kong and Macau where some of the purchasers of our properties reside. According to CEIC Data Company Limited, from 2002 to 2011, China's GDP increased at a compound annual growth rate ("CAGR") of approximately 16.4%. The global economic slowdown and turmoil in the global financial markets starting in the second half of 2008, however, have had a negative impact on the PRC economy, which in turn affected the PRC property market and our financial performance. The PRC property market has shown signs of recovery in the second, third and fourth quarters of 2009 in large part due to stimulus measures adopted by the PRC government. Since late 2009, the PRC government has adjusted some policies in order to enhance the regulation of the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in



certain regions and cities. In 2010 and 2011, the PRC government further adopted certain new policies to cool down the real estate market. In 2012, the PRC government continued to implement selected policies aimed at further cooling the real estate property market, though at the same time, the PRC government implemented selected measures to support the growth of the Chinese economy, such as lowering banks' reserve requirement ratio and reducing benchmark lending rates. Since the second half of 2014, the central and local governments have implemented measures to support the demand of residential properties and to promote the sustainable development of the real estate market. For instance, many local governments have issued measures to lift the restrictions on the purchase of residential properties. In September 2014, the PBOC and CBRC jointly issued a circular which provides that (1) the minimum mortgage loan interest rate for first time purchasers of residential property is 70% of the benchmark lending interest rate; (2) where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential properties; and (3) in cities that have lifted restrictions on the purchase of residential properties by residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for the household that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. Furthermore, according to a notice jointly issued by SAT and MOF, effective from March 31, 2015, a business tax is levied on the entire sales proceeds from resale of properties if the holding period is shorter than two years, and if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas for the transfer of non-ordinary residences business tax shall be paid on the basis of price difference between the transfer income and the purchase cost. On February 1, 2016, the PBOC and the CBRC issued a notice that mandates a minimum down payment of 25% and permits local policies to decrease 5% from that, and for a household that owns a residential property and has not paid off its existing mortgage loan, the minimum down payment will be 30%. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations. Changes in market conditions historically have had a significant impact on our results of operations. We believe our financial performance will continue to be affected by such market volatility in the future.

### ***Regulatory Environment***

PRC government policies and measures on property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among other things, land grants, pre-sales of properties, bank financing and taxation. From the fourth quarter of 2009, the PRC government has adjusted measures and adopted further restrictive policies to curtail the overheating of the real estate market. These policies include abolishing certain preferential treatment in respect of business tax payable upon transfer of residential properties, increasing the down payment for mortgage loans, imposing more stringent requirements on the payment of land premiums, launching a property tax scheme, imposing restrictions on purchasing residential properties in an expanding list of cities and increasing benchmark interest rates and the bank reserve requirement ratio. The PRC government has continued to increase regulation over the property market since 2010. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. We have had to adapt our operations to these austerity measures. We adopted various sales tactics to increase sales in different projects, such as offering discounts in property prices. We also adjusted the construction schedules of our projects and made the decision in December 2011 to temporarily suspend land purchase, until February 2012. Furthermore, the governments of Beijing and Guangzhou have adopted additional restrictive policies to curb property price increases. On February 20, 2013, the PRC government released five new policies to regulate the real estate market, including new initiatives to control speculative property investments, increase housing and land supply and step up construction of affordable housing. On February 26, 2013, the State Council issued six property tightening measures, which included an income tax levy on homeowners of as high as 20% on profit made from selling their homes. The State Council also stated that local branches of the central bank in

certain cities could increase their down payment rate and mortgage loan interest rate for homebuyers purchasing a second unit. Furthermore, the new measures stipulated that non-local families without a certain number of years of tax payment certificates would be banned from buying homes in the cities in which they currently reside. Many cities in the PRC have already promulgated measures to restrict the number of residential properties a household is allowed to purchase. In order to implement the central government's requirement, other cities in China, including those where our property projects are located, may issue similar or other restrictive measures in the near future. However, in order to support the demand of buyers of residential properties and promote the sustainable development of China's real estate market, the PRC government issued two notices in September 2014 and in March 2015, which decreased the requirement of the minimum down payment and the floor loan interest rate for a household to buy another residential property to improve its living conditions, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower. Any such measures could have a material adverse effect on our business, financial condition or results of operations. PRC regulatory measures in the property industry will continue to impact our business and results of operations.

In addition, the PRC government may adopt additional or more stringent policies, regulations and measures in the future with respect to China's real estate industry. In the future, the PRC government may also impose a nationwide real estate tax. Since we do not know when or whether such tax reforms will take place or what their impact will be on our business operations and financial results, such as generating additional costs for us, these policy changes may adversely affect our business, financial condition or results of operations. See “— Ability to Acquire Land Use Rights” and “— PRC Regulations on Financing” below and “Risk Factors — Risks Relating to Property Development in the PRC — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of property market in China.”

#### ***Ability to Acquire Land Use Rights***

The PRC government controls all new land supply in the PRC and regulates land sales in the secondary market. As a result, the policies of the PRC government towards land supply affect our ability and costs of acquiring land use rights. Most of the land used in our projects or property developments during 2014, 2015 and 2016, whether completed, under development or held for future development, was acquired after the promulgation in 2002 of the PRC Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-Sale by the Ministry of Land and Resources (the “Land Acquisition Rules”).

The Land Acquisition Rules require that land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may only be granted by the government through competitive processes, including public or private tender, auction or listing-for-sale (each a “Bidding Process”). See “Business — Land Acquisition” for a description of the land acquisition procedures. As a result of these new regulations, when we acquire land through a Bidding Process, our cost of land use rights will comprise primarily the purchase price, payable in one lump sum payment or in installments to the government or other transferors as determined in the Bidding Process. Pursuant to the Land Acquisition Rules, the relevant government authority is responsible for establishing a price floor for the Bidding Process on the basis of land value appraisals and government industrial policies. When we acquire land use rights from non-government grantees in secondary markets transactions, the purchase price is determined by direct negotiation with such grantees.

As a result of these regulations and increased competition, our costs of acquiring new land use rights have increased and are expected to continue to increase. We leverage our management's extensive experience and in-depth industry knowledge and believe that most of our land acquisitions were well-timed and at relatively low prices. If we are unable to maintain our relatively low land cost base and fail to pass the increased costs to our customers, our business, results of operations and financial condition may be materially and adversely affected. See “Business — Land Acquisition.”

#### ***Price Volatility of Construction Materials and Increasing Labor Cost***

Our results of operations are affected by price volatility of construction materials such as steel and cement. While many of the construction materials we use for our property development are procured

by our construction contractors, the contractor fees are generally adjustable on a quarterly basis in light of fluctuations in market prices for construction materials. We are exposed to price volatility of construction materials to the extent that we may not be able to pass the increased costs on to our customers. See “Risk Factors — Risks Relating to Our Business — Our profit margin is sensitive to fluctuations in the cost of construction materials.” Further, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale. In addition, with the overall improvement of living standards in the PRC as well as the PRC government’s recent policies aiming to increase wages of migrant workers, we expect the trend of increasing labor costs to continue in the near future, which in turn will increase our operating costs.

### ***PRC Regulations on Financing***

PRC interest rate policies and regulations on financing may affect our ability to finance our property development, as well as the cost of doing so. In addition, PRC interest rate policies and regulations related to mortgage financing by purchasers may affect the demand for our products.

We finance our property development primarily through internal funds, borrowings and proceeds from sales and pre-sales of properties. As of December 31, 2014, 2015 and 2016, our outstanding borrowings, were RMB42,321.7 million, RMB40,030.5 million and RMB43,995.9 million (US\$6,336.7 million), respectively. Any increase of benchmark lending rates published by the PBOC may result in an increase in our interest costs, as most of our domestic bank borrowings bear floating interest rates linked to the PBOC-published benchmark rates. We are also highly susceptible to any regulations or measures adopted by the PRC government that may restrict bank lending to business enterprises, particularly, to property developers. See “Risks Relating to Our Business — We may not have adequate resources to fund land acquisitions or property developments, or to service our financing obligations.”

Moreover, a substantial portion of our customers depends on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC government that are intended to restrict the ability of purchasers to obtain mortgages or increase the costs of mortgage financing may dampen market demand for our properties and adversely affect our sales revenue.

### ***Changes in Product Mix***

The prices and gross profit margins of our products vary by the types of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our higher gross margin products compared to sales revenue attributable to lower gross margin products. Our product mix varies from period to period due to a number of reasons, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time and our project launches according to our development plans.

### ***Timing of Property Development***

The number of property developments that a developer can undertake during any particular period is limited due to substantial capital requirements for land acquisitions and construction costs as well as limited land supply. In addition, significant time is required for property developments, and it may take many months or possibly years before pre-sales of certain property developments occur. Moreover, while the pre-sale of a property generates positive cash flow for us in the period in which it is made, we must place a portion of such proceeds in restricted bank accounts and may only use such cash for specified purposes, and no sales revenue is recognized in respect of such property until the relevant property is delivered to the purchaser. In addition, as market demand is not stable, sales revenue in a particular period can also depend on our ability to gauge market demand and time our property development and selling efforts accordingly. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

### ***Joint Venture Arrangements***

Historically, we have developed our property projects principally through our wholly owned subsidiaries. However, in recent years, we began to develop a number of projects through joint

venture arrangements with independent third parties, such as real estate funds. We have also established joint ventures with other property developers to jointly develop certain property developments. See “Business — Joint Ventures.” We believe that participation in joint ventures allows us to engage with third parties who may have greater capital, better brand recognition, more resources, desirable land, better expertise and access to specific markets than we do, and that such strengths can be utilized for the benefit of our operations. Such joint venture arrangements may include: sales of equity interests in our subsidiaries to financial investors; loans to potential joint venture partners who are in the preliminary stages of development; contributions of our rights to develop land and operating expertise in exchange for financing from the joint venture partner; and acquire and develop land or property projects jointly with other property developers. These types of joint venture arrangements have had and are likely to continue to have an impact on our business, financial condition and results of operations.

Sales of equity interest enable us to realize gains in the value of our property projects while they are still in their development stage and also to raise capital which we can use for other acquisitions and property development. In addition, we may receive pro rata contributions from our joint venture partners with respect to the development of the project. Partial disposals of our project companies may have a significant impact on our income statements.

Our joint venture arrangements may result in cash outflows and expose us to the potential credit risk of the joint venture partners. We may also suffer reputational damage or financial loss and be involved in operational disputes as a result of the actions of our joint venture partners. See “Risk Factors — Risks Relating to Our Business.”

### **Critical Accounting Policies**

We prepare our consolidated financial statements under the historical cost convention in accordance with HKFRS, as modified by the revaluation of derivative financial instruments at fair value through profit or loss and investment properties, which are carried at fair value. HKFRS requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of our assets and liabilities at the end of each fiscal year, and (ii) the reported amounts of income and expenses during each fiscal year. We continually evaluate these estimates based on our past experience, knowledge and assessment of our current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our consolidated financial statements.

#### ***Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations***

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held by hotel segment are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amount, taking into account for costs to completion based on past experience and net sales value based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operation have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgment and estimates.

As of December 31, 2016, we recorded a provision for impairment of RMB140.0 million (US\$20.2 million) for completed properties held for sale and no other impairment was provided for properties under development or long-term assets held for hotel operation.

### ***Land appreciation taxes***

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalized its land appreciation tax returns with various tax authorities for certain projects. Accordingly, judgment is required in determining the amount of land appreciation and its related taxes payable. The Group recognizes these liabilities based on management's best estimates. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

As of December 31, 2016, our LAT payable amounted to RMB7,261.4 million (US\$1,045.9 million).

### ***Current and deferred income tax***

The Group is subject to corporate income taxes in the PRC. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

As of December 31, 2016, the deferred income tax assets, deferred income tax liabilities and PRC enterprise income tax payable amounted to RMB699.3 million (US\$100.7 million), RMB1,137.2 million (US\$163.8 million) and RMB2,696.9 million (US\$388.4 million), respectively.

### ***Fair value of investment properties***

The fair value of investment properties is determined by using valuation technique. Fair values of completed commercial properties are generally derived using the income capitalization method. This valuation method is based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

Fair values of car parks are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

As of December 31, 2016, the fair value of the investment properties amounted to RMB6,326.9 million (US\$911.3 million).

### ***Recoverability of trade receivables***

The management assesses the recoverability of trade receivables individually with reference to the past repayment history as well as subsequent settlement status. Allowances are applied to these receivables where events or changes in circumstances indicate that the balances may not be

collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivable and the impairment charge in the period in which such estimate has been changed.

As of December 31, 2016, no impairment was provided for trade receivables.

## Certain Income Statement Items

### Sales

Our sales revenue consists principally of proceeds from sales of properties and provision of services, after the elimination of our intra-group transactions. Our sales revenue comprises revenues generated from the segments of property development, property management, hotel operations and property investment.

The table below sets forth the revenue by segments and their percentage of the total revenue:

	Year ended December 31,						US\$ (unaudited)
	2014		2015		2016		
	RMB	%	RMB	%	RMB	%	
	(in thousands, except percentages)						
Property development . . . . .	37,036,636	96.6	41,421,174	96.3%	44,751,782	95.9%	6,445,597
Property management . . . . .	683,147	1.8	812,940	1.9%	1,068,536	2.3%	153,901
Hotel operations . . . . .	527,362	1.4	673,735	1.6%	669,983	1.4%	96,498
Property Investment . . . . .	70,454	0.2	96,463	0.2%	188,564	0.4%	27,159
<b>Total</b> . . . . .	<u>38,317,599</u>	<u>100.0</u>	<u>43,004,312</u>	<u>100.0%</u>	<u>46,678,865</u>	<u>100.0%</u>	<u>6,723,155</u>

Revenues from property development consist of proceeds from sales of our properties. Because we derive substantially all of our total sales revenue from the property development segment, our results of operations for a given period are dependent upon the GFA of properties we have available for sale during that period, the market demand for those properties and the price we are able to obtain for such properties. Conditions of the property markets in which we operate change from period to period and are affected significantly by the general economic, political and regulatory environment in the PRC as well as in the cities and regions where our property developments are located. See “— Factors Affecting Our Performance.”

We recognize revenues from sales of properties based on the completion method. Revenue from the sale of a property is recognized when the relevant property has been delivered to the purchaser. For 2014, 2015 and 2016, we recognized revenues for property development of RMB37,036.6 million, RMB41,421.2 million and RMB44,751.8 million in connection with the delivery of an aggregate GFA of 3,991,719 sq.m., 4,793,255 sq.m. and 5,081,041 sq.m., respectively, representing an average realized selling price per sq.m. (calculated by dividing the revenue from the property developments by the aggregate GFA sold) of approximately RMB9,278, RMB8,642 and RMB8,808 (US\$1,269), respectively.

Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development, after satisfying the conditions for pre-sales according to PRC laws and regulations. See “Business — Pre-sales.” There is a time difference, typically ranging from six to 18 months, between the time we commence pre-selling properties under development and the completion of the development. We do not recognize any revenue from the pre-sales of our properties until the relevant properties are delivered to the purchasers, even though we receive payments at various stages prior to delivery. Before the delivery of a pre-sold property upon the completion of development, payments received from our customers are recorded as current liabilities under “Advanced proceeds received from customers” on our balance sheet and reflected in the cash flow statements as part of the increase in trade and other payables. As our revenues from sales of properties are recognized upon delivery of properties, the timing of delivery of properties may not only affect the amount and growth rate of our sales revenue, but also cause the amounts of “Trade and other payables” to fluctuate from year to year. See notes 26 and 27 to our audited consolidated financial statements as of and for the years ended December 31, 2015 and 2016, respectively.

	Year ended December 31,			
	2014	2015	2016	
	RMB	RMB	RMB	US\$
Average selling price per sq.m. for properties sold				
Southern China Region	8,079	7,730	8,358	1,204
Western China Region	6,889	6,512	6,663	960
Eastern China Region	14,395	10,882	9,230	1,329
Hainan & Yunnan Region	15,083	12,031	11,674	1,681
Northeast China Region	5,894	4,492	4,412	635
Central China Region	10,274	8,717	5,858	844
Combined	9,278	8,642	8,808	1,269

Average selling prices for our low-density units are generally higher than those for apartment units, and average selling prices for our higher-end apartment units are generally higher than those for our mid-range apartment units. Our product mix varies from period to period due to a number of reasons including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. See “— Factors Affecting Our Performance — Changes in product mix.”

Revenues from our property management segment are recognized in the year in which the services are provided. For the years ended December 31, 2014, 2015 and 2016, we recognized revenue for property management of RMB683.1 million, RMB812.9 million and RMB1,068.5 million (US\$153.9 million), respectively, and our property management companies experienced a net gain of RMB66.0 million, RMB122.5 million and RMB303.9 million (US\$43.8 million), respectively, over the same periods.

We continued to develop our hotel business to diversify our business portfolio and generate a stable and recurring revenue stream for us. In 2015, our hotel operations segment recorded a revenue of approximately RMB673.7 million, representing an increase of 27.8% as compared to 2014, which was primarily attributable to revenue generated from Shanghai Marriott Hotel City Center, Raffles Hainan, Sheraton Bailuhu Resort Huizhou and Howard Johnson Agile Plaza Chengdu. In 2016, our hotel operations segment recorded a revenue of approximately RMB670.0 million (US\$96.5 million), representing a decrease of 0.6% as compared to 2015.

We designated certain properties, primarily consisting of shopping malls and office buildings, as properties held for long-term rental yields or capital appreciation. To reflect this change in our strategy, we began to designate of property investment as a new segment in our consolidated financial statements in 2011. Revenue generated from property investment for 2014, 2015 and 2016 were RMB70.5 million, RMB96.5 million and RMB188.6 million (US\$ 27.2 million), respectively.

### Cost of Sales

Cost of sales represents primarily the costs we incur directly for our property development activities, principally, cost of properties sold, which includes construction costs, cost of land use rights, business taxes and interest capitalized. Our cost of sales also includes costs we incur directly for our property management activities.

	Year ended December 31,							
	2014		2015		2016		US\$	
	RMB	%	RMB	%	RMB	%	(unaudited)	
	(in thousands, except percentages)							
Construction costs	15,118,271	61.6	18,493,668	60.0	20,271,817	62.7	2,919,749	
Land use rights	5,681,444	23.1	8,171,789	26.5	8,336,460	25.8	1,200,700	
Business taxes	2,108,896	8.6	2,300,376	7.5	1,093,927	3.4	157,558	
Interest capitalized	1,645,668	6.7	1,866,367	6.0	2,645,141	8.1	380,980	
<b>Total</b>	<b>24,554,279</b>	<b>100.0</b>	<b>30,832,200</b>	<b>100.0</b>	<b>32,347,345</b>	<b>100.0</b>	<b>4,658,987</b>	

We recognize the cost of sales of our properties for a given period to the extent that revenues from such properties have been recognized in such period. Prior to their completion and delivery,

properties under development are included in our balance sheet at the lower of cost and net realizable value. Cost for properties under development comprises construction costs, borrowing costs and professional fees incurred during the development period.

*Construction Costs.* Construction costs include all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings and related infrastructure. Historically, construction material and labor costs have been a major cause of the fluctuations in our construction costs. See “— Factors Affecting Our Performance — Price volatility of construction materials and increasing labor cost.”

Further, price movements of other supplies used in property developments, including construction equipment and tools, ventilation systems, plant watering systems, elevators and interior decoration materials, may also increase our construction costs. Costs associated with foundation/substructure design and construction are another major component of our construction costs and vary not only depending on the location and height of the building but also on the geological conditions of the site. The foundation/substructure designs and construction process for developments in different localities and the respective costs incurred may vary significantly. Therefore, construction costs of a property development may be higher if the conditions of the site require more complex designs and procedures or more expensive materials in order to provide the desired foundation support.

*Costs of Land Use Rights.* Costs of land use rights include costs relating to acquisition of the rights to occupy, use and develop land, including land premium, land-related taxes and government surcharges. In general, we do not pay the demolition and resettlement cost which primarily includes the compensation paid to relocated residents and the expenses to clean up the site. Our costs of land use rights are influenced by a number of factors, including location, timing of the acquisition as well as plot ratios. Costs of land use rights are also affected by PRC regulations. See “— Factors Affecting our Performance — Ability to acquire land use rights.”

*Business Taxes.* Our PRC subsidiaries are subject to local business taxes. The current effective tax rate for each of our property development, property management and hotel operations businesses is around 5%.

*Capitalized Interest.* We capitalize a portion of our costs of borrowing to the extent that such costs are directly attributable to the construction of a project. In general, we capitalize borrowing costs incurred from the commencement of development of a project until the completion of construction. Borrowing costs incurred after the completion of construction are not capitalized, but are instead accounted for in our income statement as finance costs in the period in which they are incurred.

### ***Fair Value Gains on Investment Properties***

We designated certain properties, primarily consisting of shopping malls and office buildings, as properties held for long-term rental yields or capital appreciation. To reflect this change in our strategy, we started to designate property investment as a new segment in our consolidated financial statements in 2011. Our investment properties are initially recognized at cost and are carried at fair value at each balance sheet date based on our management’s assessment in accordance with the prevailing industry practice. We recognize changes in the fair value of these investment properties in our consolidated income statement. In 2015, we recorded fair value gains on investment properties of approximately RMB62.5 million, which represents a decrease of 86.7% from RMB469.6 million in 2014. In 2016, we recorded fair value gains on investment properties of approximately RMB43.0 million, which represents a decrease of 31.3% from 2015.

### ***Other Income***

Other income comprises income derived in relation to a cancelation of a land acquisition agreement, interest income, forfeited deposits from customers as a result of failure to complete purchases, rental income and miscellaneous income.

### ***Selling and Marketing Costs***

Selling and marketing costs include advertising and promotion expenses in connection with the sales of properties (including advertisements on television and in newspapers, magazines, on billboards,



promotional offers made directly to our customers and certain other promotional events), selling and marketing staff costs and other selling expenses. Our selling and marketing costs in any year are affected by the proportion of newly-introduced developments in that year, as well as the degree to which our marketing and branding has penetrated the markets in which we are selling properties. The initial selling and marketing costs for a project are generally higher than the selling and marketing costs for the project's later phases as the project becomes more recognized in the community. We also incur additional selling and marketing costs when we enter into a new market, as part of our efforts to promote our brand name in that market.

### ***Administrative Expenses***

Administrative expenses include primarily administrative staff costs, operating leases charges, amortization of land use rights and depreciation.

### ***Share of Post-Tax Loss of an Associate***

In 2014, 2015 and 2016, we recorded a share of post-tax loss of our associate in the amount of approximately RMB27.6 million, RMB27.2 million and RMB3.4 million (US\$0.5 million), respectively, representing our proportional equity interest holding in the entity.

### ***Finance Costs/Income, net***

Finance costs/income, net consist primarily of interest expenses, net of capitalized interest, and the net exchange gains or losses arising from our foreign currency-denominated debt. We capitalize a portion of our costs of borrowings to property under development to the extent that such costs are directly attributable to the construction activities. Finance costs fluctuate from period to period due primarily to fluctuations in our level of outstanding indebtedness and the interest rates on our borrowings. Since the development period for a property development does not necessarily coincide with the repayment period of the relevant loan, not all of the interest costs related to a property development can be capitalized. As a result, the period to period fluctuation of our finance costs is also attributable to the amount and timing of capitalization.

### ***Income Tax Expenses***

Income tax expenses consist of PRC enterprise income tax, accrued by our operating subsidiaries, Hong Kong profits tax, LAT and withholding income tax. Because we operate as an overseas company for Cayman Islands regulatory purposes, we are not subject to Cayman Islands income tax.

***PRC Enterprise Income Tax.*** Our PRC subsidiaries were subject to PRC enterprise income tax of 33% prior to January 1, 2008 (consisting of 30% income tax for foreign-invested enterprises and 3% local income tax). Effective from January 1, 2008, this has been reduced to 25% pursuant to the EIT Law which adopts a uniform income tax rate of 25% on the taxable income of both domestic enterprises and foreign investment enterprises. Under the EIT Law, the enterprise income tax rate applicable to certain of our group companies established and operating in Hainan Special Economic Zone before March 16, 2007 will be gradually increased from 15% to 25% in a five-year transitional period starting from January 1, 2008.

Since January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding income tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. We have established a number of subsidiaries in Hong Kong, to which our principal BVI subsidiaries transferred their interests in our PRC subsidiaries. Pursuant to a double tax treaty between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident that directly holds a 25% (or more) interest in the PRC enterprise and certain other requirements are met, such withholding income tax rate may be lowered to 5%.

For the years ended December 31, 2014 and 2015, withholding income tax charged to our income tax expenses was RMB328.3 million and RMB173.0 million, respectively, for dividends declared by our PRC subsidiaries over the years. During the year ended December 31, 2016, certain immediate holding companies of the PRC subsidiaries of the Group became qualified as Hong Kong resident

enterprises and fulfilled the requirements under the tax treaty arrangements between the PRC and Hong Kong. Therefore 5% withholding tax rate has been applied and a total amount of RMB148.4 million withholding income tax were returned to the Company.

*Overseas Income Tax.* Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Our entities in the British Virgin Islands were incorporated either under the BVI Business Companies Act or were automatically re-registered under the same Act on January 1, 2007 and, accordingly, are exempted from British Virgin Islands income tax.

*Hong Kong Profits Tax.* No Hong Kong profits tax was provided for in 2014, 2015 and 2016 as there was no assessable profit derived from Hong Kong for the years. The profit of our subsidiaries in Hong Kong is mainly derived from dividend income and interest income of bank deposits, which are not subject to Hong Kong profits tax.

*LAT.* Under PRC laws and regulations, our PRC subsidiaries engaging in property development business are subject to LAT determined by the local tax authorities in the cities in which each project is located. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined in the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption. Whether a property qualifies for the ordinary residential property exemption is determined by the local government, taking into consideration the property's plot ratio, aggregate GFA and selling price. Sales of low-density units and retail shops generally realize higher appreciation values, and are subject to higher LAT rates, compared to less expensive properties. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but are required to pay only a portion of such provisions each year pursuant to tax regulations. We cannot assure you that our LAT provisions are sufficient to cover our LAT obligations or that the tax authorities will agree with the basis on which we calculate our LAT obligations. See "Risk Factors — Risks Relating to Our Business — The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations" and "— Critical Accounting Policies — LAT" above.

For 2014, 2015 and 2016, LAT charged to our income tax expenses was RMB2,447.6 million, RMB2,172.1 million and RMB2,609.9 million (US\$375.9 million), respectively. For 2014, 2015 and 2016, we made payments for provisional LAT in the amount of RMB2,611.5 million, RMB3,039.7 million and RMB3,628.0 million (US\$522.5 million), respectively. Our LAT provision balance as of December 31, 2014, 2015 and 2016 totaled RMB8,937.2 million, RMB8,279.6 million and RMB7,261.4 million (US\$1,045.9 million), respectively.

As our operations continue to expand, we will also be subject to LAT as implemented by the local tax authorities in the new markets, and we cannot assure you that the LAT obligations we assess and provide for in respect of properties in these new markets will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on us.

#### ***Non-controlling Interests***

Non-controlling interests represent our profit or loss after taxation that is attributable to minority shareholders of our non-wholly owned subsidiaries.

## Consolidated Results of Operations

The following table sets forth, for the periods indicated, certain items derived from our consolidated income statements as a percentage of total sales revenue.

	Year ended December 31,		
	2014	2015	2016
	%	%	%
<b>Revenue</b> . . . . .	100.0	100	100
Cost of sales . . . . .	(67.6)	(74.9)	73.5
<b>Gross Profit</b> . . . . .	32.4	25.1	26.5
Selling and marketing costs . . . . .	(4.7)	(4.2)	(4.5)
Administrative expenses . . . . .	(3.8)	(3.4)	(3.1)
Fair value gains on investment properties . . . . .	1.2	0.1	0.1
Other gains/(losses), net . . . . .	0.4	(0.3)	(0.7)
Other income . . . . .	2.6	0.5	0.6
Other expenses . . . . .	(0.8)	(0.2)	(0.4)
<b>Operating profit</b> . . . . .	27.3	17.8	18.4
Finance (costs)/income, net . . . . .	(0.8)	(3.1)	(2.4)
Share of post-tax loss of an associate . . . . .	(0.1)	(0.1)	(0.0)
Share of post-tax (loss)/profit of joint ventures . . . . .	(0.1)	(0.2)	0.0
<b>Profit before income tax</b> . . . . .	26.3	14.4	16.0
Income tax expenses . . . . .	(13.1)	(9.1)	(9.5)
<b>Profit for the year</b> . . . . .	<u>13.2</u>	<u>5.4</u>	<u>6.5</u>

### 2016 Compared to 2015

*Revenue.* Our revenue increased by 8.5% to RMB46,678.9 million (US\$6,723.2 million) in 2016 from RMB43,004.3 million in 2015, for the following reasons:

- **Property Development.** Revenue generated from our property development increased by 8.0% to RMB44,751.8 million (US\$6,445.6 million) in 2016 from RMB41,421.2 million in 2015. This was mainly due to increase of 1.9% in average selling price, when compared to 2015.
- **Property Management.** Revenue generated from our property management operations increased by 31.4% to RMB1,068.5 million (US\$153.9 million) in 2016 from RMB812.9 million in 2015, primarily due to increase in the total contracted GFA under management to 57.6 million sq.m.
- **Hotel Operations.** Revenue generated from our hotel operations decreased by 0.6% to RMB670.0 million (US\$96.5 million) in 2016 from RMB673.7 million in 2015. This was mainly because the revenue generated from Shanghai Marriott Hotel City Centre, Raffles Hainan, Sheraton Bailuhu Resort Huizhou and Howard Johnson Agile Plaza Chengdu are relatively stable.
- **Property Investment.** Revenue generated from property investment increased by 95.5% to RMB188.6 million (US\$27.2 million) in 2016 from RMB96.5 million in 2015, mainly due to the increase in the rental from Guangzhou Agile Center.

*Cost of Sales.* Cost of sales increased by 6.6% to RMB34,313.2 million (US\$4,942.1 million) in 2016 from RMB32,191.0 million in 2015, primarily due to increase of the total recognized area during 2016.

*Gross Profit.* Gross profit increased by 14.4% to RMB12,365.7 million (US\$1,781.0 million) in 2016 from RMB10,813.3 million in 2015. Our gross profit margin increased to 26.5% in 2016 from 25.1% in 2015, primarily due to the increased weightings by projects with relatively higher margin.

*Selling and Marketing Costs.* Our selling and marketing costs increased by 17.5% to RMB2,098.0 million (US\$302.2 million) in 2016 from RMB1,785.9 million in 2015, primarily due to increase in sales agency fee to third party agents.

*Administrative Expenses.* Administrative expenses increased by 1.0% to RMB1,458.2 million (US\$210.0 million) in 2016 from RMB1,444.0 million in 2015, primarily due to the Group's effective control of administrative costs continuously.

*Fair Value Gains on Investment Properties.* Fair value gains on investment properties decreased by 31.3% to RMB43.0 million (US\$6.2 million) in 2016 from RMB62.5 million in 2015, primarily attributable to loss on disposals of investment properties in 2016.

*Other Gains/(Losses), net.* In 2016, we recorded net other losses of RMB334.7 million (US\$48.2 million), representing an increase of 140.1%, as compared to RMB139.4 million in 2015 primarily due to a reversal of gains on disposal of property, plant and equipment of RMB317.9 million.

*Other Income.* Other income increased by 31.3% to RMB278.7 million (US\$40.1 million) from RMB212.2 million in 2015, which was mainly attributable to an interest income of RMB145.8 million from bank deposits.

*Other Expenses.* Other expenses increased by 137.6% to RMB195.9 million (US\$28.2 million) RMB82.4 million in 2015, primarily due to the increase of charitable donations and miscellaneous expenses.

*Finance (Costs)/Income, net.* We recorded net finance costs of RMB1,124.5 million (US\$162.0 million) in 2016, representing a decrease of 15.1% as compared to net finance costs of RMB1,325.2 million in 2015, primarily due to decrease of interest expenses of bank borrowings, syndicated loans and other borrowings.

*Share of Post-Tax Loss of an Associate.* In 2016, our share of post-tax loss of an associate was RMB3.4 million (US\$0.5 million) compared to share of post-tax loss of associate of RMB27.2 million in 2015, which was mainly attributable to post-tax losses in Guangzhou Li He Property Development Company Limited and Oyster Point Development LLC.

*Share of Post-Tax Profit/(Loss) of Joint Ventures.* We recorded a share of post-tax gain of joint ventures of RMB10.5 million (US\$1.5 million) in 2016 as compared to a share of post-tax loss of joint ventures of RMB87.4 million in 2015, which was mainly attributable to our holdings in Tianjin Jinnan Xincheng Real Estate Development Co., Ltd., Zhongshan Yahong Real Estate Development Co., Ltd. and Guangzhou Huadu Yazhan Realty Development Co., Ltd.

*Income Tax Expenses.* Income tax expenses for the year comprised of PRC EIT, LAT and withholding income tax. Our income tax expenses increased by 13.8% to RMB4,433.5 million (US\$638.6 million) in 2016 from RMB3,895.0 million in 2015, primarily due to (i) an increase in EIT to RMB2,207.7 million (US\$318.0 million) in 2016 from RMB1,697.5 million in 2015 and (ii) an increase in LAT to RMB2,609.9 million (US\$375.9 million) in 2016 from RMB2,172.1 million in 2015.

*Profit for the Year.* As a result of the foregoing, our profit for the year increased by 32.5% to RMB3,049.6 million (US\$439.2 million) 2016 from RMB2,301.5 million in 2015.

## **2015 Compared to 2014**

*Revenue.* Our revenue increased by 12.2% to RMB43,004.3 million in 2015 from RMB38,317.6 million in 2014, for the following reasons:

- **Property Development.** Revenue generated from our property development increased by 11.8% to RMB41,421.2 million in 2015 from RMB37,036.6 million in 2014. This was mainly due to 20.1% increase in total recognized GFA sold in 2015. The recognized average selling price decreased by 6.9% to RMB8,642 per sq.m. in 2015 from RMB9,278 per sq.m. in 2014, mainly due to the change of geographical distribution and product mix of recognized sales.

- **Property Management.** Revenue generated from our property management operations increased by 19.0% to RMB812.9 million in 2015 from RMB683.1 million in 2014, primarily due to an increase in the total contracted GFA under management to 47.8 million sq.m. when compared to 23.1 million sq.m. in 2014.
- **Hotel Operations.** Revenue generated from our hotel operations increased by 27.8% to RMB673.7 million in 2015 from RMB527.4 million in 2014, primarily attributable to revenue generated from Shanghai Marriott Hotel City Centre, Raffles Hainan, Sheraton Bailuhu Resort Huizhou and Howard Johnson Agile Plaza Chengdu.
- **Property Investment.** Revenue generated from property investment increased by 36.9% to RMB96.5 million in 2015 from RMB70.5 million in 2014, as we designated certain commercial properties for investment to receive long-term rental yields.

*Cost of Sales.* Cost of sales increased by 24.4% to RMB32,191.0 million in 2015 from RMB25,886.8 million in 2014, primarily due to (i) an increase of the total recognized sales during the year and (ii) the increase in the unit cost of sales, in particular, costs of construction, fitting-out and land use rights.

*Gross Profit.* Gross profit decreased by 13.0% to RMB10,813.3 million in 2015 from RMB12,430.8 million in 2014. Our gross profit margin decreased to 25.1% in 2015 from 32.4% in 2014, primarily due to (i) the change in the proportion of the Group's recognized sales as contributed by different cities/districts, as well as increased weightings by projects with relatively low gross profit margin, and (ii) the increase in unit cost of sales, in particular new projects with higher unit land cost.

*Selling and Marketing Costs.* Our selling and marketing costs increased by 0.1% to RMB1,785.9 million in 2015 from RMB1,784.2 million in 2014, primarily due to the change of the Group's operation, by increasing the sales of properties through third party agents, especially in cooperation with online agents so as to save the selling and marketing costs by us.

*Administrative Expenses.* Administrative expenses increased by 0.5% to RMB1,444.0 million in 2015 from RMB1,437.4 million in 2014, primarily due to the Group's optimization of human resources and effective control of administrative costs.

*Fair Value Gains on Investment Properties.* Fair value gains on investment properties decreased by 86.7% to RMB62.5 million in 2015 from RMB469.6 million in 2014.

*Other (Losses)/Gains, net.* In 2015, we recorded net other losses of RMB139.4 million, as compared to net other gains of RMB146.0 million in 2014, primarily due to the net exchange loss of translation of financial assets and liabilities except for borrowings, which are denominated in foreign currency into Renminbi at the prevailing period-end exchange rate.

*Other Income.* In 2015, we recorded other income of RMB212.2 million, representing a decrease of 78.3% when compared with RMB979.2 million in 2014, which was mainly due to a net income of RMB799.8 million from a project of initial land development was recorded in 2014, but no such relevant income in 2015. Other income mainly included interest income of bank deposits and forfeited deposits from customers.

*Other Expenses.* Other expenses decreased by 73.7% to RMB82.4 million in 2015 from RMB313.0 million in 2014, mainly attributable to a redemption cost of Convertible Bonds of RMB127.0 million and early redemption of premium of senior notes incurred in 2014, but no such relevant expense in 2015. We also recorded charitable donations of RMB34.1 million when compared to RMB61.0 million in 2014.

*Finance Income/(Costs), net.* We recorded a net finance cost of RMB1,325.2 million, representing an increase of 352.9% when compared with RMB292.6 million in 2014, which was mainly due to the exchange loss from translation of foreign currency borrowings on balance sheet date and the interest expenses not eligible for capitalization related to completed construction properties.

*Share of Post-Tax Loss of an Associate.* In 2015, our share of post-tax loss of an associate was RMB27.2 million, when compared to RMB27.6 million, representing a decrease of 1.6%. It was mainly attributable to our equity holding in Guangzhou Li He Property Development Company Limited.

*Share of Post-Tax Profit/(Loss) of Joint Ventures.* We recorded a share of post-tax loss of joint ventures of RMB87.4 million in 2015 as compared to a share of post-tax loss of joint ventures of RMB45.0 million in 2014, which was mainly attributable to our holdings in Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. and Zhongshan Yahong Real Estate Development Co., Ltd.

*Income Tax Expenses.* Income tax expenses for the year comprised of PRC EIT, LAT and withholding income tax. Our income tax expenses decreased by 22.6% to RMB3,895.0 million in 2015 from RMB5,034.8 million in 2014, primarily due to (i) a decrease in EIT to RMB1,697.5 million in 2015 from RMB2,777.9 million in 2014 and (ii) a decrease in PRC withholding income tax to RMB173.0 million in 2015 from RMB328.3 million in 2014.

*Profit for the Year.* As a result of the foregoing, our profit for the year decreased by 54.8% to RMB2,301.5 million in 2015 from RMB5,091.1 million in 2014.

## Liquidity and Capital Resources

### Cash Flows

The following table presents selected cash flow data from our consolidated cash flow statements for the years ended December 31, 2014, 2015 and 2016.

	Year ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US\$
	(in thousands)			
	(unaudited)			
<b>Operating profit before changes in working capital<sup>(1)</sup></b>	10,516,562	8,066,956	9,291,027	1,338,186
Change in working capital:				
Decrease/(increase) in working capital related to acquisition of land use rights <sup>(2)</sup>	6,209,871	(3,473,821)	(4,073,603)	(586,721)
Decrease/(increase) in working capital related to property under development and completed properties held for sale	(13,567,476)	10,194,877	9,032,755	1,300,987
Changes in other working capital components <sup>(3)</sup>	1,795,181	1,530,230	761,685	109,706
<b>Cash generated from/(used in) operations</b>	4,954,138	16,318,242	15,011,864	2,162,158
PRC income tax paid	(4,366,676)	(6,020,805)	(5,379,631)	(774,828)
Interest paid	(2,989,803)	(3,160,953)	(2,745,647)	(395,455)
<b>Net cash (used in)/generated from operating activities</b>	(2,402,341)	7,136,484	6,886,586	991,875
<b>Net cash used in investing activities</b>	(1,613,957)	(699,477)	(3,718,689)	(535,603)
<b>Net cash generated from/(used in) financing activities</b>	3,329,177	(4,902,608)	1,873,307	269,812
<b>Cash and cash equivalents at year end</b>	6,067,802	7,407,450	12,431,884	1,790,564

#### Notes:

- (1) Represents profit for the year as adjusted for income tax expenses, interest income, net finance income or costs, depreciation, amortization of intangible assets and land use rights, loss on disposal of property, plant and equipment, gain on an investment property, net exchange gains or losses, gains on disposal of subsidiaries, fair value gains on embedded financial derivatives, share of post-tax loss of an associate, share of post-tax profit or loss of joint ventures and fair value gains on investment properties.
- (2) We recognize all cash used for the acquisition of land use rights as part of our cash flows from operating activities, and not as cash flows from investing activities.
- (3) Represents changes in restricted cash, trade and other receivables, trade and other payable accruals and advanced proceeds received from customers.

### Cash Flows From Operating Activities

2016. Our net cash used in operating activities of RMB6,886.6 million (US\$991.9 million) in 2016 was attributable to (i) cash generated from operations of RMB15,011.9 million (US\$2,162.2

million), (ii) PRC income tax paid of RMB5,379.6 million (US\$774.8 million) and (iii) interest paid of RMB2,745.6 million (US\$395.4 million). Cash generated from operations prior to changes in working capital was RMB9,291.0 million. Changes in working capital contributed to a net cash inflow of RMB5,720.8 million, comprising primarily of (i) an increase in prepayments for acquisition of land use rights of RMB4,073.6 million (US\$586.7 million), partially offset by (i) an decrease in property under development and completed properties held for sale of RMB9,032.8 million (US\$1,301 million) and (ii) a increase in advanced proceeds received from customers of RMB3,506.9 million (US\$505.1 million).

2015. Our net cash generated from operating activities of RMB7,136.5 million in 2015 was attributable to cash generated from operations of RMB16,318.2 million, offset by (i) PRC enterprise income tax paid of RMB6,020.8 million and (ii) interest paid of RMB3,161.0 million. Cash generated from operations prior to changes in working capital was RMB8,067.0 million. Changes in working capital contributed to a net cash inflow of RMB8,251.3 million, comprising primarily of an decrease in property under development and completed properties held for sale of RMB10,194.9 million, partially offset by a increase in prepayments for acquisition of land use rights of RMB3,473.8 million and an decrease in advanced proceeds received from customers of RMB2,105.0 million.

2014. Our net cash used in operating activities of RMB2,402.3 million in 2014 was attributable to (i) PRC enterprise income tax paid of RMB4,366.7 million and (ii) interest paid of RMB2,989.8 million, offset by cash generated from operations of RMB4,954.1 million. Cash generated from operations prior to changes in working capital was RMB10,516.6 million. Changes in working capital contributed to a net cash outflow of RMB5,562.4 million, comprising primarily of an increase in property under development and completed properties held for sale of RMB13,567.5 million, partially offset by a decrease in prepayments for acquisition of land use rights of RMB6,209.9 million and an increase in advanced proceeds received from customers of RMB2,787.3 million.

#### *Cash Flows From Investing Activities*

2016. Our net cash used in investing activities of RMB3,718.7 million (US\$535.6 million) in 2016 was principally attributable to cash advances made to associates and joint ventures of RMB3,710.6 million (US\$534.4 million) in relation to joint development projects, offset by repayment of cash advances from joint ventures of RMB1,552.9 million (US\$223.7 million).

2015. Our net cash used in investing activities of RMB699.5 million in 2015 was principally attributable to cash advances made to an associate and joint ventures of RMB679.5 million in relation to joint development projects and purchase of property, plant and equipment for RMB328.7 million primarily in relation to the construction of hotels in Hainan, Sichuan and Tengchong.

2014. Our net cash used in investing activities of RMB1,614.0 million in 2014 was principally attributable to purchase of property, plant and equipment for RMB965.2 million primarily in relation to the construction of hotels in Hainan and Tengchong, and cash advances made to joint ventures of RMB534.5 million in relation to joint development projects.

#### *Cash Flows From Financing Activities*

2016. We had net cash inflow from financing activities of RMB1,873.3 million (US\$269.8 million) in 2016, primarily attributable to net proceeds from borrowings of RMB25,277.8 million (US\$3,640.8 million), and net proceeds from the issuance of corporate bonds of RMB8,723.0 million (US\$1,256.4 million), partially offset by repayments of borrowings of RMB27,956.4 million (US\$4,026.6 million) and redemption of senior notes of RMB4,276.4 million (US\$615.9 million).

2015. We had net cash outflow from financing activities of RMB4,902.6 million in 2015, primarily attributable to net proceeds from borrowings of RMB12,123.7 million, and net proceeds from the issuance of senior notes of RMB2,998.1 million, partially offset by repayments of borrowings of RMB18,631.4 million and dividends paid to our shareholders of RMB766.1 million.

2014. We had net cash inflow from financing activities of RMB3,329.2 million in 2014, primarily attributable to net proceeds from borrowings of RMB20,699.4 million, and net proceeds from the

issuance of the 2014 USD Notes and the 2014 RMB Notes of RMB4,936.6 million, partially offset by repayments of borrowings of RMB18,757.8 million, redemption of the Convertible Bonds of RMB3,076.2 million and redemption of the 2009 Notes of RMB1,928.2 million.

### ***Capital Resources***

Property developments require substantial capital investment for land acquisition and construction and may take many months or years before positive cashflows can be generated. To date, we have funded our growth principally from internal funds, borrowings from both domestic and foreign banks, proceeds from sales of our developed properties and proceeds from our equity and debt offerings. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

We typically use internal funds and project loans from PRC banks to finance the initial construction costs of our property developments. Additional cash is generated from pre-sales of properties when the requirements of pre-sale are met under national and local regulations. Such proceeds from pre-sales, together with project loans and proceeds from offshore financing, are the major sources of fund for the construction of our projects.

Taking into account the estimated net proceeds of the Notes, available banking facilities and cashflows from our operations, we believe we have sufficient working capital for our near term business requirements and foreseeable debt repayment obligations.

We intend to continue to fund our future development and debt servicing from existing financial resources and cash generated from our operations. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. Our ability to obtain adequate financing to satisfy our debt service requirements may be limited by our financial condition and results of operations, as well as the liquidity of international and domestic financial markets. Any failure by us to achieve timely rollover, extension or refinancing of our short-term debt may result in our inability to meet our obligations in connection with debt servicing, accounts payable and/or other liabilities when they become due and payable. See “Risk Factors — Risks Relating to Our Business — We may not have adequate resources to fund land acquisitions or property developments, or to service our financing obligations.”

From time to time, we engage in intercompany loan transactions in order to provide funding for the acquisition or development of our projects. Some of these loans contain covenants that may restrict our ability to make intercompany loans to and receive intercompany loans from our borrower subsidiaries. See “Description of Other Material Indebtedness.”



## Borrowings

Our borrowings as of December 31, 2014, 2015 and 2016, respectively, were as follows:

	As of December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US\$
	(in thousands)			
Borrowings included in non-current liabilities:				
Senior notes:				
— 2010 Notes <sup>(1)</sup>	3,943,616	4,188,008	—	—
— 2012 Notes <sup>(2)</sup>	4,245,417	4,511,774	—	—
— 2014 USD Notes <sup>(3)</sup>	2,996,457	3,183,453	3,420,468	492,650
— 2014 RMB Notes <sup>(4)</sup>	1,969,703	1,972,254	—	—
— 2015 Notes <sup>(5)</sup>	—	3,192,606	3,422,665	492,966
PRC corporate bonds <sup>(6)</sup>	—	—	8,739,290	1,258,720
Asset-backed securities <sup>(7)</sup>	—	—	795,386	114,559
Long-term syndicated loans				
— secured <sup>(8)</sup>	750,000	650,000	2,275,000	327,668
— unsecured <sup>(9)</sup>	5,803,257	3,204,342	5,869,958	845,450
Long-term bank borrowings				
— secured <sup>(8)</sup>	9,510,871	11,196,072	7,060,388	1,016,907
— unsecured <sup>(9)</sup>	1,760,578	546,633	1,950,334	280,907
Other Borrowings <sup>(10)</sup>				
— secured	4,880,110	4,286,100	2,365,000	340,631
— unsecured	2,690,000	287,140	—	—
Less: Current portion of non-current borrowings	(12,699,015)	(13,675,339)	(4,717,581)	(679,473)
	<u>25,850,994</u>	<u>23,543,043</u>	<u>31,180,908</u>	<u>4,490,985</u>
Borrowings included in current liabilities:				
Senior notes				
— 2012 Notes <sup>(2)</sup>	—	—	4,847,305	698,157
— 2014 RMB Notes <sup>(4)</sup>	—	—	1,985,130	285,918
Short-term bank borrowings				
— secured <sup>(8)</sup>	214,284	227,276	—	—
— unsecured <sup>(9)</sup>	1,986,402	—	1,265,000	182,198
Short-term other borrowings <sup>(10)</sup>				
— secured	700,000	500,000	—	—
— unsecured	871,000	2,084,800	—	—
Current portion of non-current borrowings	12,699,015	13,675,339	4,717,581	679,473
	<u>16,470,701</u>	<u>16,487,415</u>	<u>12,815,016</u>	<u>1,845,746</u>
<b>Total Borrowings<sup>(1)</sup></b>	<u><u>42,321,695</u></u>	<u><u>40,030,458</u></u>	<u><u>43,995,924</u></u>	<u><u>6,336,731</u></u>

### Notes:

- (1) On April 28, 2010, we issued the US\$650 million 2010 Notes. The 2010 Notes were repaid in full on June 27, 2016.
- (2) On March 20, 2012, we issued the US\$700 million 2012 Notes. The 2012 Notes were repaid in full on March 20, 2017.
- (3) On February 18, 2014, we issued the US\$500 million 2014 USD Notes. See “Description of Other Material Indebtedness — 2014 USD Notes.”
- (4) On February 28, 2014, we issued the RMB2,000 million 2014 RMB Notes. The 2014 RMB Notes were repaid in full on February 28, 2017.
- (5) On May 21, 2015, we issued the US\$500 million 2015 Notes. See “Description of Other Material Indebtedness — 2015 Notes.”
- (6) On January 11, 2016, a PRC subsidiary (the “Issuer”) of the Company issued 4.7% corporate bonds with an aggregate amount of RMB1,600,000,000 (US\$230,447,933). The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,584,080,000 (US\$228,154,976). The bonds will mature on January 11, 2021. The Issuer shall be entitled to adjust the coupon rate at the end of third year whereas the investors shall be

entitled to sell back in whole or in part the bonds. See “Description of Other Material Indebtedness — Domestic Corporate Bonds.”

On April 29, 2016, the Issuer issued 5.8% non-public corporate bonds with an aggregate amount of RMB1,200,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,189,200,000 (US\$171,280,426). The bonds will mature on April 29, 2020. The Issuer shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds. See “Description of Other Material Indebtedness — Domestic Corporate Bonds.”

On July 29, 2016, the Company issued 4.98% corporate bonds (the “Panda Bonds”) with an aggregate amount of RMB3,000,000,000 (US\$432,089,875). The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,970,000,000 (US\$427,769,976). The bonds will mature on July 29, 2020. The Company shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds. See “Description of Other Material Indebtedness — Domestic Corporate Bonds.”

On October 11, 2016, the Company issued 4.6% and 5.7% corporate bonds with an aggregate amount of RMB1,800,000,000 (US\$259,253,925) and RMB7,200,000,000 (US\$172,835,950) respectively. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787,250,000 (US\$257,417,543) and RMB1,192,500,000 (US\$171,755,725) respectively. The bonds will mature on October 11, 2021 and October 11, 2023 respectively. The Company shall be entitled to adjust the coupon rate at the end of the third and the fifth year respectively whereas the investors shall be entitled to sell back in whole or in part the bonds. See “Description of Other Material Indebtedness — Domestic Corporate Bonds.”

- (7) A PRC subsidiary of the Company engaged in property management entered into asset-backed securities (“ABS”) arrangement with an assets management company by pledging of the future five years’ right of receiving management fee for certain properties under its management.

On February 26, 2016, the ABS was formally established with an aggregate nominal value of RMB1,100,000,000 (US\$158,432,954), with a 5-year maturity, amongst which RMB100,000,000 (US\$14,402,996) was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB975,200,000 (US\$140,458,015).

- (8) As of December 31, 2016, the borrowings were secured by land use rights, properties and bank deposits.
- (9) As of December 31, 2016, the unsecured bank borrowings were guaranteed by certain of our subsidiaries.
- (10) As of December 31, 2016, the other borrowings of approximately RMB2,365.0 million (US\$340.7 million) were secured by land use rights and the shares of our certain subsidiaries. See “Description of Other Material Indebtedness.”

The maturity of our borrowings included in non-current liabilities as of December 31, 2014, 2015 and 2016, respectively, was as follows:

	As of December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US\$
	(in thousands)			
	(unaudited)			
Between one and two years . . . . .	8,054,777	12,793,274	10,865,904	1,565,016
Between two and five years . . . . .	17,165,476	10,228,782	15,620,004	2,249,744
Over five years . . . . .	630,741	520,987	4,695,000	676,221
Total . . . . .	<u>25,850,994</u>	<u>23,543,043</u>	<u>31,180,908</u>	<u>4,490,985</u>

Subsequent to December 31, 2016, we have, from time to time, in the ordinary course of business, entered into additional loan agreements to finance our property developments or for general working capital purposes. For a more detailed discussion of our material indebtedness, see “Description of Other Material Indebtedness.”

In the ordinary course of business, some of our subsidiaries and joint ventures also entered into certain financing arrangements to finance project development.

Our Tianjin Jinnan New City, a project in which we hold a 25% equity interest, had also entered into trust financing arrangements whereby the trust vehicles raised funding for the project, which were guaranteed by the joint venture parties and secured by shareholding in the joint venture and its land use rights. As of December 31, 2016, our share of the guarantee amounted to RMB1,125.0 million (US\$162.0 million).

Some of our joint ventures also entered into trust financing arrangements in respect of which we provided guarantees. See “— Contingent Liabilities.”

### ***Restricted Cash***

In accordance with local government rules, certain of our project companies are required to deposit certain amount of proceeds from pre-sales of properties into specific bank accounts as guarantees for the completion of construction. Before the completion of the pre-sold properties, such deposits may only be used, with the prior approval of the relevant local authorities, for the payments of construction materials, equipment, interim construction payments and taxes. As of December 31, 2014, 2015 and 2016, such deposits amounted to approximately RMB4,735.0 million, RMB4,724.5 million and RMB9,378.7 million (US\$1,350.8 million), respectively.

In connection with mortgage loans provided to our purchasers, the mortgagee banks typically require our project companies to make guarantee deposits with them. As of December 31, 2014, 2015 and 2016, such guarantee deposits amounted to approximately RMB204.5 million, RMB454.9 million and RMB139.9 million (US\$20.1 million), respectively. In addition, our project companies are required by local government authorities to maintain a certain amount of funds in designated bank accounts as medical expenses and compensation payments to construction workers. As of December 31, 2014, 2015 and 2016, such compensation funds amounted to approximately RMB172.6 million, RMB269.1 million and RMB360.1 million (US\$51.9 million), respectively.

In 2014, 2015 and 2016, some of our bank deposits were pledged for certain of our bank borrowings. As of December 31, 2014 and 2015, such pledged bank deposits amounted to approximately RMB250.0 million and RMB281.1 million (US\$40.5 million), respectively, and as of December 31, 2016, such pledged bank deposits was not recognized.

### ***Contingent Liabilities***

As of December 31, 2016, we provided guarantees to PRC banks for loans of approximately RMB33,293.6 million (US\$4,795.3 million) in respect of the mortgage loans provided by the banks to purchasers of our properties. A guarantee is released upon the earlier of the issuance of the relevant property ownership certificate, which will generally be available within one year after the purchasers take possession of the relevant property and the full repayment of the relevant mortgage loan by the purchaser.

Pursuant to the terms of the guarantees, upon default in mortgage payments by the purchasers, we are responsible for the outstanding mortgage principals together with any accrued interests and penalties owed by the defaulted purchasers to the banks, and we are entitled to take over the legal title and physical possession of the related properties. Our guarantee starts from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as based on our estimate the net realizable value of the related properties is sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of default in payments.

We provided guarantees for certain borrowings of an associate and joint ventures. As of December 31, 2016, our guarantees provided for an associate and joint ventures for their borrowings amounted to RMB1,015.9 million (US\$146.3 million) and RMB1,280.0 million (US\$184.4 million), respectively.

### ***Contractual Obligations***

As of December 31, 2016, our contractual obligations primarily in connection with our property development activities amounted to RMB22,004.1 million (US\$3,169.2 million), primarily arising from contracted construction fees or other capital commitments for future property developments. The following table sets forth our contractual obligations as of the date indicated.

	<u>As of December 31, 2016</u>	
	RMB	US\$
	(unaudited)	
	(in thousands)	
<b>Operating leases commitments</b>		
Property, plant and equipment:		
— Not later than one year . . . . .	34,998	5,041
— Later than one year and not later than five years . . . . .	<u>121,915</u>	<u>17,559</u>
	<u>156,913</u>	<u>22,600</u>
Lease of areas adjacent to the property development projects:		
— not later than one year . . . . .	750	108
— later than one year not later than five years . . . . .	3,500	504
— later than five years . . . . .	<u>31,000</u>	<u>4,465</u>
	<u>35,250</u>	<u>5,077</u>
Lease of the land use rights for ancillary facilities:		
— Not later than one year . . . . .	1,937	279
— Later than one year and not later than five years . . . . .	8,452	1,217
— Later than five years . . . . .	<u>26,224</u>	<u>3,777</u>
	<u>36,613</u>	<u>5,273</u>
<b>Other commitments</b>		
Contracted but not provided for:		
— Property development activities . . . . .	21,013,061	3,026,510
— Acquisition of land use rights . . . . .	<u>762,214</u>	<u>109,782</u>
	<u>21,775,275</u>	<u>3,136,292</u>
	<u>22,004,051</u>	<u>3,169,243</u>

***Off-Balance Sheet Commitments and Arrangement***

Except for the contingent liabilities set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any variable interests in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

**Market Risks**

***Interest Rate Risk***

We are subject to market risks due to fluctuations in interest rates. Our net profit is affected by changes in interest rates due to the impact such changes may have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities, including bank borrowings. In addition, an increase in interest rates would adversely affect our prospective purchaser's willingness and ability to purchase our properties, our ability to service loans that we have guaranteed and our ability to raise and service long-term debt and to finance our developments, any of which could adversely affect our business, financial condition and results of operations.

As we have no significant interest-bearing assets, our income and operating cash flows are substantially independent of changes in market interest rates. Our exposure to changes in interest rates is mainly attributable to our bank and other borrowings, including borrowings from PRC banks, senior notes, bonds and various credit facilities and syndicated loans.

Borrowings issued at variable rates expose us to cash flow interest rate risk while borrowings issued at fixed rates expose us to fair value interest rate risk. In addition, any increase of benchmark lending rates published by PBOC may result in an increase in our interest costs, as most of our bank borrowings bear floating interest rates linked to PBOC-published rates. We closely monitor trends in interest rates and their impact on our interest rate risk exposure. We entered into floating to fixed

interest rate swaps with respect to certain facilities in the past and we may consider entering into similar hedging arrangements in the future.

The PBOC benchmark one-year lending rates in China (which directly affects interest rates on loans to property developers as well as the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2014, 2015 and 2016 was 5.60%, 4.35% and 4.35%, respectively. As of the date of this offering memorandum, the benchmark one-year lending rate is 4.35%.

We cannot assure you that the PBOC will not further raise lending rates in the future or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments.

### ***Foreign Exchange Rate Risk***

We conduct our sales and purchases almost exclusively in Renminbi except for a small portion of our sales proceeds which are in other currencies. Our exposure to foreign exchange risk is principally due to our U.S. dollar or Hong Kong dollar-denominated debt and our bank deposits in the same foreign currencies. As of December 31, 2016, we had U.S. dollar-denominated debt totaling US\$1,683.8 million, consisting of the outstanding amounts under our senior notes and various U.S. dollar-denominated loans, and Hong Kong dollar-denominated debt totaling HK\$8,072.3 million, representing primarily outstanding amounts under certain Hong Kong dollar-denominated loans. See “Description of Other Material Indebtedness.” As of the same date, we had aggregate bank balances denominated in Hong Kong dollars of RMB559.6 million and in U.S. dollars of RMB464.6 million.

We recognize foreign exchange gain or loss on our income statement due to changes in value of assets and liabilities denominated in foreign currencies during the relevant accounting period. Appreciation of the Renminbi against the U.S. dollar generally results in a gain from our U.S. dollar-denominated debt and a loss from our bank deposits in Hong Kong dollars and U.S. dollars. A depreciation of the Renminbi against the U.S. dollar would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service foreign currency-denominated debts.

Fluctuations in the foreign exchange rate have had and will continue to have an impact on our business, financial condition and results of operations. See “Risk Factors — Risks Relating to the Notes — Fluctuation in the exchange rates between the Renminbi and foreign currencies, particularly U.S. dollars, may have a material adverse effect on us and on your investment.” We may choose to use hedging transactions to reduce our exposure to foreign exchange rate fluctuations from time to time. For example, we may enter into non-speculative hedging or other derivative transactions, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

### ***Inflation***

According to the National Bureau of Statistics of China, China’s overall national inflation rate, as represented by the general consumer price index, was approximately 1.4%, 1.4% and 2% in 2014, 2015 and 2016, respectively. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase. As of the date of this offering memorandum, we had not been materially affected by any inflation or deflation.

### **Non-GAAP Financial Measures**

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

- interest income/expense;
- amortization of intangible assets and land use rights;
- non-recurring other income/expense;
- income tax expenses;

- depreciation;
- fair value gains on investment properties; and
- exchange gains/losses.

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

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

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

	Year ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US\$
	(in thousands)			
	(unaudited)			
Profit for the year . . . . .	5,091,101	2,301,537	3,049,634	439,239
<b>Adjustments:</b>				
Fair value gains on investment properties . . . . .	(469,625)	(62,523)	(42,960)	(6,188)
Interest income . . . . .	(86,067)	(120,162)	(145,769)	(20,995)
Finance costs, net (including capitalized interest realized in cost of sales) . . . . .	1,938,241	3,191,573	3,769,672	542,946
Exchange (gains)/losses, net . . . . .	28,720	194,751	16,770	2,415
Income tax expense . . . . .	5,034,790	3,894,950	4,433,480	638,553
Depreciation . . . . .	342,120	367,346	464,083	66,847
Amortization of intangible assets and land use rights . . . . .	79,496	69,042	64,070	9,228
Non-recurring other expenses . . . . .	218,839	—	—	—
<b>EBITDA</b> . . . . .	<u>12,177,615</u>	<u>9,836,514</u>	<u>11,608,980</u>	<u>1,672,041</u>
EBITDA margin . . . . .	31.8%	22.9%	24.9%	24.9%

Our definition of EBITDA should not be considered in isolation or construed as an alternative to profit for the year or as an indicator of operating performance or any other standard measure under HKFRS. Our definition of EBITDA does not account for income taxes, interests, depreciation and amortization, fair value gains on investment properties, non-recurring other income/expense, and exchange gains/losses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

## INDUSTRY OVERVIEW

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

### The Economy of the PRC

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the growth of the PRC economy. According to the National Bureau of Statistics of the PRC, China's GDP has increased from approximately RMB31,675.2 billion in 2008 to approximately RMB74,412.7 billion in 2016 at a compound annual growth rate, or CAGR, of approximately 11.3%.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (RMB in billions) . . . . .	31,675.2	34,562.9	40,890.3	48,412.4	53,412.3	58,801.9	63,646.3	68,905.2	74,412.7
Real GDP growth rate (%) . . . . .	9.6	9.2	10.6	9.5	7.7	7.7	7.4	8.3	8.0
Per capital GDP (RMB) . . . . .	23,912.0	25,963.0	30,567.0	36,018.0	39,544.0	43,320.0	46,531.2	50,251.0	53,980.0
Foreign Direct Investment									
— Actual investment (US\$ in billions) . .	108.3	94.1	114.7	124.0	121.1	117.6	119.6	135.6	126.0
Fixed asset investment (RMB in billions) . . . . .	14,816.7	19,413.9	24,141.5	30,193.3	36,483.5	43,652.8	50,200.5	55,159.0	59,650.1

*Source:* CEIC Data Company Limited and National Bureau of Statistics of the PRC

Since 2005, with a view to preventing China's economy from overheating and to achieving more balanced and sustainable economic growth, the PRC government has taken various measures to control money supply, credit availability and fixed asset investments. In particular, the PRC government has taken measures to discourage speculation in the residential property market and has increased the supply of affordable housing. See the section headed "Regulation."

### The Real Estate Market in the PRC

#### *Real Estate Reform*

Real estate reform in the PRC did not commence until the 1990s, prior to which the PRC real estate industry was part of the nation's planned economy. In the 1990s, China's real estate and housing sector began its transition to a more market-based system. A brief timeline of key housing reforms is set out below:

- 1988 . . . . . The PRC government amended the Constitution to permit the transfer of state-owned land use rights
  - 1992 . . . . . Public housing sales in major cities commenced
  - 1994 . . . . . The PRC government further implemented the reform and established an employer/ employee-funded housing fund
  - 1995 . . . . . The PRC government issued regulations regarding the sales and pre-sales of real estate, establishing a regulatory framework for real estate sales
  - 1998 . . . . . The PRC government abolished the state-allocated housing policy; Guangdong government issued regulations on the administration of pre-sales of commodity properties in Guangdong Province
  - 1999 . . . . . The PRC government extended maximum mortgage term to 30 years
- The PRC government increased the ceiling of maximum mortgage financing from 70% to 80% of property value

	The PRC government formalized procedures for the sale of real property in the secondary market
2000 . . . . .	The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality
2001 . . . . .	The PRC government issued regulations relating to sales of commodity properties
2002 . . . . .	The PRC government promulgated the “Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-For-Sale”
	The PRC government eliminated the dual system for domestic and overseas home buyers in China
2003 . . . . .	The PRC government promulgated rules for more stringent administration of real estate loans with a view to reducing the credit and systemic risks associated with such loans
	The PRC State Council (the “State Council”) issued a notice for sustained and healthy development of the property market
2004 . . . . .	The State Council issued a notice requiring that, with respect to property development projects (excluding ordinary housing), the proportion of capital funds be increased from 20% to 35%
	Ministry of Construction amended the “Administrative Measures on the Presale of Commercial Housing in Cities”
	CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen the risk control of commercial banks on real estate loans
2005 . . . . .	The PRC government instituted additional measures to discourage speculation in certain regional markets including, among other things, increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales within two years of purchase, and prohibiting reselling of unfinished properties
2006 to mid-2008 . .	The PRC government implemented additional land supply, bank financing, foreign investment and other measures to curtail rapid increase in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry
	The PRC government issued regulations to urge the full and effective use of existing construction land and the preservation of farming land and rules to control property financings extended by financial institutions to further curtail speculation, over development and uncontrollable increases in property prices
Mid-2008 to the fourth quarter of 2009 . . . . .	The PRC government implemented a number of measures to combat the global economic slowdown, including the lowering of the PBOC benchmark bank lending rates, the internal capital ratio requirements for property projects and the down payment requirements for purchasing residential properties



<p>The fourth quarter of 2009 to the first quarter of 2010 . . .</p>	<p>The PRC government adjusted certain policies to curtail the overheating of the PRC property market including abolishing certain preferential treatment in respect of business tax payable upon transfer of residential properties and imposing more stringent requirements on the payment of land premiums</p>
<p>First quarter of 2010 to the end of 2010 . . . . .</p>	<p>The PRC government launched a series of policies to cool down the overheated real estate market, such as increasing the down payment requirements for properties purchased with mortgage loans, imposing property purchase restrictions for non-local residents, decreasing the ceiling of the maximum loan to value ratio of mortgage loans offered to borrowers, increasing mortgage interest rates and construction loan interest rates</p>
<p>2011 . . . . .</p>	<p>The PRC government implemented measures aimed at further cooling the real estate property market. These measures include increasing the minimum down payment to at least 60% of the total purchase price, setting minimum mortgage lending interest rate of 110% of the benchmark rate, levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase. There are also other measures targeting certain cities restricting purchasers from acquiring second (or further) residential properties and restricting non-residents that cannot provide any proof of local tax or social security payments for more than a specified time period from purchasing any residential properties and imposing property tax. In addition, certain cities, including Beijing, Shanghai, Qingdao, Chengdu and Jinan, have promulgated measures further limiting the number of residential properties a household is allowed to purchase. Between February and July 2011, the PBOC raised the one-year benchmark lending rate by 75 basis points from 5.81% to 6.56%</p>
<p>2012 . . . . .</p>	<p>The PRC government continued to implement selected policies aimed at further cooling the real estate property market. The NDRC announced in February 2012 that the government intended to limit mortgage loans for home purchases by foreigners to reduce overseas investment in the local property market. However, the PRC government reiterated its support for first-time homebuyers, including the construction of affordable housing and the offer of differentiated loans by China's four biggest state-owned banks to first-time homebuyers and to fund affordable housing projects. Beginning in May 2012, the PRC government began to implement selected measures to support the growth of the Chinese economy. In May 2012, the government lowered bank reserve requirement ratio by 50 basis points for the second time, lowering the reserve requirement ratio for the country's largest financial institutions to 20%. The PRC government also lowered the PBOC one-year benchmark lending rate for the first time since December 2008, reducing the one-year benchmark lending rate by 56 basis points to 6.0%. In August 2012, the PRC government began preparing the implementation of a broader property tax following initial trials in Shanghai and Chongqing, with tax governors from across the country undergoing a six-month training program organized by the State Administration of Taxation to prepare for the tax's implementation. In December 2012, The Central Economic Work Conference announced that China will continue its property market control policies in 2013, step up the construction and management of low-income housing, as well as renovation of run-down areas.</p>

2013 . . . . . On February 26, 2013, the State Council issued the “Notice on Continuing Adjustment and Control of Property Market”, which included an income tax levy on homeowners of as high as 20% on profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could increase their down payment rate and mortgage loan interest rate for homebuyers purchasing a second unit.

On July 19, 2013, the PBOC announced a few measures to further liberalize China’s lending interest rate effective from July 20, 2013. The most important of all is the removal of the lending rate floor, which was 30% below the benchmark rates. The floor on the benchmark mortgage rate will however remain to curb speculative demand on the property market and maintain a healthy development of the market.

2014 . . . . . On August 7, 2014, Foshan eased its home purchase restriction, allowing non-residents to buy one housing unit and registered local residents to buy up to two units. On September 3, 2014, Dalian removed its home purchase restriction, allowing both residents and non-residents to buy housing units in Dalian without limits on the number of units purchased. On September 24, 2014, Wuhan removed the restriction on the purchase of homes. As of September 30, 2014, other than Beijing, Shanghai, Guangzhou, Shenzhen and Sanya, cities that had property-purchasing limitations have loosened or canceled such limitations.

On September 29, 2014, the PBOC and the CBRC jointly issued the “Circular on Further Improving Financial Services for Housing Consumption” (關於進一步做好住房金融服務工作的通知), which provides that the down payment for the first-time home purchase with mortgage loans or the home upgrade purchase with mortgage loans after full repayment of the first home purchase shall be not less than 30% of the purchase price, and the loan interest rate shall be not lower than 70% of the benchmark landing rate published by the PBOC. In cities where restriction on purchasing residential properties have not been applied or have been canceled, the banks may set the down payment as a percentage of purchase price and set the interest rate based on the solvency and credit status of mortgage loan applicants who own two or more residential properties with mortgage loans fully repaid and are applying for mortgage loans to buy another property.

On November 21, 2014, the PBOC reduced the benchmark one-year lending rate to 5.60%.

2015 . . . . . As of March 1, 2015, the new property registration rules in China unifies property registration nationwide. The new registration system shares information such as property location, area and origin of ownership in real time among government departments including the police, taxation and audit authorities.

On March 27, 2015, the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources jointly issued a notice to address property oversupply. Key measures included adjusting land supply, allowing developers to change their project planning (i.e. adjusting the unit sizes of apartments), and allowing developers to change the land uses (e.g. from residential to social housing, commercial, recreational, tourism and cultural uses) of land plots where construction has not yet started.

On March 30, 2015, the PBOC, CBRC and the Ministry of Housing and Urban-Rural Development jointly announced an easing of the housing mortgage policy. The second-home downpayment requirement for self-use ordinary housing was lowered from between 60 to 70% to 40%, and the minimum interest rate of 110% of the benchmark lending rate was eliminated. The down payment requirement eased from 30% to 20% for first home purchases under Housing Provident Fund scheme, and from 40% to 30% for second home purchases. The Ministry of Finance exempted business tax on second-hand sales of ordinary housing held for more than two years.

On 30 March, 2015, both the Ministry of Finance and PBOC announced measures to increase home purchases and to sustain economic growth. China's Ministry of Finance announced an adjustment to the tax policy for individual housing transactions wherein residential properties held by owners for two years or more will qualify for a tax exemption or reduction following the sale of the property, down from the previous minimum holding period of five years.

On the same day, the PBOC announced that it would promote the residential market by lowering the minimum down payment for first-time buyers of "ordinary homes" and qualified buyers of second "ordinary homes". For first-time buyers, the new down payment would be a flat 20%, compared to 20% for homes smaller than 90sqm and 30% for homes larger than 90sqm.

On 19 April, 2014, PBOC lowered the reserve requirement ratio ("RRR") by a full percentage point to 18.5% effective 20 April 2016, the deepest single reduction since 2008. This follows a cut of 50 basis points on 4 February 2016 in order to ward off a sharp slowdown in the economy.

On 29 June, 2015, the PBOC cut the RRR again; 0.5% for commercial banks of all sizes, and 3% for finance companies to increase financing.

On 19 August, 2015, Chinese authorities, including the Ministry of Commerce, issued a statement allowing overseas companies' Chinese units and foreign nationals working and living in China to buy properties for their own use. This represented a reversal of a 2006 law that banned foreign citizens living and working in China for less than a year from buying a home in the country, and for foreign property companies with registered capital less than half of their total investments.

On 26 August, 2015, the PBOC cut the RMB benchmark loan and deposit interest rates by 0.25% each for financial institutions in order to reduce financing costs to businesses. It also cut deposit and loan interest rates on personal housing provident funds used in mortgages by 0.25% to 2.75% for loans with tenors 5 years or less and 3.25% for those loans over 5 years.

On August 31, 2015, the PBOC, MOF and MOHURD jointly announced an easing of the housing mortgage policy. The down payment requirement eased from 30% to 20% for second home purchases under Housing Provident Fund scheme.

On September 1, 2015, the minimum payment for buyers who use their Housing Provident Funds to buy a second home was lowered to 20% from 30%, if buyers had paid off their previous mortgage. The rule does not apply to tier one cities.

On September 30, 2015, PBOC and CBRC jointly announced that for the cities without housing restriction policy, The first home down payment requirement for self-use ordinary housing was set to be 25%.

On October 8, 2015, MOHURD raised housing fund loan upper limit for eligible cities and launched non-local housing fund loan application.

On October 24, 2015, PBOC announced that the one-year lending rate will decrease to 4.35% and the one-year deposit rate will decrease to 1.5%. The deposit reserve ratio of financial institution will be decreased by 0.5%. The floating range cap of the deposit rate for commercial bank and rural cooperative financial institutions was eliminated.

2016 . . . . . On February 1, 2016, PBOC and CBRC jointly announced that for the cities without housing restriction policy, the minimum down payment for first home purchase and second home purchase is set to be 25% and 30%, respectively, of the purchase price. Various regions may decrease by 5% based on the 25% minimum down payment for first home purchase.

On February 2, 2016, mortgage down payment ratio was allowed to be reduced to 20% for the 1st home purchase and 30% for the 2nd home purchase in non-purchase-restricted cities.

On February 21, 2016, PBOC has raised the interest rate of Employee Housing Provident Fund, which will be executed by the one-year fixed deposite interest rate, namely 1.50% per year.

On March 1, 2016, PBOC announced that the deposit reserve ratio of financial institution decreased by 0.5%.

On March 25, 2016, General Office of the People’s Government of Shanghai Municipality unveiled the new housing policy: (1) Raise the hurdle for home purchase by non-local residents (non-Shanghai residents now have to pay social insurance or individual income tax for five consecutive years to become a qualified buyer, instead of two years); (2) Tighten the definition of “second-home buyer”; (3) Increase down payment for second-homes (buyers of second homes will have to pay a minimum 70 percent down payment for “non-ordinary housing” and a minimum 50 percent for “ordinary housing”—previously, a 40 percent down payment was required for both types of house); (4) Adjust the ordinary housing standard; and (5) Restrict housing transactions by company-owned property.

During the third quarter of 2016, many tier two cities’ municipal governments began fine-tuning property polices. The municipal governments of Xiamen, Wuhan, Nanjing, Suzhou and Hefei have issued different restrictive polices (raised down payment or restricted home purchase again) to rein in the increasing housing price. For example, Wuhan municipal government raised down payment from 30% to 40% for second-hand housing buyers on September 1, 2016.

From September 30, 2016 to date, Beijing, Tianjin, Suzhou, Chengdu and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy.

2017 . . . . . In 2016, China’s housing market is marked by new highs with record-breaking sales and price growth. Since the start of 2017, the government continued to maintain strict sales and loan restrictions targeted at buyers in tier one and tier two cities that saw rapid growth in 2016 (namely Shenzhen, Shanghai, Hefei, Nanjing and Suzhou).

Additional information on housing reforms and recent regulatory developments is set out in the section entitled “Regulation” in this offering memorandum.

The housing reforms, the economic growth of China, the increase in disposable income, emergence of the mortgage lending market and the increase in the urbanization rate are key factors in sustaining

the growth of China's property market. Government housing reforms continue to encourage private ownership, and it is expected that an increasing proportion of urban residents will own their private properties in the near future.

The table below sets out selected figures showing China's urbanization rate and the increase in disposable income levels of the urban population in China for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Urban population (in millions)	624.0	645.1	669.8	690.8	711.8	731.1	749.2	771.2	793.0
Total population (in millions)	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,374.6	1,382.7
Urbanization rate (%) . . . . .	47.0	48.3	49.9	51.3	52.6	53.7	54.8	56.1	57.3
Per capita disposable income (RMB) . .	15,780.8	17,174.7	19,109.4	21,809.8	24,564.7	26,462.4	28,844.0	31,194.8	33,616.2

Sources: CEIC and National Bureau of Statistics of China

### ***Property Price and Supply***

Prices for property in China have continued to increase since 2008, with the average price of residential properties in China increasing from approximately RMB3,575.6 per sq.m. in 2008 to approximately RMB7,203.0 per sq.m. in 2016, while the average price of commercial properties in China increased from approximately RMB5,886.4 per sq.m. in 2008 to approximately RMB9,786.2 per sq.m. in 2016.

In addition, investment in property increased from approximately RMB3,120.3 billion in 2008 to approximately RMB10,258.1 billion in 2016.

The following table sets forth selected data relating to the PRC property market for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Investment in property (RMB in billions) . . .	3,120.3	3,624.2	4,825.9	6,179.7	7,180.4	8,601.3	9,503.6	9,597.88	10,258.06
Total gross floor area sold (sq.m. in millions) . . . . .	659.7	947.6	1,047.6	1,093.7	1,113.0	1,305.5	1,206.5	1,284.95	1,573.49
Gross floor area of residential properties sold (sq.m. in millions) . . . . .	592.8	861.8	933.8	965.3	984.7	1,157.2	1,051.8	1,124.12	1,375.40
Gross floor area of commercial properties sold (sq.m. in millions) . . . . .	42.1	53.3	69.9	78.7	77.6	84.7	90.7	93	108
Average price of commodity properties (RMB per sq.m.) . . . . .	3,799.9	4,681.0	5,032.4	5,357.1	5,791.0	6,237.3	6,323.5	6,792.55	7,475.57
Average price of residential properties (RMB per sq.m.) . . . . .	3,575.6	4,459.4	4,725.0	4,993.2	5,429.9	5,849.8	5,932.2	6,472.00	7,203.00
Average price of commercial properties (RMB per sq.m.) . . . . .	5,886.4	6,870.6	7,746.9	8,488.2	9,020.9	9,777.1	9,813.8	9,560.77	9,786.21

Sources: CEIC and National Bureau of Statistics of China

### ***Housing Mortgage***

According to CEIC Data Company Limited, a database vendor based in Hong Kong, the aggregate sum of outstanding mortgage loans for residential properties in the PRC grew from approximately RMB2,980.0 billion in 2008 to approximately RMB17,900.0 billion in 2016.

## Real Estate Sales Revenue

The expansion of the property industry in China was evidenced by the growth of revenue from the sale of properties in China. According to CEIC Data Company Limited, the total revenue from property development in the PRC increased from approximately RMB2,506.8 billion in 2008 to approximately RMB11,762.7 in 2016. During the same period, total GFA sold increased from approximately 659.7 million sq.m. in 2008 to approximately 1,573.5 million sq.m. in 2016.

## The Real Estate Market in Guangdong Province

Guangdong Province is located in the southern part of China and comprises approximately 179,757 square kilometers in area. According to CEIC Data Company Limited, Guangdong Province had a permanent resident population of approximately 109.9 million in 2016. Guangdong Province has experienced substantial economic growth in the past years. The table below sets out selected economic statistics of Guangdong Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (RMB bn) . . . . .	3,679.70	3,948.30	4,601.30	5,267.40	5,706.80	6,216.40	6,779.20	7,281.20	7,951.00
As % of PRC GDP . . . . .	11.7	11.6	11.5	11.1	11	10.9	10.7	10.8	10.7
Real GDP growth rate (%) . . . . .	10.4	9.7	12.5	10	8.3	8.5	7.8	8	7.5
Per capita GDP (RMB) . . .	37,637	39,435	44,735	50,807	54,095	58,540	63,452	67,897	72,787
Per capita disposable income (RMB) . . . . .	19,732	21,574	23,897	26,897	30,226	33,090	36,002	34,757	37,684

Sources: Guangdong Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 66.0 million sq.m. of commodity properties was completed in Guangdong Province in 2016. A total GFA of approximately 146.0 million sq.m. was sold in Guangdong Province in 2016. The table below sets out the total commodity building GFA completed, total GFA sold and average property price per sq.m. in Guangdong Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Commodity building GFA completed (mm sqm) . . .	51	51	57	61	64	63	73	60	66
GFA sold (mm sqm) . . . .	49	71	73	74	79	98	93	117	146
% of total GFA sold in PRC . . . . .	7.40%	7.50%	7.00%	6.80%	7.10%	7.50%	7.70%	9.10%	NA
Average price (RMB psm) . . . . .	5,953	6,513	7,486	7,879	8,112	9,090	9,083	9,796	11,097

Source: Guangdong Bureau of Statistics and CEIC

## The Property Market in Guangzhou

Guangzhou is the largest city in southern China and the capital of Guangdong Province. According to Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2016, Guangzhou had a permanent resident population of approximately 14.0 million. In 2016, Guangzhou's GDP reached approximately RMB1,961.0 billion, representing a per capita GDP of approximately RMB139,644.0.

The table below sets out selected economic statistics of Guangzhou for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (RMB bn) . . . . .	828.7	913.8	1,074.80	1,242.30	1,355.10	1,542.00	1,670.70	1,810.00	1,961.00
Real GDP growth rate (%) . . . . .	12.5	11.7	13.2	11.3	9.1	11.6	8.6	8.4	8.2
Per capita GDP (RMB) . . . . .	76,440	79,383	87,458	97,588	105,909	119,695	128,478	136,188	139,644
Per capita disposable income (RMB) . . . . .	25,317	27,610	30,659	34,438	38,054	42,049	42,955	46,735	50,941

Sources: Guangdong Bureau of Statistics and CEIC

Guangzhou is also one of the largest commercial centers in southern China. It serves as a transportation hub for southern China. A new international airport, the Guangzhou Baiyun International Airport, was officially opened in August 2004. According to the Civil Aviation Administration of China, the Guangzhou Baiyun International Airport supported an annual capacity of approximately 59.7 million passengers in 2016.

According to CEIC Data Company Limited, a total GFA of approximately 12.0 million sq.m. was completed in Guangzhou in 2016. A total GFA of approximately 19.5 million sq.m. was sold in Guangzhou in 2016. The average property selling price per sq.m. in Guangzhou in 2016 was approximately RMB16,383.6. The average selling price per sq.m. of residential properties in Guangzhou was approximately RMB16,345.8 in 2016.

### ***The Property Market in Zhongshan***

Zhongshan is located in the southern region of Guangdong Province. It is located close to Hong Kong and Macau, with direct ferries operating from Hong Kong. Zhongshan is the hometown of Dr. Sun Yat-Sen, widely regarded as the founding father of modern China. According to Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2016, Zhongshan had a permanent resident population of approximately 3.2 million. In 2016, Zhongshan's GDP reached approximately RMB320.3 billion, representing a per capita GDP of approximately RMB99,471.0. The table below sets out selected economic statistics of Zhongshan for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (RMB bn) . . . . .	145.7	156.6	185.1	219.3	244.1	263.9	282.3	301	320.3
Real GDP growth rate (%) . . .	11.1	10.2	13.9	13	11.3	10	8	8.4	7.8
Per capita GDP (RMB) . . . . .	52,921	54,156	60,797	70,014	77,527	83,393	88,682	94,030	99,471
Per capita disposable income (RMB) . . . . .	21,560	23,088	25,357	27,700	31,130	34,274	34,304	35,712	40,012

*Source:* Guangdong Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 10.4 million sq.m. was sold in Zhongshan in 2015. The average property selling price per sq.m. in Zhongshan was approximately RMB5,883.6 in 2015.

### ***The Property Market in Foshan***

Foshan is located in the central part of Guangdong Province, situated to the west of Guangzhou. According to the Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2016, Foshan had a permanent resident population of approximately 7.5 million. In 2015, Foshan's GDP reached approximately RMB800.4 billion, representing a per capita GDP of approximately RMB108,299.0. The table below sets out selected economic statistics of Foshan for the periods indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (RMB in billions) . . . . .	366.0	437.8	482.1	565.2	621.0	661.3	701.0	744.16	800.392
GDP growth rate (%) . . .	19.2	15.2	13.5	14.3	11.4	8.2	6.0	6.2	7.6
Per capita GDP (RMB) . . . . .	59,329.0	68,033.0	71,691.0	80,312.7	86,073.2	91,259.4	96,310.0	101,617	108,299
Per capita disposable income (RMB) . . . . .	21,112.0	22,494.0	24,577.9	27,244.7	30,718.0	34,579.7	38,037.7	36,555	39,757

*Source:* Guangdong Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 14.2 million sq.m. was sold in 2015. The average property selling price per sq.m. in Foshan in 2015 was approximately RMB8,412.9.

### ***The Property Market in Heyuan***

Heyuan is located in the northeastern part of Guangdong Province. According to the Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2015, Heyuan had a

permanent resident population of approximately 3.1 million. In 2015, Heyuan's GDP reached approximately RMB81.0, representing a per capita GDP of approximately RMB26,401.0. The table below sets out selected economic statistics of Heyuan for the periods indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (RMB in billions) . . . . .	33.0	39.6	40.5	47.5	57.9	61.5	68.0	76.895	81.008
GDP growth rate (%) . . . . .	22.6	10.3	10.1	13.3	13.1	11.0	10.6	13.1	5.3
Per capita GDP (RMB) . . . . .	11,847.5	14,127.3	14,163.3	16,301.5	19,504.7	20,536.4	22,499.0	25,208	26,401
Per capita disposable income (RMB) . . . . .	10,532.0	11,343.0	12,138.0	13,177.2	14,737.0	16,519.8	18,436.1	18,246	20,016

Source: Guangdong Bureau of Statistics and CEIC Data Company Limited

According to CEIC Data Company Limited, a total GFA of approximately 2.4 million sq.m. was sold in Heyuan in 2015. The average property selling price per sq.m. in Heyuan in 2015 was approximately RMB4,225.2.

### **The Property Market in Huizhou**

Huizhou is located in the southern region of Guangdong Province. According to the Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2016, Huizhou had a permanent resident population of approximately 4.8 million. According to the Guangdong Bureau of Statistics, Huizhou's GDP reached approximately RMB341.2 billion, representing a per capita GDP of approximately RMB71,605.0. The table below sets out selected economic statistics of Huizhou for the periods indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (RMB in billions) . . . . .	111.8	130.4	141.5	173.0	209.3	236.8	267.8	300.0	314.0	341.2
GDP growth rate (%) . . . . .	17.6	11.6	13.2	18.0	14.6	12.6	13.1	12.0	4.7	8.7
Per capita GDP (RMB) . . . . .	28,288.3	31,747.6	33,141.7	38,650.0	45,330.9	50,873.5	57,144.0	63,657	66,231	71,605
Per capita disposable income (RMB) . . . . .	18,770.0	19,481.0	21,278.0	23,565.2	26,608.9	29,965.0	32,991.5	27,300	30,057	33,213

Source: Guangdong Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 17.7 million sq.m. was sold in 2016. The average property selling price per sq.m. in Huizhou in 2015 was approximately RMB6,157.8.

### **The Property Market in Nanjing, Jiangsu Province**

Nanjing is the capital of Jiangsu Province, located in the heart of Yangtze River Delta. According to CEIC Data Company Limited, as of December 31, 2016, Nanjing had a permanent resident population of approximately 8.3 million. In 2016, Nanjing's GDP reached approximately RMB1,050.3 billion, representing a per capita GDP of approximately RMB127,264.0. The table below sets out selected economic statistics of Nanjing for the periods indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (RMB in billions) . . . . .	334.0	381.5	423.0	513.1	614.6	720.2	801.2	882.1	972.1	11,050.3
GDP growth rate (%) . . . . .	15.7	12.1	11.5	13.1	12.0	11.7	11.2	10.1	10.2	8.0
Per capita GDP (RMB) . . . . .	45,742.9	50,855.2	55,290.3	65,273.0	76,263.0	88,524.9	98,010.5	107,545	118,171	127,264
Per capita disposable income (RMB) . . . . .	20,317.2	22,337.0	24,678.0	27,383.0	31,100.0	35,092.0	38,531.0	42,568	46,104	49,997

Source: Nanjing Bureau of Statistics and CEIC



According to the CEIC Data Company Limited, a total GFA of approximately 12.4 million sq.m. was completed in Nanjing in 2016, and approximately 15.6 million sq.m. was sold in the same year. The average property selling price per sq.m. in Nanjing in 2016 was approximately RMB17,753.7.

### *The Property Market in Chengdu, Sichuan Province*

Chengdu is the capital of Sichuan Province, located in the southwestern part of China. According to the Chengdu Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2016, Chengdu had a permanent resident population of approximately 15.9 million. In 2016, Chengdu's GDP reached approximately RMB1,217.0 billion representing a per capita GDP of approximately RMB76,960.0. The table below sets out selected economic statistics of Chengdu for the periods indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (RMB in billions) . . . . .	332.4	390.1	450.3	555.1	685.5	813.9	910.9	1,005.7	1,080.1	1,217.0
GDP growth rate (%) . . . . .	15.3	12.1	14.7	15.0	15.2	13.1	11.9	10.4	7.4	12.7
Per capita GDP (in RMB) . . . . .	26,525.0	30,855.0	35,215.0	48,510.0	49,438.0	57,624.0	63,977.0	70,019	74,273	76,960
Per capita disposable income (in RMB) . . . . .	14,849.2	15,580.0	17,589.0	19,920.0	23,932.1	27,193.7	29,968.0	30,996	33,476	35,902

Source: Chengdu Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 27.3 million sq.m. was completed in Chengdu in 2016 and a total GFA of approximately 39.3 million sq.m. was sold in the same year. The average property selling price per sq.m. in Chengdu in 2015 was approximately RMB6,843.1.

### *The Property Market in Xi'an, Shaanxi Province*

Xi'an is the capital of Shaanxi Province. According to CEIC Data Company Limited, as of December 31, 2016, Xi'an had a permanent resident population of approximately 8.8 million. In 2016, Xi'an's GDP reached approximately RMB625.7 billion, representing a per capita GDP of approximately RMB71,357.0. The table below sets out selected economic statistics of Xi'an for the periods indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (RMB in billions) . . . . .	176.4	219.0	272.4	324.1	386.4	436.6	488.4	549.264	580.12	625.718
GDP growth rate (%) . . . . .	14.7	15.6	14.5	14.5	13.8	11.8	11.9	12.5%	5.6%	7.9%
Per capita GDP (in RMB) . . . . .	21,339.0	26,259.0	32,411.0	35,343.0	45,475.0	51,166.0	56,988.0	63,794	66,938	71,357
Per capita disposable income (in RMB) . . . . .	12,662.0	15,207.0	18,963.0	22,244.0	21,238.6	23,846.5	33,100.0	30,715	33,188	35,630

Source: Xi'an Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 15.5 million sq.m. was completed in Xi'an in 2016, and a total GFA of approximately 20.4 million sq.m. was sold in the same year. The average property selling price per sq.m. in Xi'an in 2016 was approximately RMB6,601.6.

### ***The Property Market in Hainan Province***

Hainan is an island located off the southern coast of China, one of the special economic zones laid out by Deng Xiaoping. According to CEIC Data Company Limited, as of December 31, 2016, Hainan had a permanent resident population of approximately 9.2 million. In 2016, Hainan's GDP reached approximately RMB404.5 billion, representing a per capita GDP of approximately RMB44,396.0. The table below sets out selected economic statistics of Hainan for the periods indicated.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
GDP (RMB bn) . . . . .	150.3	165.4	206.5	252.3	285.6	317.8	350.1	370.3	404.5
GDP growth rate (%) . . . . .	10.3	11.7	16	12	13	9.9	8.5	7.8	7.5
Per capita GDP (RMB) . . . . .	17,691	19,254	23,831	28,898	32,377	35,663	38,924	40,818	44,396
Per capita disposable income (RMB) . . . . .	12,608	13,751	15,581	18,369	20,918	22,929	24,487	26,356	28,453

*Source:* CEIC

According to CEIC Data Company Limited, a total GFA of approximately 16.7 million sq.m. was completed in Hainan in 2016, and a total GFA of approximately 15.1 million sq.m. was sold in the same year. The average property selling price per sq.m. in Hainan in 2016 was approximately RMB9,878.5.

### ***The Property Market in Shanghai***

Shanghai is situated on the bank of Yangtze River Delta in China, one of the largest cities by population in China. According to CEIC Data Company Limited, as of December 31, 2016, Shanghai had a permanent resident population of approximately 24.2 million. In 2016, Shanghai's GDP reached approximately RMB2,746.6 billion, representing a per capita GDP of approximately RMB113,615.0. The table below sets out selected economic statistics of Shanghai for the periods indicated.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
GDP (RMB in billions) . . . . .	1,218.9	1,369.8	1,504.6	1,716.6	1,919.6	2,018.2	2,160.2	2,356.8	2,512.2	2,746.6
GDP growth rate (%) . . . . .	15.2	9.7	8.2	10.3	8.2	7.5	7.0	9.1	6.6	9.3
Per capita GDP (in RMB) . . . . .	62,041.0	66,932.0	69,164.0	76,074.5	82,560.0	85,373.0	90,092.0	97,370	103,796	113,615
Per capita disposable income (in RMB) . . . . .	23,622.7	26,674.9	28,837.8	31,838.1	36,230.5	40,188.0	43,851.4	48,858	52,962	57,692

*Source:* Shanghai Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 25.6 million sq.m. was completed in Shanghai in 2016, and a total GFA of approximately 27.1 million sq.m. was sold in the same year. The average property selling price per sq.m. in Shanghai in 2016 was approximately RMB24,747.3.

### *The Property Market in Chongqing*

Chongqing is located in the central western part of China. According to CEIC Data Company Limited, as of December 31, 2016, Chongqing had a permanent resident population of approximately 30.5 million. In 2016, Chongqing's GDP reached approximately RMB1,755.9 billion, representing a per capita GDP of approximately RMB57,902.0. The table below sets out selected economic statistics of Chongqing for the periods indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (RMB in billions) . . . . .	412.3	509.7	653.0	792.6	1,001.1	1,141.0	1,265.7	1,426.3	1571.7	1755.9
GDP growth rate (%) . . . . .	15.9	14.5	14.9	17.1	16.4	13.6	10.9	12.7	10.2	11.7
Per capita GDP (in RMB) . . . . .	16,629.0	20,490.0	22,920.0	27,596.0	34,500.0	38,914.0	42,795.0	47,850	52,321	57,902
Per capita disposable income (in RMB) . . . . .	12,590.8	14,367.6	15,748.7	17,532.4	20,249.7	22,968.1	25,216.1	25,147	27,239	29,610

Source: CEIC

According to CEIC Data Company Limited, a total GFA of approximately 44.2 million sq.m. was completed in Chongqing in 2016, and a total GFA of approximately 62.6 million sq.m. was sold in the same year. The average property selling price per sq.m. in Chongqing in 2016 was approximately RMB5,484.9.

### *The Property Market in Shenyang, Liaoning Province*

Shenyang is the capital of Liaoning Province in northeastern China. According to CEIC Data Company Limited, as of December 31, 2015, Shenyang had a permanent resident population of approximately 8.3 million. In 2015, Shenyang's GDP reached approximately RMB727.2 billion, representing a per capita GDP of approximately RMB87,734.0. The table below sets out selected economic statistics of Shenyang for the periods indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (RMB in billions) . . . . .	322.1	386.0	426.9	501.8	591.5	660.3	715.9	709.9	727.2
GDP growth rate (%) . . . . .	22.8	16.3	14.1	14.1	12.3	10.0	8.4	-0.8	2.4
Per capita GDP (in RMB) . . . . .	41,767.0	49,166.0	54,654.0	62,357.0	72,637.0	80,480.1	86,850.0	85,816	87,734
Per capita disposable income (in RMB) . . . . .	14,606.5	17,013.0	18,475.0	20,541.2	23,326.2	26,430.3	29,073.9	34,246	36,643

Source: CEIC

According to CEIC Data Company Limited, a total GFA of approximately 9.0 million sq.m. was completed in Shenyang in 2016, and a total GFA of approximately 11.8 million sq.m. was sold in the same year. The average property selling price per sq.m. in Shenyang in 2015 was approximately RMB6,860.6.

### *The Property Market in Tianjin*

Tianjin is located in the Bohai Rim of Northern China and is approximately 120 kilometers from Beijing, the capital of the PRC. Tianjin is one of the four municipalities directly under the administration of the central government of the PRC. According to CEIC Data Company Limited, as of December 31, 2016, Tianjin had a permanent resident population of approximately 15.6 million. In 2016, Tianjin's GDP reached approximately RMB1,788.5 billion, representing a per capita GDP of approximately RMB115,053.0. The table below sets out selected economic statistics of Tianjin for the periods indicated.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (RMB in billions) . . . . .	505.0	635.4	752.2	922.4	1,130.7	1,289.4	1,437.0	1,572.7	1,653.8	1,788.5
GDP growth rate (%) . . . . .	15.5	16.5	16.5	17.4	16.4	13.8	11.4	9.4	5.2	8.1
Per capita GDP (RMB) . . . . .	47,970.0	58,656.0	62,574.0	72,994.0	85,213.0	93,173.0	99,607.0	105,231	107,960	115,053
Per capita disposable income (RMB) . . . . .	16,357.4	19,422.5	21,402.0	24,292.6	26,920.9	29,626.4	32,293.6	31,506	34,101	37,110

*Source:* CEIC

According to CEIC Data Company Limited, a total GFA of approximately 29.1 million sq.m. was completed in Tianjin in 2016, and a total GFA of approximately 27.1 million sq.m. was sold in Tianjin in the same year. The average property selling price per sq.m. in Tianjin was RMB12,829.6 in 2016.

### *The Property Market in Yunnan*

Yunnan Province is located in south-western China and shares its southern border with Burma, Laos and Vietnam. According to CEIC Data Company Limited, as of December 31, 2016, Yunnan had a permanent resident population of approximately 47.7 million. In 2016, Yunnan's GDP reached approximately RMB1,487.0 billion, representing a per capita GDP of approximately RMB31,265.0. The table below sets out selected economic statistics of Yunnan for the periods indicated.

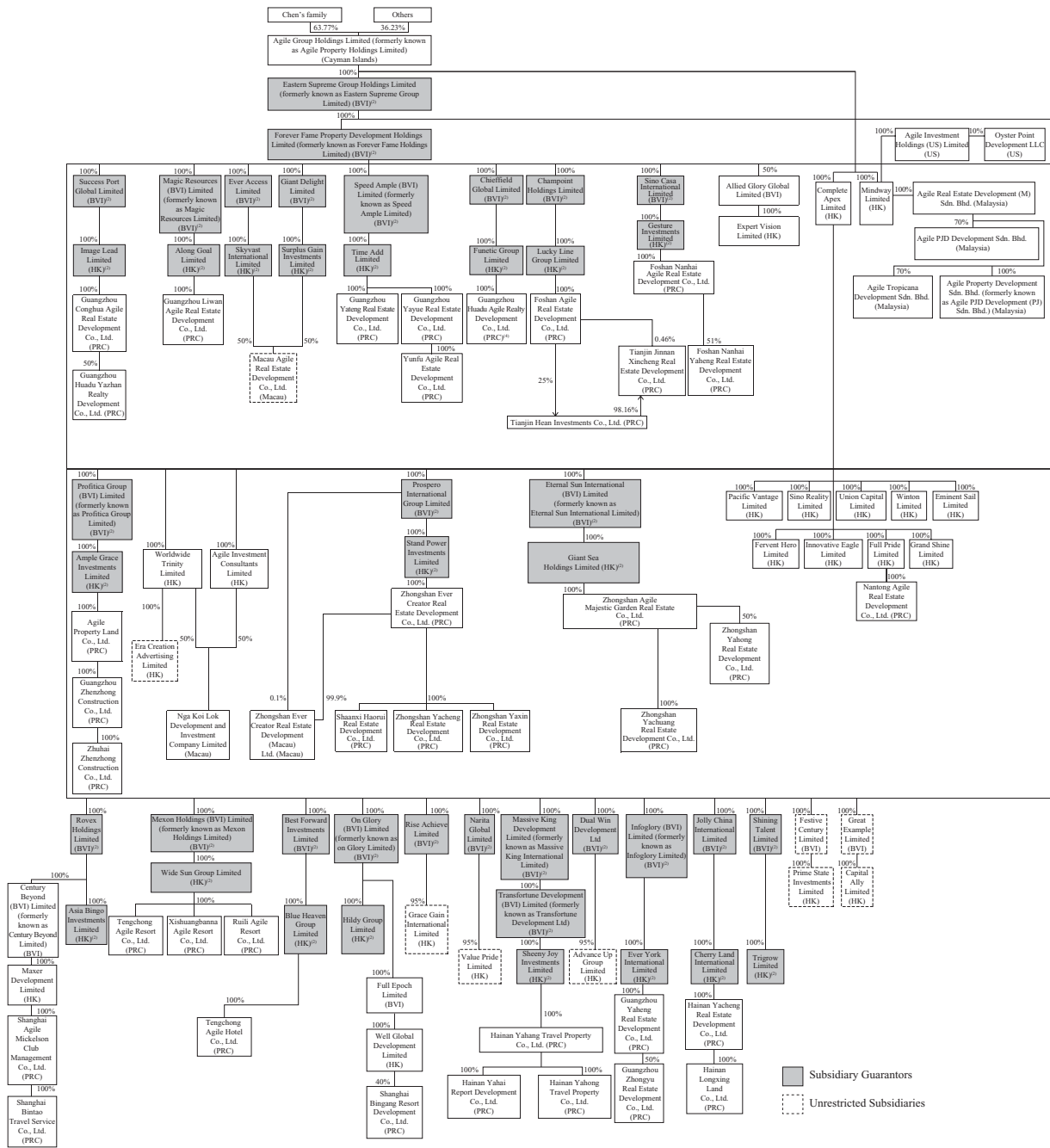
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (RMB in billions) . . . . .	477.3	569.2	617.0	722.4	889.3	1,030.9	1,172.1	1,281.5	1,361.9	1,487.0
GDP growth rate (%) . . . . .	12.2	10.6	12.1	12.3	13.7	13.0	13.7	9.3	6.3	9.2
Per capita GDP (RMB) . . . . .	10,609.0	12,570.0	13,539.0	15,752.0	19,265.0	22,195.0	25,083.0	27,264	28,806	31,265
Per capita disposable income (RMB) . . . . .	11,496.1	13,250.2	14,423.9	16,064.5	18,575.6	21,074.5	23,235.5	24,299	26,373	28,611

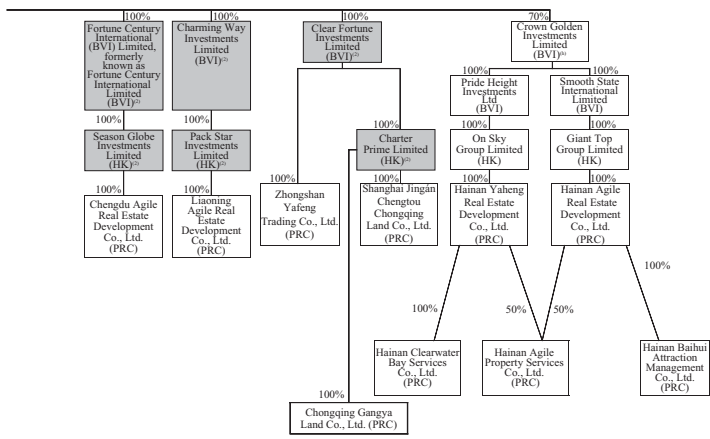
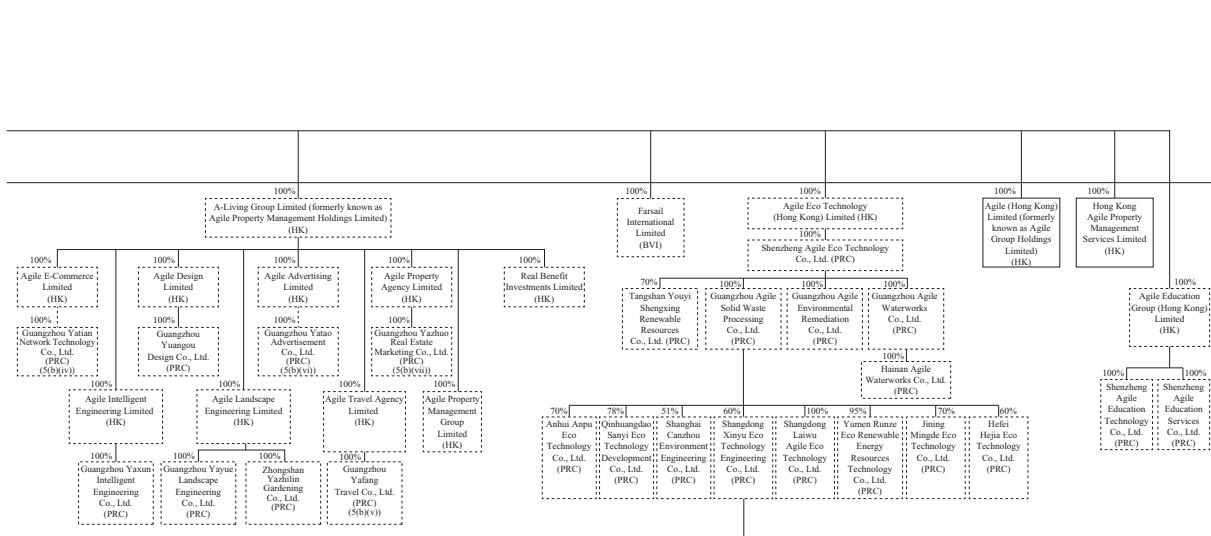
*Source:* CEIC

According to CEIC Data Company Limited, a total GFA of approximately 21.2 million sq.m. was completed in Yunnan in 2016, and a total GFA of approximately 36.4 million sq.m. was sold in Yunnan in the same year. The average property selling price per sq.m. of properties in Yunnan in 2013 was RMB5,269.0.

# CORPORATE STRUCTURE

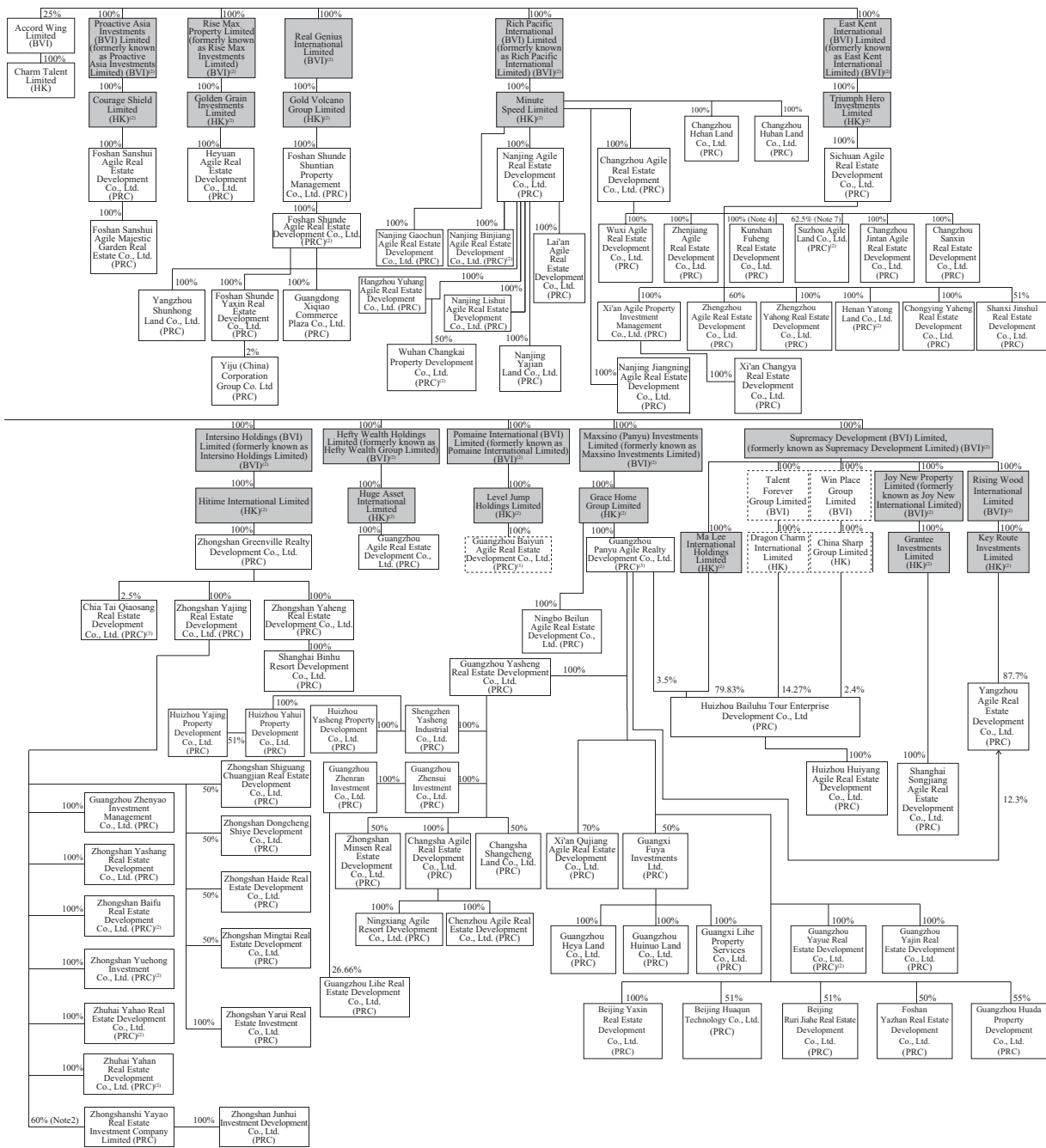
The following chart shows our corporate structure as of June 30, 2017.\*



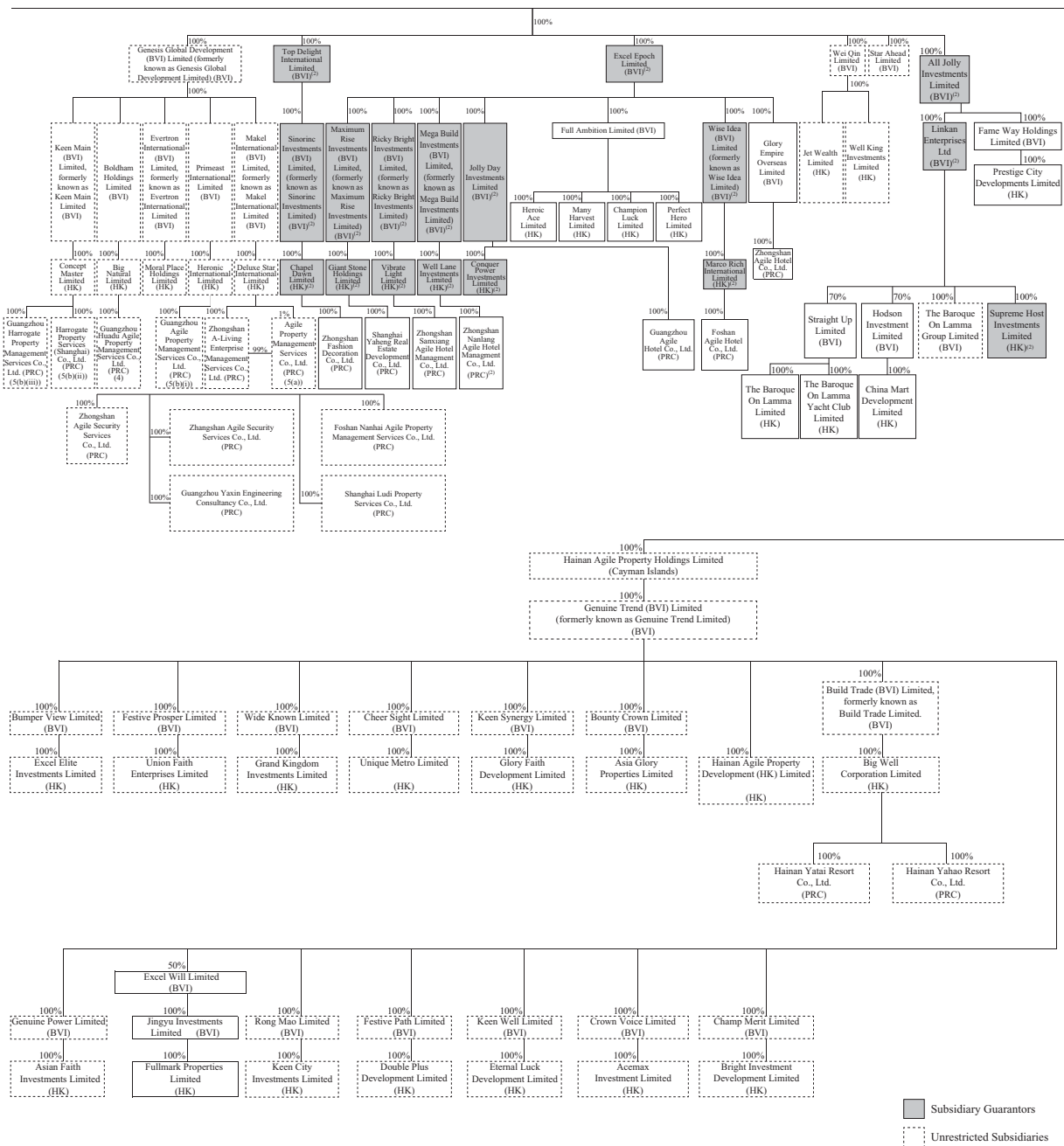


Subsidiary Guarantors  
 Unrestricted Subsidiaries

\* As at June 30, 2017, we had 207 non-PRC subsidiaries.



Subsidiary Guarantors  
 Unrestricted Subsidiaries



**Notes:**

- (1) The company is in the process of dissolution.
  - (2) The share of the company is pledged.
  - (3) The company is cited on the Supreme People’s Court’s website for failure to perform certain court obligations and is in the process of applying for revocation.
  - (4) Guangzhou Huadu Agile Property Management Services Co., Ltd. is under processing to transfer its shares to Agile Property Management Services Co., Ltd. (“Agile PMS”) (now known as A-Living Services Co., Ltd. (“A-Living”)).
  - (5) Subsequent to June 30, 2017, we have reorganized, acquired or established certain subsidiaries and may from time to time reorganize, acquire or establish other subsidiaries subsequent to the date of this offering memorandum.
- (a) Agile PMS has been changed its name to A-Living on July 21, 2017.



- (b) (i) Guangzhou Agile Property Management Services Co., Ltd. became a Wholly Owned subsidiary of Agile PMS (now known as A-Living) on July 6, 2017.
- (b) (ii) Harrogate Property Services (Shanghai) Co., Ltd. became a Wholly Owned subsidiary of Agile PMS (now known as A-Living) on July 20, 2017.
- (b) (iii) Guangzhou Harrogate Property Management Services Co., Ltd. became a Wholly Owned subsidiary of Agile PMS (now known as A-Living) on July 19, 2017.
- (b) (iv) Guangzhou Yatian Network Technology Co., Ltd. became a Wholly Owned subsidiary of Agile PMS (now known as A-Living) on July 11, 2017.
- (b) ((v) Guangzhou Yafang Travel Co., Ltd. became a Wholly Owned subsidiary of Agile PMS (now known as A-Living) on July 13, 2017.
- (b) ((vi) Guangzhou Yatao Advertisement Co., Ltd. became a Wholly Owned subsidiary of Agile PMS (now known as A-Living) on July 11, 2017.
- (b) ((vii) Guangzhou Yazhuo Real Estate Marketing Co., Ltd. became a Wholly Owned subsidiary of Agile PMS (now known as A-Living) on July 17, 2017.
- (c) Guangzhou Zhenzhong Construction Co., Ltd. formed Changsha Zhenzhong Construction Co., Ltd. on July 7, 2017.
- (d) Guangzhou Zhenzhong Construction Co., Ltd. formed Lingshui Zhenzhong Construction Co., Ltd. on July 13, 2017.
- (e) Hainan Yahang Travel Property Co., Ltd. formed Hainan Yaxing Travel Property Co., Ltd. on July 19, 2017.
- (f) Shandong Dongshun Eco Technology Co., Ltd became a 58% owned subsidiary of Guangzhou Agile Solid Waste Processing Co., Ltd. on July 6, 2017.
- (g) Guangzhou Huada Property Development Co., Ltd. became a 55% owned subsidiary of Guangzhou Panyu Agile Realty Development Co., Ltd. on July 13, 2017.
- (h) The Company became a Wholly Owned subsidiary of the Group upon completion of the repurchase pursuant to a sale and purchase agreement dated May 9, 2017 on July 20, 2017.

## BUSINESS

### Overview

We are one of the leading property developers in China. We focus primarily on the development and sale of medium to large-scale high-quality residential properties in China. We expect to benefit from the continuing economic growth and the related expansion of the property market in China. We enjoy strong brand name recognition. In 2016, we received numerous awards and recognition, including “2016 China Top 500 Private Enterprises” and “2016 China Top 100 Private Service Enterprises” by All-China Federation of Industry & Commerce, “2015 Ranking of China’s 100 Best Real Estate Enterprises” and “2015 Top 30 Listed China’s Real Estate Enterprises” by Guandian Real Estate New Media, “China Property Award of Supreme Excellence 2016” by Organizing Committee of China Property Award of Supreme Excellence and “2015 Silver Cup of Guangdong Poverty Relief Hongmian Cup” by Guangdong Leadership Group of Poverty Alleviation.

We offer a wide range of real estate products, including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments, to satisfy a broad range of customers of varying income levels with a majority of our products targeting end users including both first time home purchasers and upgraders. In addition to residential properties, we develop commercial properties, including retail shops complementary to our residential properties, shopping malls, office buildings and hotels. We also provide property management and hotel operation services.

Our management team includes members with over 25 years of experience in the PRC real estate industry and has contributed to the growth of our business substantially since we first commenced property development activities in Guangdong Province in 1992. As of December 31, 2016, we had 83 projects within our land bank, 42 of which were located in Southern China region with a total GFA of approximately 10.3 million sq.m.; 16 in Eastern China region with a total GFA of approximately 3.5 million sq.m.; six in Western China region with a total GFA of approximately 1.0 million sq.m.; seven in Central China region with a total GFA of approximately 1.7 million sq.m.; three in Hainan Province with a total GFA of approximately 7.7 million sq.m.; three in Yunnan Province with a total GFA of approximately 5.1 million sq.m.; one in Northeast China region with a total GFA of approximately 0.8 million sq.m.; two in Northern China region with a total GFA of approximately 0.6 million sq.m.; two in Kuala Lumpur of Malaysia with a total GFA of approximately 0.3 million sq.m. and one in South San Francisco of the U.S. with a total GFA of approximately 0.02 million sq.m. These 83 projects have an aggregate site area of approximately 41.1 million sq.m., and an aggregate GFA of approximately 65.2 million sq.m., which includes an aggregate GFA of approximately 1.9 million sq.m. of completed properties, an aggregate GFA of approximately 6.5 million sq.m. of properties under development and an aggregate GFA of approximately 22.6 million sq.m. of properties held for future development. We have obtained land use rights certificates for each of these 83 projects. As of December 31, 2016, we had also entered into contracts to acquire additional parcels of land with a total site area of 0.9 million sq.m. and a total planned GFA of 1.6 million sq.m. We are in the process of applying for the land use rights certificates or the land titles with respect to such land.

For 2014, 2015 and 2016, the total GFA sold was approximately 4.0 million sq.m., 4.8 million sq.m. and 5.1 million sq.m., respectively. For 2014, 2015 and 2016, we recorded sales revenue from property development of RMB37,036.6 million, RMB41,421.2 million and RMB44,751.8 million (US\$6,445.6 million), respectively, and the net profit attributable to our equity holders was approximately RMB4,287.2 million, RMB1,390.3 million and RMB2,283.6 million (US\$328.9 million), respectively.

Since 2006, we have begun to expand our property development business to strategically selected cities outside Southern China Region such as in Eastern China Region, Western China Region, Central China Region, Northeast China Region, Northern China region, Hainan and Yunnan region. We intend to continue the expansion of our presence in markets outside the Southern China region while maintaining our core focus in Southern China. We also initiated our tourism property business in Hainan and Yunnan region in 2007 and 2012, respectively, in order to leverage the thriving tourism industry in these provinces to attract purchasers of vacation homes. In 2014, we further expanded our business outside of China with our first overseas project in Malaysia. In 2016, we

entered the market in the United States by investing 10% of equity interest of a project in South San Francisco. On a selective basis, we also engage in other complementary businesses, such as property management, the development and management of hotels, investment properties, with a view to dispersing operational risks, generating steady income and enhancing the value of the nearby property projects. As of December 31, 2016, total GFA of properties managed by us exceeded 58 million sq.m. As of the date of this offering memorandum, we have eight hotels, two major shopping malls and one office building in operation.

In 2016, we entered into the environmental protection business to further diversify our source of income and organically increase the value-add of our property development and management projects. Our environmental protection business primarily includes solid waste business, environmental restoration business and water affairs business. See “— Environmental Protection.”

As of June 30, 2017, our market capitalization was approximately HK\$35.9 billion based on the closing price of our shares as quoted on the Hong Kong Stock Exchange. We are a constituent stock of the Hang Seng Composite Index, the Hang Seng Global Composite Index, the Hang Seng Stock Connect Hong Kong Index Series, the Hang Seng High Dividend Yield Index and Lippo Select HK & Mainland Property Index.

The following table sets forth the geographical distribution of our 83 projects in terms of GFA completed, GFA under development and GFA held for future development within the land bank as of December 31, 2016<sup>(1)</sup>:

	GFA Completed		GFA under Development (Residential, Commercial & Investment Properties)		GFA Held for Future Development		Total	
	sq.m.	%	sq.m.	%	sq.m.	%	sq.m.	%
Southern China Region . . . . .	579,370	29.8	2,736,037	42.3	6,982,733	30.9	10,298,139	33.2
Eastern China Region . . . . .	310,381	15.9	1,395,068	21.6	1,775,301	7.8	3,480,750	11.2
Western China Region . . . . .	235,685	12.1	361,769	5.6	450,261	2.0	1,047,714	3.4
Central China Region . . . . .	44,938	2.3	72,232	1.1	1,538,079	6.8	1,655,249	5.3
Hainan & Yunnan Region . . . . .	732,487	37.6	1,555,818	24.1	10,552,274	46.6	12,840,579	41.4
Northeast China Region . . . . .	32,652	1.7	173,641	2.7	615,149	2.7	821,442	2.6
Northern China Region . . . . .	10,715	0.6	78,333	1.2	467,362	2.1	556,409	1.8
Overseas . . . . .	—	—	95,006	1.5	244,958	1.1	339,964	1.1
	<u>1,946,227</u>	<u>100.0</u>	<u>6,467,903</u>	<u>100.0</u>	<u>22,626,117</u>	<u>100.0</u>	<u>31,040,246</u>	<u>100.0</u>

Notes:

- (1) We hold 100% of the equity interest in all of the projects listed in this table, except for:
  - (a) the Guangzhou Asian Games City Project in which we hold a 20% equity interest (which was further increased to 26.66% in June 2017);
  - (b) the Keep Orange Huadu in which we hold a 50% equity interest;
  - (c) the Beautiful Lake Zhongshan in which we hold a 50% equity interest;
  - (d) the Zhongshan Mountain City Project in which we hold a 50% equity interest;
  - (e) the Zhongshan Nanlong Tianlu Project in which we hold a 50% equity interest;
  - (f) the Zhongshan Dongcheng Lufeng Project in which we hold a 50% equity interest;
  - (g) the Zhongshan Junhui Project in which we hold a 60% equity interest;
  - (h) the Agile Personage Nanhai in which we hold a 51% equity interest;
  - (i) the Agile International Center Nanning in which we hold a 50% equity interest;
  - (j) the Suzhou Xiangcheng Development Zone Project in which we hold a 62.5% equity interest;
  - (k) the Agile Chairman Xi'an in which we hold a 70% equity interest;
  - (l) the Bund Mansion Changsha in which we hold a 50% equity interest;
  - (m) the Agile International Garden Zhengzhou in which we hold a 60% equity interest;

- (n) the Wuhan Jiangxia District Project in which we hold a 50% equity interest;
- (o) the Hainan ClearwaterBay Project A in which we hold a 70% equity interest;
- (p) the Tianjin Jinnan New City in which we hold a 25% equity interest;
- (q) the Beijing Yanqing District Project in which we hold a 51% equity interest;
- (r) the Agile Mont Kiara Kuala Lumpur in which we hold a 70% equity interest;
- (s) the Kuala Lumpur Bukit Bintang Project in which we hold a 70% equity interest;
- (t) the South San Francisco Oyster Point Project in which we hold a 10% equity interest;

## ***Recent Developments***

### *2017 SCB Syndicated Loans*

On July 17, 2017, we, as borrower, certain of our subsidiaries, as guarantors, and Standard Chartered Bank (Hong Kong) Limited, as original lender, mandated lead arranger and bookrunner, and facility agent and security agent, entered into facility agreement pursuant to which we were granted term loan facility in the amount of HK\$3,519.0 million for a term of 36 months. See “Description of Other Material Indebtedness — Offshore Facility Agreements.”

### *2017 SCB Facility*

On June 2, 2017, we, as borrower, certain of our subsidiaries, as guarantors, and Standard Chartered Bank (Hong Kong) Limited, as original lender, facility agent and security agent, entered into facility agreement pursuant to which we were granted term loan facility in the amount of HK\$624.0 million for a term of 36 months. See “Description of Other Material Indebtedness — Offshore Facility Agreements.”

### *Domestic Corporate Bonds*

On July 12, 2017, we issued non-public domestic corporate bonds in aggregate principal amount of RMB3.0 billion at a coupon rate of 6.98% per annum for a term of three years to qualified institutional investors in the PRC. See “Description of Other Material Indebtedness — Domestic Corporate Bonds.”

### *Crown Golden Repurchase*

On May 9, 2017, Crown Golden Investments Limited (“Crown Golden”), a non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement with, among others, a third party seller to purchase 30% equity interests in Crown Golden from the third party seller for a consideration of US\$900,000,000 (the “Repurchase”). After the completion of the Repurchase, Crown Golden has become our wholly-owned subsidiary. Crown Golden and its subsidiaries are principally engaged in the development of tourism property projects, including Hainan Clearwater Bay project in Hainan, a high-end resort and residential development project of the Company.

### *Tianjin JV Guarantee*

On March 28, 2017, we entered into a commitment letter in favor of China Bohai Bank Beijing Branch, pursuant to which we agreed to provide guarantee in proportion to the 25% shareholding interests in Tianjin JV Co owned by us through Foshan Agile Real Estate Co., Ltd. (“Foshan Agile”), a wholly-owned subsidiary of the Company, for repayment of a loan in principal amount of RMB3,000 million granted to Tianjin JV Co by China Bohai Bank Beijing Branch. See “Description of Other Material Indebtedness — Tianjin JV Guarantee.”

### *Redemption of the 2012 Notes*

On March 20, 2017, we redeemed all outstanding principal amount of the 2012 Notes of US\$700 million in full plus accrued and unpaid interest.

## *Redemption of the 2014 RMB Notes*

On February 28, 2017, we redeemed all outstanding principal amount of RMB2,000 million of the 2014 RMB Notes in full plus accrued and unpaid interest.

### **Competitive Strengths**

We believe that our success and future prospects are supported by a combination of the following competitive strengths:

#### ***Market leadership with a well-established track record***

We are one of the leading property developers in China. According to research institutes such as the CRIC Research Center and China Index Academy, we have been among the top 20 PRC property developers in terms of pre-sales in 2016. We are one of the key players in Southern China region and our key markets include cities such as Zhongshan, Guangzhou and Foshan. Our sales performance in these cities remain strong. In Zhongshan, several of our projects ranked top three in the local market in terms of number of units sold in 2016 according to Hopefluent Group Holdings Limited (stock code: 733), a comprehensive real estate service provider. In Guangzhou, we were one of the top 10 property developers in terms of presale amount in the local market in 2016 according to Yangguang Jiayuan (陽光家緣), a data center for Guangzhou's housing transactions. In 2014, 2015 and 2016, recognized sales from Southern China region accounted for 57.8%, 51.7% and 51.0% of our revenue during these periods, respectively.

Since 2006, we have begun to expand outside of Southern China region to areas such as Eastern China region, Western China region, Central China region, Northeast China region, Northern China region, Kuala Lumpur, Malaysia and South San Francisco, the United States. We have also established our tourism property business in Hainan and Yunnan Provinces. Sales contribution from our tourism property business in Hainan and Yunnan Provinces and from outside of Southern China region have since grown steadily. In 2014, 2015 and 2016, recognized sales from our tourism property business accounted for 19.8%, 17.9% and 20.1% of our revenue during these periods, respectively, and sales from other regions outside of Southern China region and Hainan and Yunnan region accounted for 22.4%, 30.4% and 28.9% of our revenue during same periods, respectively.

#### ***Diversified, sizeable and low-cost land bank***

As of December 31, 2016, we had 83 projects within our land bank, 42 of which were located in Southern China region with a total GFA of approximately 10.3 million sq.m.; 16 in Eastern China region with a total GFA of approximately 3.5 million sq.m.; six in Western China region with a total GFA of approximately 1.0 million sq.m.; seven in Central China region with a total GFA of approximately 1.7 million sq.m.; three in Hainan Province with a total GFA of approximately 7.7 million sq.m.; three in Yunnan Province with a total GFA of approximately 5.1 million sq.m.; one in Northeast China region with a total GFA of approximately 0.8 million sq.m.; two in Northern China region with a total GFA of approximately 0.6 million sq.m.; two in Kuala Lumpur of Malaysia with a total GFA of approximately 0.3 million sq.m. and one in South San Francisco of the United States with a total GFA of approximately 0.02 million sq.m. These 83 projects have an aggregate site area of approximately 41.1 million sq.m., and an aggregate GFA of approximately 65.2 million sq.m., which includes an aggregate GFA of approximately 1.9 million sq.m. of completed properties, an aggregate GFA of approximately 6.5 million sq.m. of properties under development and an aggregate GFA of approximately 22.6 million sq.m. of properties held for future development.

Most of our projects are located in municipalities and provincial capital cities, other second-tier and third-tier cities, and cities in the Hainan and Yunnan Provinces that are popular tourist destinations, where the respective property markets are still expanding and are less affected by macroeconomic control measures implemented by the PRC government as compared to first-tier cities, which afford us greater flexibility in adapting to the changes in market conditions. We also have projects located in first-tier cities in Beijing, Guangzhou and Shanghai. In addition, as of December 31, 2016, we had entered into contracts to acquire additional parcels of land with a total site area of 0.9 million sq.m. and a total planned GFA of 1.6 million sq.m. We are in the process of applying for the land use rights certificates or the land titles with respect to such land parcels. We leverage our management's extensive experience and

in-depth industry knowledge and believe that most of our land acquisitions were well-timed and at relatively low or reasonable prices. For 2014, 2015 and 2016, our total land costs transferred to cost of sales amounted to approximately RMB5,681.4 million, RMB8,171.8 million and RMB8,336.5 million (US\$1,200.7 million), or 15.3%, 19.7% and 18.6%, respectively, of our sales revenue from property development. We believe our geographically diverse and low-cost land reserves allow us to diversify our product portfolio, access wider market segments, and reduce our exposure to market fluctuations.

### ***Strong brand name recognition and a wide spectrum of high-quality products***

We believe we have established a reputation as a provider of quality residential properties and comprehensive customer services with over 25 years of successful track record in the Chinese real estate sector. Numerous awards and recognition have been granted to recognize our success in this area including “The 2013 China Real Estate Champions — Top 5 in Sales (Guangzhou)” by Guangdong Real Estate Chamber of Commerce and NetEase Real Estate, “The Forbes Global 2000” by Forbes Magazine in 2012, “The Outstanding Chinese Property Award” by Economic Digest in 2014, “The Top 10 Guangdong Residential Group Brand” by Organizing Committee of Guangdong Residential Double Top 10 Leader Brands in 2014 and “The Chinese Famous Trademark” by the State Administration for Industry and Commerce. We believe that marketing has been one of the key factors that has helped us establish our strong brand name in mainland China. In 2016, we received numerous awards and recognition, including “2016 China Top 500 Private Enterprises” and “2016 China Top 100 Private Service Enterprises” by All-China Federation of Industry & Commerce, “2015 Ranking of China’s 100 Best Real Estate Enterprises” and “2015 Top 30 Listed China’s Real Estate Enterprises” by Guandian Real Estate New Media, “China Property Award of Supreme Excellence 2016” by Organizing Committee of China Property Award of Supreme Excellence and “2015 Silver Cup of Guangdong Poverty Relief Hongmian Cup” by Guangdong Leadership Group of Poverty Alleviation. For 2014, 2015 and 2016, we spent approximately RMB1,200.6 million, RMB1,136.8 million and RMB887.7 million (US\$127.9 million), respectively, on advertising. We use various marketing methods to reach potential customers, including advertising through traditional media such as television and newspapers, online media as well as sponsoring performances and other public events.

Over years, we have pursued a long term strategy of providing high-quality properties in a healthy and scenic living environment. A substantial portion of our property developments are located in suburban neighborhoods approximately a 15- to 30-minute drive from the urban centers, combining the more spacious and pleasant living environment in suburban areas with convenient access to transportation networks. Many of our projects are adjacent to natural scenery such as mountains, sea and lakes. For example, we expanded our operations into Yunnan Province with plans of developing property in popular tourist destinations to attract purchasers of vacation homes, given the region’s pleasant weather, natural offerings of hot springs and red wood forests and local production of jade, gemstones, tobacco and tea. We also selected sites of certain developments in anticipation of local governments’ plans for investing in transportation, tourist attractions and other public infrastructure, which we believe will enhance the desirability and growth potential of properties in the area.

We devote significant efforts to design and landscaping. We endeavor to design and create a modern living experience that is integrated with the surrounding environment. Our internal design team works closely with internationally and nationally renowned architects and designers. The collaboration has resulted in successful and thoughtful designs, such as man-made lagoons and residential units offering panoramic lake views. In most of our projects, there are areas specifically designated for children and the elderly. Some of our large developments such as Agile Cambridgeshire Guangzhou and Royal Hillside Villa Guangzhou also have hill-top parks. We believe these characteristics distinguish our properties from those of our competitors. We offer a wide spectrum of products including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments. The majority of our products cater to end users including both first time home purchasers and upgraders. We have also developed several high-end residential projects and tourism property projects which target high-income households and purchasers of vacation homes, respectively. Our wide product range has allowed us to cater to the demands of a broad customer base and to respond effectively and rapidly to changing market conditions, thereby increasing our chance to secure demand for upgrades from our existing customers as their purchasing power improves.

### ***Stable income from other segments***

On a selective basis, we have also engaged in other businesses, such as property management, property investment and hotel operations, with a view to dispersing operational risks, generating steady income and enhancing the value of the nearby property projects. We have laid the foundation of our property management business by contracting to manage substantially all of our properties since the 1990's. Since 2015, we have made continuous effort to obtain contracts to manage properties developed by independent property developers and have developed a mature business model. For 2014, 2015 and 2016, revenue generated from property management were RMB683.1 million, RMB812.9 million and RMB1,068.5 million respectively. We have also been cautiously developing a commercial property portfolio including hotels, shopping malls and office buildings, which enhances the value and creates synergies for our nearby residential developments and generate additional recurring income for us. As of the date of this offering, we have 8 hotels, two major shopping malls and one office building in operation. For 2014, 2015 and 2016, revenue from hotel operations were RMB527.4 million, RMB673.7 million and RMB670.0 million (US\$96.5 million), respectively. Rental income from our investment properties, consisting of shopping malls and office buildings, also increased from RMB70.5 million in 2014 to RMB96.5 million in 2015 and reached RMB188.6 million (US\$27.2 million) in 2016.

### ***Experience in large-scale multi-phase developments***

We specialize in developing large-scale property projects in multiple phases, providing residents with a large residential community equipped with comprehensive facilities and amenities such as club houses, schools, shopping areas, restaurants and various sport facilities. Large-scale multi-phase residential developments not only allow us to benefit from economies of scale but also allow us to monitor market acceptance of our projects and receive early and ongoing customer feedback, thereby enabling us to adjust our product offerings and related property designs in response to the changing market demand. Moreover, we believe phase-by-phase development generally achieves higher selling prices and better profit margins in later development phases as the overall living environment improves with the maturity of such projects. Over the past 25 years, we believe we have accumulated the necessary skills, knowledge and experience to manage the development and sales of large scale multi-phase projects. Examples of large scale multi-phase projects include, among others, our La Cité Greenville Zhongshan (which was launched in 2002 with a site area of approximately 2.0 million sq.m.), New Legend Zhongshan (which was launched in 2012 with a site area of approximately 0.5 million sq.m.), Agile Garden Huiyang (which was launched in 2015 with a site area of approximately 1.2 million sq.m.), Agile Garden Chengdu (which was launched in 2007 with a site area of approximately 1.3 million sq.m.), Agile Eden Yunnan (which was launched in 2013 with a site area of approximately 2.4 million sq.m.) and Hainan Clearwater Bay (Project A and B, which were launched in 2009 with a site area of approximately 9.6 million sq.m.). Large-scale multi-phase projects generally require seven years or longer for development and completion and offer a wide variety of products and facilities, including villas, townhouses, mid- to high-rise apartments, services apartments, hotels and resorts and different ancillary facilities such as yacht club, shopping mall, commercial streets and schools.

### ***Strong corporate governance and experienced management***

Our management team comprises some individuals with over 25 years' experience in the PRC real estate industry. Mr. Chen Zhuo Lin, our Chairman, President and founder, received a number of awards, including "The World Outstanding Chinese Award" in 2007, "The Top 30 Chinese Philanthropists in 30 Years of Reform" (改革開放30年·華人慈善30人) in 2008, "The China Philanthropy Outstanding Contribution Individual Award" (中華慈善突出貢獻人物獎) and "The Top 10 Persons of the Year for China Enterprise Management Excellence Award" (中國企業十大卓越管理年度人物) in 2009. Mr. Chan Cheuk Hung, our executive Director and Senior Vice President, has received several honorary awards, including honorary resident in Foshan and "Community Construction Outstanding Contribution Award" (小區建設突出貢獻獎) in National Xiaokang Housing Demonstration Community Competition (國家小康住宅示範小區評比) organized by Ministry of Construction in 2000. Most of the other key members of the Board have served our Company since 1990s, and some senior management has worked with us for more than 10 years. We believe the stability of our management team and its extensive experience, industry knowledge and in-depth understanding of the property market enable us to continue to take advantage of future business opportunities and expand into new markets.

In order to improve overall operational efficiency, we have adopted a two-tiered management structure split between central management and regional offices. Central management formulates overall strategy, establishes standard operating procedures, policies and operational targets, controls the capital transfer, and is responsible for the standardization of products. Regional offices oversee the execution of regional property developments and carry out the day-to-day operations of their respective projects. We believe our centralized management system optimizes our capacities and resources, enhances our negotiating power with suppliers and contractors and facilitates the sharing of resources and expertise among various projects in the areas of design, construction, marketing and sales. With the expanding scale and scope of our business, in order to enhance our operating efficiency, the regional offices have been given higher degree of autonomy and greater flexibility in day-to-day operations. In addition, we have been investing in state-of-the-art technologies and computer systems to support and integrate the operations and decision-making process. In particular, our award-winning Enterprise Resource Planning platform and its implementation over the past few years has been key to the management control of our engineering, cost control, sales and marketing as well as finance departments.

In light of the on-going market changes in recent years, we have been adopting a steady and responsible policy for our operations and development and aim to maintain effective and prudent corporate governance and continue to improve our internal monitoring and control system. We believe sound and prudent corporate governance will enhance our credibility and transparency. We received the “Asia’s Outstanding Company on Corporate Governance” and the “Best Investor Relations Companies” awards granted by Corporate Governance Asia Magazine in 2013, the “Best in Sector for Real Estate” and the “Grand Prix for Best Overall Investor Relations — Mid or Small Cap” awards granted by IR Magazine in 2013, the “Best Investor Relations Companies (China) Asia’s Outstanding Company on Corporate Governance” award by Corporate Governance Asia magazine in 2014, the “Global Top 50 Silver” award by IR magazine in 2014, the “Best Investor Relations Companies (China)” award granted by Corporate Governance Asia Magazine, “The Listed Enterprises Excellence Awards 2015 — Corporate Governance Awards” by Capital Weekly magazine and the “HKIRA 3rd Investor Relations Awards — Certificate of Excellence” by Hong Kong Investor Relations Association in 2017, reaffirming the recognition of our strong corporate governance.

### **Business Strategies**

We plan to further diversify our “1+N” business model, strengthen our position in the property development business and accelerate the development of other businesses. We also aim to improve our execution, operational efficiency and overall management quality. We intend to achieve our overall business objectives by pursuing the following strategies:

#### ***Optimize land bank with an active but prudent land acquisition strategy***

A premium land bank is the cornerstone of the property business. We intend to further improve our geographic diversification by adopting an active but prudent land acquisition strategy. In particular, we aim to further expand in the cities where existing projects are located with a competitive edge. We also focus on the first- and second- tier cities with substantial growth potential. We consider those cities to be the fast developing regions in China with great economic growth potential and expect a strong demand for housing in these regions over the mid- to long-term. We believe we may benefit from our well-established brand reputation in these regions. Historically, we have acquired most of our land through tender, auction and listing-for-sale. Since 2016, we have acquired land parcels through equity acquisitions in order to replenish our land bank at a more competitive price. We will continue to replenish our land bank strategically with an aim to maintain steady and sustainable growth of our property development business.

#### ***Enhance overall management to maximize profits***

We aim to enhance our overall management and execution capability by further streamlining the decision-making process and strengthening control on expenses with a focus on efficiency and sustainable growth. We will continue to control costs through product standardization and will implement strict construction management to ensure effective management of resources for sales. We will continue adopting a multi-pronged strategy in promoting project development efficiency and



lowering inventory level through sales-based production and dynamic adjustments. We believe, with these measures, we will be able to maximize profits for our property development business.

***Expand property management business with diversified value-added services***

We intend to expand our property management business and further increase our market share in the industry. Leveraging our experience in managing our own properties, we have obtained contracts to manage properties developed by independent property developers since 2015. We will continue to increase the total contracted GFA under our management by obtaining more new property management contracts. At the same time, we intend to selectively explore strategic investment and acquisition opportunities to further enhance our property management business. In June 2017, we entered into a cooperation agreement with Greenland Group to strategically cooperate in providing property management services, value-added services, and advertisement and marketing services in order to further improve our brand influence, expand our business scale, increase our overall market coverage and enlarge our high-end customer base. We also intend to devote more resources to improve the services of our “A-Steward” online platform, to further improve the quality of life of residents of the properties we manage. We believe our property management business may further profit from our efforts to increase the amount of total contracted GFA under our management and improve popularity of our online platform. In order to maximize our shareholders’ return, we also engaged professional advisers to review and comment on the feasibility, structure and timing of the potential spin-off listing of this business.

***Increase our competitive edge in other businesses, including hotel operations, property investment, environmental protection, education and construction***

We will further drive our diversified development and increase our competitive edge in other businesses including hotel operations, property investment, environmental protection and education. In respect of hotel operations, we aim to optimize our services, expand marketing channels, broaden sources of income and control operating expenses. In respect of property investment, we aim to develop commercial properties in a prudent manner to create synergies for our nearby property projects and to generate additional income. In respect of environmental protection business, we will focus on providing comprehensive services of solid waste treatment, environmental restoration and water affairs and will continue to actively explore advantageous environmental protection projects for investment and through potential acquisition. In respect of the education segment, we will continue to enhance the quality of education, recruit talents and drive the construction of new schools, with an aim to further expand the service coverage. In respect of construction business, we plan to leverage our expertise in property decoration and landscape planning and design to further expand our business to external customers.

***Strengthen our brand recognition nationwide and overseas***

We intend to continue to strengthen our established brand name both in and outside China. A key factor to our brand-building effort is to continuously focus on the value of our properties by providing high-quality products, stylish design and comprehensive property management services to create a comfortable modern living experience. We believe customer satisfaction and referrals have been and will continue to be an effective channel to enhance our reputation. In addition, we intend to strengthen our brand image and market awareness overseas through developing property projects with international business partners. In 2014, we partnered with PJD Development Holdings Berhad and Tropicana Corporation Berhad respectively to develop two projects in Kuala Lumpur, Malaysia. In 2016, we partnered with Greenland Group, Ping An Trust Co., Ltd. and Poly Sino Capital Limited to develop another property project in South San Francisco, the U.S.

**Description of Property Developments**

We have 83 projects at various stages of development within our land bank (as listed below), 42 of which were located in Southern China region; 16 in Eastern China region; six in Western China region; seven in Central China region; three in Hainan Province; three in Yunnan Province; one in Northeast China region; two in Northern China region; two in Kuala Lumpur of Malaysia and one in South San Francisco of the U.S. From time to time we review and consider potential projects for development in various cities in mainland China. We divide our property developments into three

categories: (i) completed properties; (ii) properties under development; and (iii) properties held for future development. As our projects typically comprise multiple-phase developments, one project may include different phases that are at various stages of development and completion. As of December 31, 2016, we had, in terms of GFA of our 83 projects within our land bank, completed but undelivered properties of approximately 1.9 million sq.m., properties under development of approximately 6.5 million sq.m. and properties held for future development of approximately 22.6 million sq.m.

We seek to replenish our land reserves on a continuous basis and generally have on-going land acquisitions at various stages of the acquisition process. Apart from the 83 projects, as of December 31, 2016, our project companies signed land grant or transfer documents or held other forms of interest with respect to nine parcels of land with an aggregate site area of approximately 0.9 million sq.m. and a total planned GFA of 1.6 million sq.m. We cannot, however, assure you that we will be able to obtain the land use rights certificates or the land titles in respect of these pieces of land in a timely manner, or at all.

A property development is considered completed when we have received completion certificates or reports from the relevant construction authorities. These certificates are typically issued when we have obtained approval certificates from the bureaus of zoning, fire services and environmental protection, signed guarantees of construction quality from contractors and other documents required by applicable laws and regulations. A property is considered to be under development immediately following the issuance of the Notice to Proceed with Civil Engineering Project (土木工程開工通知書) with respect to the property and before completion of the property. Typically, we issue the Notice to Proceed with Civil Engineering Project to our contractors to commence the construction works after we have applied for construction to the local authorities.

The site area information of an entire project is based on the relevant land use rights certificates. The aggregate GFA of an entire project is calculated by multiplying its site area by the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project or such lower plot ratio that we reasonably expect to be able to develop for such project. Unlike the above-ground and semi-underground carparks, underground carparks generally are not included in a project's total GFA. The aggregate GFA of a project includes both saleable and non-saleable GFA. Saleable GFA refers primarily to the areas of residential units (including internal floor area and common areas in the building that are exclusively allocated to such residential units) and retail shops. Non-saleable GFA refers to certain communal facilities, including, among others, club houses and schools.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. A property is pre-sold when we have executed the purchase contract but physical delivery of the property to the purchaser has not been made. GFA with respect to which revenues are recognized in any given period is based on our internal records. Information regarding land costs and development costs in this offering memorandum is based solely on our internal records or estimates.

The table below sets forth certain information of our 83 projects as of December 31, 2016.

No.	Project Name	Location	Aggregate Site Area (sq.m.)	Aggregate GFA (sq.m.)	Total Planned GFA (A) (sq.m.)	Land Bank (sq.m.) <sup>(1)</sup>			Interests Attributable to us (%)
						Completed (sq.m.)	Under Development (sq.m.)	Held for Future Development (sq.m.)	
<b>Southern China Region</b>									
1	Agile Garden Guangzhou . . . . .	GZ/ Panyu	1,518,417	1,655,026	77,530	1,750	75,780	—	100%
2	Agile Cambridgeshire Guangzhou . . . . .	GZ/ Panyu	624,701	1,128,255	36,456	13,346	23,110	—	100%
3	Guangzhou Asian Games City Project <sup>(2)(4)</sup> . . . . .	GZ/ Panyu	2,640,000	4,380,000	537,342	35,343	65,865	436,134	20%
4	Agile Mountain Guangzhou . . . . .	GZ/ Luogang	306,812	613,624	155,408	23,466	131,942	—	100%
5	Urban Complex City Huadu . . . . .	GZ/ Huadu	274,384	652,102	148	148	—	—	100%
6	Agile Central Point Plaza Huadu . . . . .	GZ/ Huadu	87,482	174,964	80,885	80,885	—	—	100%

No.	Project Name	Location	Aggregate Site Area (sq.m.)	Aggregate GFA (sq.m.)	Land Bank (sq.m.) <sup>(1)</sup>					Interests Attributable to us (%)
					Total Planned GFA (A) (sq.m.)	Development Stage			Held for Future Development (sq.m.)	
						Completed (sq.m.)	Under Development (sq.m.)			
7	Keep Orange Huadu <sup>(2)</sup>	GZ/ Huadu	126,941	279,270	75,898	1,562	74,336	—	50%	
8	Agile Yubinfu	GZ/ Zengcheng	44,672	111,680	364	364	—	—	100%	
9	Flowing Garden									
10	Agile Elegance Haizhu	GZ/Conghua	442,866	434,023	61,117	—	61,117	—	100%	
	Guangzhou (Formerly known as Guangzhou Haizhu District Project)	GZ/ Haizhu	13,660	63,430	63,430	—	63,430	—	100%	
<b>Guangzhou Subtotal</b>			<b>6,079,935</b>	<b>9,492,374</b>	<b>1,088,578</b>	<b>156,864</b>	<b>495,580</b>	<b>436,134</b>		
11	La Cité Greenville	Zhongshan	1,970,275	1,889,961	10,034	10,034	—	—	100%	
12	New Legend	Zhongshan	509,368	769,751	62,395	17,208	45,187	—	100%	
13	Metro Agile	Zhongshan	1,476,285	3,519,253	1,401,089	61,265	651,462	688,362	100%	
14	Majestic Garden	Zhongshan	143,377	236,926	211	211	—	—	100%	
15	Grand Garden	Zhongshan	96,374	150,357	713	713	—	—	100%	
16	Royal Residence	Zhongshan	15,968	16,144	2,495	2,495	—	—	100%	
17	Zhongshan Minzhong Town Project	Zhongshan	63,450	95,175	95,175	—	—	95,175	100%	
18	Agile Cambridgeshire	Zhongshan	375,357	1,444,668	827,998	1,413	142,017	684,568	100%	
19	Agile Royal Mount	Zhongshan	563,253	1,126,505	277,434	30,633	212,268	34,533	100%	
20	Beautiful Lake	Zhongshan <sup>(2)</sup>	111,060	66,636	782	782	—	—	50%	
21	Zhongshan Kunlun Hotel Project	Zhongshan	29,267	87,801	87,801	—	—	87,801	100%	
22	Agile Coastal Pearl	Zhongshan	338,892	677,782	392,358	76,376	217,400	98,582	100%	
23	Agile Gentlefolk	Zhongshan	71,462	142,924	2,142	2,142	—	—	100%	
24	Zhongshan Haotousha Project	Zhongshan	83,483	166,966	166,966	—	—	166,966	100%	
25	Zhongshan Qingxi Road Project	Zhongshan	27,868	41,802	41,802	—	—	41,802	100%	
26	Zhongshan Mountain City Project <sup>(2)</sup>	Zhongshan	181,667	454,167	227,084	—	121,500	105,584	50%	
27	Zhongshan Nanlong Tianlu Project <sup>(2)</sup>	Zhongshan	65,776	98,664	49,332	—	—	49,332	50%	
28	Zhongshan Dongcheng Lufeng Project <sup>(2)</sup>	Zhongshan	162,795	347,086	173,543	—	—	173,543	50%	
29	Zhongshan Junhui Project <sup>(2)</sup>	Zhongshan	131,863	395,588	237,353	—	—	237,353	60%	
<b>Zhongshan Subtotal</b>			<b>6,417,840</b>	<b>11,728,157</b>	<b>4,056,706</b>	<b>203,271</b>	<b>1,389,834</b>	<b>2,463,601</b>		
30	Majestic Garden	Nanhai	601,230	859,757	14,335	14,335	—	—	100%	
31	Agile Personage	Nanhai	44,786	143,315	26,248	26,248	—	—	51%	
32	Agile Peninsula	Sanshui	140,261	370,653	121,173	195	120,978	—	100%	
33	Agile Garden	Sanshui	44,709	107,300	6,071	6,071	—	—	100%	
34	Agile Garden	Shunde	212,410	488,500	6,826	6,826	—	—	100%	
35	Agile Jardin Lecong	FS/ Shunde	97,474	292,422	1,964	1,964	—	—	100%	
36	Agile British Manor	Shunde	93,353	308,066	172,051	4,164	167,887	—	100%	
37	Agile New City Bay	Foshan	50,312	131,081	14,509	14,509	—	—	100%	
<b>Foshan Subtotal</b>			<b>1,284,535</b>	<b>2,701,094</b>	<b>363,176</b>	<b>74,311</b>	<b>288,865</b>	<b>—</b>		
38	Agile Garden	Heyuan	1,364,741	2,729,481	868,708	23,247	345,328	500,133	100%	
39	Agile Egret Lake	Huizhou	2,000,000	2,000,000	825,186	4,245	—	820,941	100%	
40	Huizhou Huicheng District Project	Huizhou	30,192	66,420	66,420	—	—	66,420	100%	
41	Agile Garden	Huiyang	1,248,191	2,995,658	2,812,935	117,431	—	2,695,504	100%	
<b>Eastern Guangdong Subtotal</b>			<b>4,643,124</b>	<b>7,791,559</b>	<b>4,573,249</b>	<b>144,923</b>	<b>345,328</b>	<b>4,082,998</b>		

No.	Project Name	Location	Land Bank (sq.m.) <sup>(1)</sup>						Interests Attributable to us (%)
			Aggregate Site Area (sq.m.)	Aggregate GFA (sq.m.)	Total Planned GFA (A) (sq.m.)	Development Stage			
						Completed (sq.m.)	Under Development (sq.m.)	Held for Future Development (sq.m.)	
42	Agile International Center Nanning <sup>(2)</sup> . . . . .	Nanning	78,721	432,860	216,430	—	216,430	—	50%
<b>Guangxi Subtotal</b> . . . . .			<b>78,721</b>	<b>432,860</b>	<b>216,430</b>	<b>—</b>	<b>216,430</b>	<b>—</b>	
<b>Southern China Region Subtotal</b> . . . . .			<b>18,504,155</b>	<b>32,146,044</b>	<b>10,298,139</b>	<b>579,370</b>	<b>2,736,037</b>	<b>6,982,733</b>	
<b>Eastern China Region</b>									
43	Agile Chang Le Du Nanjing . . . . .	Nanjing	59,900	59,600	19,270	19,270	—	—	100%
44	The Luxury House Nanjing . . . . .	Nanjing	114,020	228,040	263	263	—	—	100%
45	The Territory Nanjing . . . . .	Nanjing	316,697	853,466	383,553	165,333	218,220	—	100%
46	Agile Garden Gaochun <sup>(3)</sup> . . . . .	Nanjing	222,641	512,074	350,612	18,813	13,135	318,664	100%
47	Agile & Star River Changzhou . . . . .	Changzhou	223,906	559,765	281,974	57,046	165,005	59,923	100%
48	Changzhou Sanjin River Project . . . . .	Changzhou	45,390	54,468	54,468	—	—	54,468	100%
49	Agile International Yangzhou . . . . .	Yangzhou	110,597	436,858	277,133	7,919	262,080	7,134	100%
50	Agile Silva Town Chuzhou <sup>(3)</sup> . . . . .	Chuzhou	164,665	411,661	212,852	1,123	24,491	187,238	100%
51	Agile City Center Villa Wuxi . . . . .	Wuxi	214,664	590,325	364,305	5,671	97,791	260,843	100%
52	Agile YOWO Park Kunshan . . . . .	Kunshan	62,526	125,052	10,162	10,162	—	—	100%
53	Agile Hillgrove Zhenjiang . . . . .	Zhenjiang	113,117	226,200	170,290	18,027	36,165	116,098	100%
54	Agile Garden Nantong . . . . .	Nantong	187,437	510,000	396,961	6,436	258,387	132,138	100%
55	Agile Future Star Shanghai . . . . .	Shanghai	94,193	148,025	317	317	—	—	100%
56	Shanghai Pudong New District Project . . . . .	Shanghai	1,441,967	433,260	433,260	—	—	433,260	100%
57	Agile International Garden Hangzhou . . . . .	Hangzhou	132,446	423,827	423,827	—	253,299	170,528	100%
58	Suzhou Xiangcheng Development Zone Project (Note 2) . . . . .	Suzhou	81,202	162,404	101,503	—	66,495	35,007	62.5%
<b>Eastern China Region Subtotal</b> . . . . .			<b>3,585,368</b>	<b>5,735,025</b>	<b>3,480,750</b>	<b>310,381</b>	<b>1,395,068</b>	<b>1,775,301</b>	
<b>Western China Region</b>									
59	Agile Garden Chengdu . . . . .	Chengdu	1,338,960	1,606,752	574,115	188,557	154,777	230,781	100%
60	Agile Montblanc Xi'an . . . . .	Xi'an	120,333	369,505	2,869	2,869	—	—	100%
61	Agile Chairman Xi'an . . . . .	Xi'an	75,953	215,092	68,650	10,728	57,922	—	70%
62	Agile Life Diary Xi'an <sup>(3)</sup> . . . . .	Xi'an	146,854	364,510	282,425	8,175	75,252	198,998	100%
63	Agile International Garden Chongqing . . . . .	Chongqing	321,073	463,843	266	266	—	—	100%
64	Agile Chairman Chongqing . . . . .	Chongqing	119,287	348,172	119,390	25,090	73,818	20,482	100%
<b>Western China Region Subtotal</b> . . . . .			<b>2,122,460</b>	<b>3,367,874</b>	<b>1,047,714</b>	<b>235,684</b>	<b>361,769</b>	<b>450,261</b>	
<b>Central China Region</b>									
65	Bund Mansion Changsha <sup>(2)</sup> . . . . .	Changsha	197,406	670,237	228,753	22,300	—	206,453	50%
66	Agile Garden Changsha . . . . .	Changsha	40,000	112,000	55,708	2,771	—	52,937	100%
67	Agile Evian Town Changsha . . . . .	Changsha	410,911	739,641	698,661	17,788	72,232	608,641	100%
68	Agile International Garden Zhengzhou . . . . .	Zhengzhou	83,681	196,634	2,079	2,079	—	—	60%
69	Zhengzhou Zhongmou District Project . . . . .	Zhengzhou	78,328	195,821	195,821	—	—	195,821	100%
70	Zhengzhou Zhengdong New District Project . . . . .	Zhengzhou	49,485	74,227	74,227	—	—	74,227	100%
71	Wuhan Jiangxia District Project <sup>(2)</sup> . . . . .	Wuhan	406,583	800,000	400,000	—	—	400,000	50%
<b>Central China Region Subtotal</b> . . . . .			<b>1,266,394</b>	<b>2,788,560</b>	<b>1,655,249</b>	<b>44,938</b>	<b>72,232</b>	<b>1,538,079</b>	
<b>Hainan &amp; Yunnan Region</b>									
72(A)	Hainan Clearwater Bay Project A <sup>(3)</sup> . . . . .	Lingshui	9,477,339	10,213,331	7,132,923	263,984	1,175,357	5,693,582	70%
72(B)	Hainan Clearwater Bay Project B . . . . .	Lingshui	164,356	182,149	182,149	—	—	182,149	100%

No.	Project Name	Location	Aggregate Site Area (sq.m.)	Aggregate GFA (sq.m.)	Total Planned GFA (A) (sq.m.)	Land Bank (sq.m.) <sup>(1)</sup>			Interests Attributable to us (%)
						Development Stage			
						Completed (sq.m.)	Under Development (sq.m.)	Held for Future Development (sq.m.)	
73	Agile Pure Moon Bay	Hainan	447,764	379,841	78,981	60,635	18,346	—	100%
74	Hainan Wenchang Tongguling Project	Wenchang	110,098	330,294	330,294	—	—	330,294	100%
75	Agile International Garden Ruili	Ruili	263,994	731,852	631,303	80,636	158,755	391,912	100%
76	Agile Eden Yunnan	Tengchong	2,423,266	4,004,836	3,900,996	205,850	186,003	3,509,143	100%
77	Agile Quenya Yunnan	Xishuangbanna	528,533	634,240	583,933	121,382	17,357	445,194	100%
<b>Hainan &amp; Yunnan Region Subtotal</b>			<b>13,415,350</b>	<b>16,476,543</b>	<b>12,840,579</b>	<b>732,487</b>	<b>1,555,818</b>	<b>10,552,274</b>	
<b>Northeast China Region</b>									
78	Agile Garden Shenyang	Shenyang	536,848	1,110,834	821,442	32,652	173,641	615,149	100%
<b>Northeast China Region Subtotal</b>			<b>536,848</b>	<b>1,110,834</b>	<b>821,442</b>	<b>32,652</b>	<b>173,641</b>	<b>615,149</b>	
<b>Northern China Region</b>									
79	Tianjin Jinnan New City <sup>(2)</sup>	Tianjin	1,289,227	3,010,901	491,409	10,715	78,333	402,362	25%
80	Beijing Yanqing District Project	Beijing	198,254	65,000	65,000	—	—	65,000	51%
<b>Northern China Region Subtotal</b>			<b>1,487,481</b>	<b>3,075,901</b>	<b>556,409</b>	<b>10,715</b>	<b>78,333</b>	<b>467,362</b>	
<b>Overseas</b>									
81	Agile Mont Kiara	Kuala Lumpur, Malaysia	41,130	167,100	167,100	—	95,006	72,094	70%
82	Kuala Lumpur Bukit Bintang Project	Kuala Lumpur, Malaysia	15,174	151,961	151,961	—	—	151,961	70%
83	South San Francisco Oyster Point Project <sup>(2)</sup>	South San Francisco, US	169,968	209,032	20,903	—	—	20,903	10%
<b>Overseas Subtotal</b>			<b>226,272</b>	<b>528,093</b>	<b>339,964</b>	<b>—</b>	<b>95,006</b>	<b>244,958</b>	
<b>Grand Total<sup>(3)</sup></b>			<b>41,144,328</b>	<b>65,228,873</b>	<b>31,040,246</b>	<b>1,946,226</b>	<b>6,467,903</b>	<b>22,626,117</b>	

Notes:

- All figures are derived from internal records.
- Aggregate site area and aggregate GFA of Guangzhou Asian Games City Project, Keep Orange Huadu, Beautiful Lake Zhongshan, Zhongshan Mountain City Project, Zhongshan Nanlong Tianlu Project, Zhongshan Dongcheng Lufeng Project, Zhongshan Junhui Project, Agile International Center Nanning, Suzhou Xiangcheng Development Zone Project, Bund Mansion Changsha, Wuhan Jiangxia District Project, Tianjin Jinnan New City and South San Francisco Oyster Point Project are the total area of the overall projects, while the area set out in the column of land bank is the area proportional to the respective equity interests held by us.
- These projects are located on large parcels of land for which we had obtained land use rights certificates for a portion of the land as of December 31, 2016.
- In June 2017, our holding of the equity interest in Guangzhou Asian Games City Project was further increased to 26.66%.

As of December 31, 2016, there were also parcels of land for nine of our projects for which our project companies had entered into land grant contracts, land grant confirmation agreements or land use rights transfer agreements or held other grant forms of interest but for which we had not obtained the relevant land use rights certificates or the land titles or were pending share transfer. The table below sets forth the location and site area of these parcels of land as of December 31, 2016. The site area information of these pieces of land is based on the relevant land grant contracts, land grant confirmation agreements, land use rights transfer agreements or other land documents.

No.	Project Name	Location	Site Area Pending Land Use Right Certificate (sq.m.)	Estimated GFA Pending Land Use Right Certificate (sq.m.)	Interests Attributable to us (%)
1	Guangzhou Liwan District Project <sup>(1)(2)</sup>	GZ/Liwan	21,908	61,716	100
2	Zhuhai Science and Technology Park Project (note 1,2) <sup>(1)(2)</sup>	Zhuhai	83,997	206,494	100
3	Foshan Sanshui Southwest Street Project <sup>(1)(2)(3)</sup>	FS/Sanshui	64,599	113,048	50
4	Yunfu Xijiang New Town Project	Yunfu	138,396	345,989	100
5	Agile Silva Town Chuzhou <sup>(1)</sup>	Chuzhou	106,242	265,605	100
6	Agile Life Diary Xi'an <sup>(1)</sup>	Xi'an	130,665	330,560	100
7	Chenzhou Project	Chenzhou	121,066	145,279	100
8	Hainan Clearwater Bay Project A <sup>(1)(2)</sup>	Lingshui	37,697	30,158	70
9	Hainan Dingan Nanli Lake Project <sup>(1)(4)</sup>	Dingan	186,991	56,097	100
<b>Total</b>			<b>891,561</b>	<b>1,554,946</b>	

*Notes:*

1. We have paid up all the land premium of these projects as of the date of this offering memorandum.
2. We have fully obtained land use right certificates of the land for these projects as of the date of this offering memorandum.
3. Site area in the total area of the overall project, while the estimated GFA is the area proportional to the respective equity interests held by us.
4. We are in the process of receding from the land grant contract for commercial reasons.

With respect to the pieces of land for which we have not yet obtained such land use rights certificates, there can be no assurance that we will obtain the land use rights certificates, in a timely manner, or at all. We have not commenced any construction or preparation of construction relating to these parcels of land. Under the “Law of the Administration of Urban Real Estate of the PRC”, we are not allowed to engage in any pre-sale activity prior to issuance of land use rights certificates.

### Qualifications of Property Developers

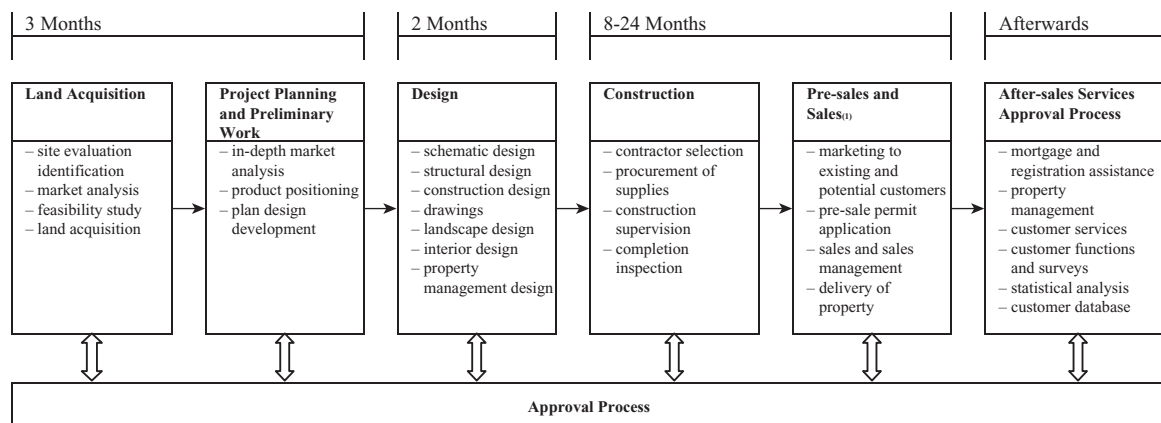
Property developers in the PRC must obtain a formal qualification certificate in order to carry out property development activities in the PRC. According to the “Provisions on Administration of Qualification Certificates of Property Developers promulgated by the PRC Ministry of Construction”, newly established developers must first apply for a temporary qualification certificate, which may be renewed for a maximum of two additional one-year periods. Entities engaged in property management or interior decoration must also obtain qualification certificates before commencing their business activities, according to the “Measures on Administration of Qualification Certificates of Property Management Enterprises” and the “Provisions on Administration of Qualification Certificates of Construction Enterprises” promulgated by the PRC Ministry of Construction. All qualification certificates of property development enterprises are subject to renewal on an annual basis. In determining whether to renew a qualification certificate, the local government authority evaluates the various aspects of the property developer’s business, including its registered capital, property development investments, history of property development, quality of property construction, the expertise of its management, as well as whether the real estate developer has any illegal or inappropriate operations. As of the date of this offering memorandum, all our project companies have obtained a valid formal qualification certificate, except that certain newly established project companies are in the process of applying for their qualification certificates and certain project companies are in the process of renewing their qualification certificates.

### Project management

We have established various centralized control centers to oversee and control all aspects of our major operating subsidiaries or projects including project identification, project planning and design

and budget control. The key centralized control centers include the President's Office (總裁辦公室), Finance Center (財務中心), Sales and Marketing Center (營銷中心), Operations Center (運營中心), Design Center (設計中心), Engineering Center (工程中心), Procurement Center (採購中心), Human Resources and Administrative Center (人力行政中心), Investment Center (投資中心), Cost Center (成本中心), Information Technology Center (信息中心) and Legal Department (法律事務部). We have also established nine regional offices to carry out the day to day operations for our 83 projects.

The diagram below summarizes the different stages in the development of a property:



Note:

(1) Pre-sales typically commence several months after the beginning of construction and are completed at the end of construction.

### Site Selection and Product Positioning

We place a strong emphasis on site selection and consider it fundamental to the success of a property development. Our major site selection criteria include:

- government development plans for the relevant site;
- access to the site and availability of infrastructure support;
- customer demand for properties in the relevant area;
- existing and potential competition from other developments in the locality;
- convenience of the site, such as proximity to the city center, schools, shopping malls and other commercial facilities and access to transportation networks;
- surrounding environment, such as greenery, lakes and rivers; and
- cost, investment and financial return ratios of the potential developments.

Following site selection, our Design R & D Center determines the products based on their analysis of the purchasing power and preferences of our target customers to better match their demand.

### Land Acquisition

Prior to the introduction by the PRC government of regulations requiring that land use rights for property development be granted by tender, auction or listing-for-sale, we obtained most of our land use rights through purchase arrangements or co-operative arrangements with local governments or original grantees of land use rights.

“The PRC Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale” (招標拍賣掛牌出讓國有土地使用權規定) issued by the PRC Ministry of Land and Resources provide that, from July 1, 2002, state-owned land use rights for the purposes of

commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction or listing-for-sale. When land use rights are to be granted by way of a tender, an evaluation committee consisting of not fewer than five members (including a representative of the grantor and other experts) is to consider and select the tenders that have been submitted. When deciding whom to grant land use rights, the relevant authorities are to consider not only the tender price, but also the credit history and qualifications of the tenderer and its tender proposal. Where land use rights are granted by way of an auction, a public auction is to be held by the relevant local land bureau and the land use rights are granted to the highest bidder. We believe these measures should result in a more transparent land grant process, which should enable developers to compete more effectively. Under current regulations, grantees of land use rights are generally allowed to sell, assign or transfer the land use rights granted to them in secondary markets, unless the transferor is a state-owned enterprise or a collectively owned enterprise or the land use right is obtained by way of allocation. In these latter cases, such land is to be transferred through public tenders, auction or listing-for-sale. In addition to acquiring land through government-organized tender, auction or listing-for-sale, we intend to continue to obtain land use rights through transfers from third parties or through cooperative arrangements with third parties in the secondary markets. The availability of privately held land will, however, remain limited and subject to uncertainties.

Starting November 1, 2007, a regulation issued by the Ministry of Land and Resources requires property developers to pay the land premium in full for the entire parcel under the land grant contract before they can receive a land use right certificate. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use right certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. In March 2010, the Ministry of Land and Resources issued a circular imposing more stringent requirements on the payment of land premium by property developers. The implementation of the regulation will require property developers to maintain a higher level of working capital. Under this regulation, larger property developers generally are in a better position to compete for large pieces of land due to their stronger financial condition. See “Risk Factors — Risks Relating to Our Business — The PRC government has implemented restrictions on the payment terms for land use rights.”

Historically, we have acquired most of our land through government land sales and secondary market land sales. In recent years, we have adopted a more prudent and efficient land acquisition strategy to increase our land bank by way of tender, auction, listing-for-sale and equity acquisition.

### ***Government Land Sales***

When local governments invite property developers to bid on particular projects, they typically require each developer to provide a bid bond. The bid bond is set by each local government with respect to each project, and varies in terms of amount and percentage of the total estimated sale price. Historically, the bid bonds we have posted have ranged from 20% to 50% of the estimated sale price.

If we are unsuccessful in a bid, the local governments will refund the bid bond to us, usually within five days of the announcement of the successful bidder.

In many cases, our land acquisitions from local governments involve large parcels of land which we intend to develop in stages. Accordingly, we may structure our purchase of a parcel of land for an entire project in several stages which can last from several months to several years. If we are successful in a bid, our bid bond becomes part of our initial installment payment for the acquisition of the land, and our obligation to make the balance of our payments becomes unconditional. For smaller developments, we pay the purchase price either by installments or in one lump sum and, the government delivers a single land use right certificate for the entire parcel after our payment in full of the purchase price for the land, typically within one month after the final payment.

As of December 31, 2016, there were RMB1,580.4 million (US\$227.6 million) in outstanding bid deposits with local governments. Any outstanding bid deposits are recorded under other receivables on our consolidated balance sheet. In certain cases, local governments may approach us many months in advance of the commencement of a bidding exercise to seek assistance in preparing the



land for development. In such cases, we may assist the government by depositing funds with the local government in order to fund the clearing of impediments to land title and other administrative matters required for the land to be fully ready for bidding. Once the bidding exercise commences, the deposited funds are treated as part of our bid bond, and we participate in the bidding process together with other competitors. If we are unsuccessful in the bid, the deposited funds are returned to us. If we are successful in the bid, the deposited funds are treated as part of our first installment payment.

### ***Secondary Market Land Sales***

For land acquisitions from non-government parties in the secondary markets, we typically provide a security deposit to the seller or prepay a certain portion of the purchase price for the land. The amount of such security deposit or prepayment is negotiated between the seller and us, and we may provide deposits or prepayments in advance of each stage of completion of the transfer of the land use rights. Historically, such prepayments and deposits have ranged from 10% to 30% of the purchase price for the land. We usually pay the purchase price of the land by installments into an escrow account and the seller delivers or assists us to obtain the land use right certificate under our name after our full payment of the purchase price, generally within one week after the final payment. In situations where we enjoy a good relationship with the seller, sellers have often transferred the land use right certificate for the entire parcel to us prior to our full payment of the purchase price. As of December 31, 2016 there were RMB941.2 million (US\$135.6 million) in outstanding security deposits and prepayments to non-government sellers of land. Any outstanding security deposits and prepayments are recorded under other receivables on our consolidated balance sheets.

In limited circumstances, our land acquisitions in the secondary market may take the form of cooperation with third parties who hold the land use rights. Historically, we pay the purchase price for such land transfer in cash and through properties we have developed or will develop. The value of the properties we transfer as part of the purchase price is determined by reference to the selling price for such properties, usually at a 10% to 20% discount. The sellers in these cooperation arrangements historically have not held an equity interest or shared any profit in any of the projects involved other than the properties we agree to transfer to them in the relevant cooperation agreements. Given suitable opportunities, we may consider forming equity joint ventures with third parties who hold land use rights to jointly develop the land. Under such joint ventures, generally we will be the majority shareholder and manage the development.

### ***Corporate Acquisitions***

In certain cases, we may acquire land use rights by acquiring the corporate entity which owns the land use rights or is in the process of acquiring the land use rights. In such cases, the purchase price of the relevant land is treated as part of the consideration of the corporate acquisition. Upon the completion of the corporate acquisition, we complete the land acquisition and develop the land through the acquired entity, such as the Zhongshan Junhui Project and Beijing Yanjing District Project. From time to time, in compliance with the restricted payments covenant under the indentures governing the 2014 USD Notes and the 2015 Notes, we make loans to third parties who are in the preliminary stages of acquiring land or developing land for prospective projects which we may later decide to develop. Such loans are typically secured by security interests over any relevant land assets and shares of the relevant companies. If we decide to proceed with such projects, the loan is either converted to an equity interest in the project or repaid through a transfer of equity ownership interests in the project. If we decide not to proceed, the loan is repayable to us. See “— Joint Ventures” below.

### ***Joint Ventures***

Historically, we have developed our property projects primarily through our wholly owned subsidiaries. However, in recent years, we began to develop a number of projects through joint venture arrangements with independent third parties, such as the principal investment groups of global investment banks, real estate funds and other property developers. Arrangements which we may undertake include the following:

- working with strategic partners who are in the preliminary stages of land acquisition or land development by making loans to such partner to further acquire or develop land. We

believe that strategic partners in a new market may have local market expertise, or better access to strategic projects in that market;

- working with international business partners and financial investors such as well-known real estate funds to jointly acquire or develop land. We may consider disposing of a minority equity interest in our project company to such business partners and financial investors to generate additional cash flow and access future pro rata project funding. We believe that forming strategic partnerships with international business partners and financial investors is beneficial to our brand building, reputation and provides us with alternative sources of funding; and
- financing the acquisition and development of land through joint ventures in which we would contribute the right to acquire land, as well as our development expertise and the joint venture partner would contribute funding for the acquisition and development of the land. In these situations, the joint venture party may include foreign partners and financial investors.

### ***Guangzhou Asian Games City Project***

Currently, we and three other property developers in the PRC, namely the subsidiaries of Country Garden Holdings Company Limited, Shimao Property Holdings Limited and CITIC Real Estate Co., Ltd., operate a joint venture to jointly develop the Guangzhou Asian Games City Project. Under the joint venture arrangement, we originally held 20% equity interest in the joint venture. In June 2017, our equity holding was increased to 26.66% as an original shareholder of the joint venture, Guangzhou R&F Properties Co., Ltd., ceased to hold equity interest in the joint venture in June 2017. The land of the Guangzhou Asian Games City Project is situated in the Panyu District of Guangzhou City and occupies an estimated site area of approximately 2.6 million sq.m. and GFA of approximately 4.4 million sq.m. The Guangzhou Asian Games City Project offers residential and commercial properties. We had provided guarantees for certain borrowings of the Guangzhou Asian Games City Project. As of December 31, 2016, our guarantees provided for the Guangzhou Asian Games City Project for its borrowings amounted to RMB1,015.9 million (US\$146.3 million).

### ***Tianjin Jinnan New City***

We have established a joint venture with the subsidiaries of Guangzhou R&F Properties Co., Ltd., KWG Property Holding Limited and Shimao Property Holdings Limited (each a “Tianjin JV Party”) to jointly acquire land in Jinnan District, Tianjin, China. Tianjin Jinnan New City is situated within the vicinity of the Jinnan Government Offices Building and is planned to be developed into a charming city that sits on the main axle of Jinnan. Under the joint venture arrangement, we hold a 25% equity interest in the joint venture. As of December 31, 2016, our guarantees provided for the Tianjin Jinnan New City Project for its borrowings amounted to RMB1,125.0 million (US\$162.0 million).

### ***Beautiful Lake Zhongshan***

In December 2012, we transferred a 50% equity interest in Zhongshan Yahong Real Estate Development Co., Ltd., which is undertaking development of the Beautiful Lake Zhongshan to a subsidiary of Country Garden Holdings Company Limited. The site of the project is located on the east coast of Xiuli Lake and Wugui Mountain and enjoys beautiful landscape and environment. It also benefits from an efficient transportation network and is close to downtown Zhongshan. Beautiful Lake Zhongshan is planned to be developed into a high-end low-density residential complex located in Zhongshan.

### ***Agile Chairman Xi’an***

In April 2012, Guangzhou Panyu Agile Realty Development Co., Ltd (“Panyu Agile”) and Xi’an Qujiang Ronghua Real Estate Development Co., Ltd (“Qujiang Ronghua”) entered into a cooperative agreement, pursuant to which Qujiang Ronghua invested land use rights in Xi’an Qujiang Agile Real Estate Development Co., Ltd (“Qujiang Agile”) and subsequently Panyu Agile acquired a 70% equity interest in Qujiang Agile. As of the date of this offering memorandum, we hold a 70% equity interest in the joint venture. The joint venture partners will collaborate in the development and construction of this project.

### ***Agile International Garden Zhengzhou***

In April 2013, we established a joint venture with Henan Hengyi Property Co., Ltd. to jointly develop the land in Zhongmou Industry Park, Zhengzhou city, Henan. Agile International Garden Zhengzhou, which enjoys a convenient transportation network, is expected to be developed into a residential complex with commercial properties. We hold a 60% equity interest in the joint venture holding this project.

### ***Bund Mansion Changsha***

In August 2013, Guangzhou Yasheng Real Estate Development Co., Ltd (“Guangzhou Yasheng”) and Changsha Properties Co., Ltd of Greenland Group (“Changsha Greenland”) entered into a cooperative agreement, pursuant to which the project company held land use rights and subsequently Guangzhou Yasheng acquired a 50% equity interest in the project company. As of the date of this offering memorandum, we hold a 50% equity interest in this joint venture. The joint venture partners will jointly develop the Bund Mansion Changsha.

### ***Keep Orange Huadu***

In August 2013, we transferred a 50% equity interest in Guangzhou Huadu Yazhan Realty Development Co., Ltd., which is undertaking the development of Keep Orange Huadu to Guangzhou Vanke Real Estate Co., Ltd. Keep Orange Huadu is situated in the Huashan Town of Guangzhou City and enjoys a convenient transportation network.

### ***Agile International Centre Nanning***

In November 2013, we and Guangzhou R&F Properties Co., Ltd. reached a framework agreement with Nanning government authorities to facilitate cooperation in the construction of large urban complex projects, high-end office buildings, residences and hotels in Nanning Wuxiang New District. The Nanning government is expected to provide policy support to these projects. As such, we and Guangzhou R&F Properties Co., Ltd. established a joint venture, each holding a 50% equity interest, to undertake the development of the Agile International Centre Nanning.

### ***Agile Mont Kiara Kuala Lumpur***

In January 2014, we entered into a sale and purchase agreement through our 70% owned Malaysia incorporated subsidiary, Agile PJD Development Sdn. Bhd., a joint venture we established with PJ Development Holdings Berhad, for the acquisition of a land parcel in Kuala Lumpur, Malaysia, with a site area of approximately 41,130 sq.m. at a consideration of approximately RM186.0 million.

### ***Zhongshan Mountain City Project***

In August 2016, Zhongshan Yajing Real Estate Development Co., Ltd. (“Zhongshan Yajing”) entered into a joint venture agreement and had agreed to inject funds into the project company by way of new registered capital and provision of shareholder’s loans so that the equity interests of the project company are to be held as to 50% by Zhongshan Yajing and Zhongshanshi Shiguang Chuangjian Industrial Company Limited (“Zhongshan Shiguang”). The joint venture partners will jointly develop the Zhongshan Mountain City Project which is situated at Dabu Village, Sanxiang Town, Zhongshan City with a total planned GFA of 454,167 sq. m.

### ***Zhongshan Nanlong Tianlu Project***

In August 2016, Zhongshan Yajing entered into a joint venture agreement and had agreed to inject funds into the project company by way of new registered capital and provision of shareholder’s loans so that the equity interests of the project company are to be held as to 50% by Zhongshan Yajing and Zhongshan Shiguang. The joint venture partners will jointly develop the Zhongshan Nanlong Tianlu Project which is situated at Nanlong Village, Sanxiang Town, Zhongshan City with a total planned GFA of 98,664 sq.m.

### ***Zhongshan Dongcheng Lufeng Project***

In August 2016, Zhongshan Yajing entered into a joint venture agreement and had agreed to inject funds into the project company by way of new registered capital and provision of shareholder's loans so that the equity interests of the project company are to be held as to 50% by Zhongshan Yajing and Zhongshan Shiguang. The joint venture partners will jointly develop the Zhongshan Dongcheng Lufeng Project which is situated at Gonghua Village, Torch High-Tech Industrial Development Zone, Zhongshan City with a total planned GFA of 347,086 sq.m.

### ***Zhongshan Junhui Project***

In September 2016, Zhongshan Yajing and Zhongshan Shiguang established a joint venture, Zhongshan Yayao Real Estate Investment Co., Ltd. ("Zhongshan Yayao"), in which Zhongshan Yajing holds 60% equity interest. Zhongshan Yayao will develop the Zhongshan Junhui Project which is situated at Torch High-tech Industrial Development zone in Zhongshan City with total planned GFA of 395,588 sq.m.

### ***Agile Personage Nanhai***

In 2015, we transferred a 49% equity interest in Foshan Nanhai Yaheng Real Estate Development Co., Ltd., which held the land use rights of the project, to a subsidiary of Ping An Real Estate Co., Ltd.. The project is located in Dali Town in Nanhai district of Foshan City with a total planned GFA of 143,315 sq.m.. Agile Personage Nanhai was launched to the market in 2015.

### ***Foshan Sanshui Southwest Street Project***

In November 2016, we transferred a 50% equity interest in Foshan Yazhan Property Development Co., Ltd., which held the land use rights of the project to a subsidiary of Sunac China Holdings Limited. The site of the project is located at Xi'nán street, Sanshui district of Foshan City with a total planned GFA of 226,096 sq.m.

### ***Suzhou Xiangcheng Development Zone Project***

In December 2016, we transferred a 37.5% equity interest in Suzhou Agile Land Co., Ltd., which held the land use rights of the project to Beijing New China Fu Shi Asset Management Co., Ltd.. The site of the project is located at Xiangcheng Development Zone of Suzhou City with a total planned GFA of 162,404 sq.m.

### ***Wuhan Jiangxia District Project***

In November 2016, Nanjing Agile Real Estate Development Co., Ltd. ("Nanjing Agile") entered into a joint venture agreement, pursuant to which Nanjing Agile agreed to inject RMB3,000 million as new registered capital into Wuhan Changkai Property Development Co., Ltd. ("Changkai") and thereby owns 50% of its equity interests. Changkai is the registered owner of the project which is located at Wushu Village, Miaoshan Office in Jiangxia District of Wuhan City with a total planned GFA of 800,000 sq.m.

### ***Beijing Yanqing District Project***

In July 2016, Panyu Agile acquired a 51% equity interest of Beijing Ruri Jiahe Real Estate Development Co., Ltd., which held the land use rights of the project. The project is located at Banyan Town in Yanqing County of Beijing City with a total planned GFA of 65,000 sq.m.

### ***Kuala Lumpur Bukit Bintang Project***

In 2014, we entered into a sale and purchase agreement through our 70% owned Malaysia incorporated subsidiary, Agile Tropicana Development Sdn. Bhd., a joint venture we established with a subsidiary of Tropicana Corp Bhd, for the acquisition of a land parcel in Kuala Lumpur, Malaysia, with a site area of approximately 15,174 sq.m.

### ***South San Francisco Oyster Point Project***

We have established a joint venture with the subsidiaries of Greenland Group, Ping An Trust Co., Ltd. and Poly Sino Capital Limited to jointly acquired land at Oyster Point of South San Francisco, California, the U.S. Under the joint venture arrangement, we hold a 10% equity interest in the joint venture.

### **Financing of Property Developments**

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. We have three main sources of funding for our property developments: internal funds, borrowings from banks and proceeds from sales and pre-sales. We may also obtain financing through equity or debt offerings like our initial public offering in 2005, our share placement in 2006, our senior notes offering in 2009, 2010, 2012, 2014 and 2015, convertible bonds offering in 2011, subordinated perpetual capital securities in 2013, rights issue in 2014, PRC perpetual capital securities in 2016, asset-back securities issue in 2016, domestic corporate bonds in 2016 and 2017 and the offering of the Notes hereunder.

Since June 2003, commercial banks have been prohibited under PBOC guidelines from advancing loans to fund the payment of land premium. As a result, property developers may only use their own funds to pay for land premium.

Prior to June 2003, we financed our payments of land premiums through a combination of borrowings from banks and proceeds from the sales and pre-sales of properties. Since June 2003, all of our payments of land premiums have been funded by proceeds from the sales of properties and sources other than bank borrowings.

In addition to restrictions on land premium financing, the PRC government also encourages property developers to use internal funds to develop their property projects. Under guidelines jointly issued by the PRC Ministry of Construction and other PRC government authorities in May 2006, commercial banks in China may not lend funds to property developers with an internal capital ratio of less than 35%, calculated by dividing the internal funds available by the total project capital required for the project, an increase of five percentage points from 30% as previously required. Such increase in internal capital ratio increased the internally sourced capital requirement for property developers, including ourselves. In May 2009, as part of its measure to mitigate the impact of the global economic downturn, the PRC government lowered this ratio to 20% for affordable housing projects and ordinary commodity housing projects and to 30% for other property projects to stimulate property developments in China. However, since December 2009, the PRC government adjusted some policies in order to enhance the regulation of the property market, such as imposing more stringent requirements on the payment of land premiums. We typically use internal funds and project loans from PRC banks to finance the initial construction costs for our property developments. Additional cash is generated from pre-sales of properties when they meet the requirements of pre-sale under the national and local regulations. Such proceeds from pre-sales, together with the project loans, are the major sources of funds for the construction of our projects.

### **Project Design Work**

The project design work for our property developments is typically conducted by reputable domestic or overseas architectural and interior design firms under contract with us, with the assistance and under the supervision of our Design R&D Center (設計研發中心).

In determining the design of a particular property development, we consider:

- the surrounding environment or neighborhood of the site where the relevant property is to be developed;
- relevant site area;
- advice and recommendation of professional advisors, including architects and planning experts; and
- the proposed type of residential development.

Our Design R&D Center (設計研發中心) is responsible for overseeing project design and interior design of our property developments. The Design R&D Center (設計研發中心) takes part in the selection of design firms and works to ensure that the project designs are constructed to meet our specifications and completed on time. In selecting design firms, we consider a firm's reputation for reliability and quality, the price quoted, the references provided, and the design proposed. We typically select the design firm for a property development through a tender process. Design R&D Center (設計研發中心) is responsible for monitoring the progress and quality of the design teams to ensure they meet the required standards.

### **Construction Work**

We generally outsource our construction work to independent construction companies through a tender process. Our Engineering Center (工程中心) is responsible for selecting our construction contractors and takes into account the reputation of the contractors for reliability, quality and safety, the prices quoted and references provided in the selection. The quality and timeliness of the construction is usually warranted by contract. Our project company monitors cost control closely during construction. We have had disputes with some of our construction contractors in the past. In connection with the development of Majestic Garden, we experienced a two-month delay in the completion of construction in 2000, as Taixing First Construction Company ("Taixing"), an independent construction contractor, suffered financial difficulties. During 2014, 2015 and 2016, we did not incur any significant additional costs as a result of our independent contractors' financial or other difficulties. While most of our construction work is carried out by independent construction companies, we also have a construction subsidiary in Guangzhou that engages in foundation construction and certain ancillary construction work for certain of our projects.

The construction contracts we enter into with construction companies typically contain warranties in respect of quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations relating to the quality of construction as well as our own standards and specifications. The contractors are also subject to our quality control procedures, including appointment of internal on-site quality control engineers, examination of materials and supplies, on-site inspection and production of progress reports. Construction payments are determined primarily based on the labor and material costs and fitting requirements, and are adjustable under the construction contract. In the event of delay in construction or unsatisfactory quality of workmanship, we may require the construction companies to pay a penalty or provide other remedies.

### **Quality Control**

We place a strong emphasis on quality control to ensure that our properties and services comply with relevant rules and regulations relating to quality and safety and meet market standards. We have quality control procedures in place in our different functional departments as well as in each project company.

We generally contract with reputable design and construction companies and material suppliers to ensure the quality of sub-contracted work. Internal guidelines have been established to ensure control over documentation, record-keeping, remedial actions, preventive actions, management control, construction standards, staff quality, recruitment standards, staff training, construction supervision, supervisory inspection, information exchange and data analysis. We provide our customers with a warranty for the structure and certain fittings and facilities of our property developments in accordance with the relevant rules and regulations.

### **Pre-sales**

Upon satisfaction of certain requirements set forth in the relevant laws and regulations as discussed below, we typically conduct pre-sale of our property units prior to the completion of a project or a project phase. Under the "Law of the Administration of Urban Real Estate 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), as amended in 2001 and 2004 (which are generally applicable in the PRC, including Guangdong Province), we must comply with the following conditions prior to commencing any pre-sale of a particular property development:

- the land premium must have been fully paid and the relevant land use rights certificates have been obtained;

- the construction works planning permit and the construction project building permit must have been obtained;
- the funds contributed to the development of the property developments where property units are pre-sold may not be less than 25% of the total amount invested in the project and the progress and the expected completion date and delivery date of the construction work have been confirmed; and
- pre-sale permits must have been obtained from construction bureaus at the county-level or above.

According to the “Administration of Pre-sale of Commodity Premises Regulations of Guangdong Province” (廣東省商品房預售管理條例) and a notice issued by the Guangdong provincial construction bureau on January 2, 2001, we must fulfill the following conditions, in addition to the four conditions mentioned above, before obtaining a pre-sale permit:

- a business license and a real property development qualification certificate have been obtained;
- the construction quality and safety monitoring procedures have been performed;
- in the case of properties of not more than seven stories, the main structural construction must have been completed and in the case of properties of more than seven stories, at least two-thirds of the main structural construction must have been completed;
- a designated property pre-sale account has been opened with a commercial bank in the place where the project is located; and
- the land use rights with respect to the properties in the project are free from third-party rights.

Other cities and regions in which we have property developments or to which we are expanding (cities such as Shenyang, Tianjin, Hainan and Xi’an) have imposed similar requirements for the pre-sales of properties, including the possession of certain certificates or government approvals, completion of certain structure or facilities, proof of required investment and the set up of a designated pre-sale proceeds account.

On April 13, 2010, the Ministry of Housing and Urban-Rural Development issued the “Circular on further strengthening on real estate market supervision and improvement of the commercial housing pre-sale system” (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). It stipulates that:

- prior to obtaining pre-sale permits for a project, the property developer may not accept from a purchaser any deposits or other fees in order to place the purchaser on a waitlist, reserve a purchase, confirm a purchase or grant a VIP card;
- the property developer shall disclose all the residential units that are permitted to be sold at one time and the price of each unit within ten days after obtaining the pre-sale permits;
- the pre-sale permits can only be issued to entire buildings, in addition, a pre-sale permit must not be issued to individual floors or units;
- property developer must publish its residential pre-sale program and promote and sell its residential units in accordance with the program, which includes basic information of the project, such as construction schedule, number of units available for pre-sale, estimated size, areas of common space and public facilities, sale prices and the range of changes in sale prices and the accounting system for pre-sale proceeds. The pre-sale program and all material changes to the program must be filed with the relevant authorities and be published;
- all pre-sale proceeds must be deposited into escrow accounts to ensure the legitimate use for project construction; and

- the property developer must take primary responsibility for the quality of properties it has developed, while survey, design, construction and supervision companies must also bear their respective responsibilities accordingly.

On March 16, 2011, NDRC promulgated the “Regulation on Price of Commodity Property” (商品房銷售明碼標價規定), which took effect on May 1, 2011. According to the regulation, property developers are required to make public the sale price of each apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to state other ancillary charges that would affect housing prices and relative charges before the property transaction, such as commission fee and property management fee. No additional charge beyond what is stated in the quoted price or made public by the property developers is permitted.

See “Risk Factors — Risks Relating to Our Business — We face risks related to the pre-sale of properties, including the risk that property developments are not complete.”

A portion of the proceeds from the pre-sales of our properties is required to be deposited into designated escrow accounts. Before the completion of the pre-sold properties, the proceeds deposited in the designated escrow accounts must only be used for the restricted purposes of purchasing construction materials and equipment, making interim construction payments and paying taxes, with the prior approval of the relevant local authorities. If we do not comply with these requirements, the qualification certificates held by our project companies may be revoked, which will result in suspension or termination of the relevant project. We may also be subject to a penalty amounting to 10% to 20% of the used portion of the deposited proceeds if they have been used in violation of these regulations. These regulations are supplemented by similar regulations governing pre-sale of properties promulgated by the cities of Guangzhou, Zhongshan and Foshan. The local governments of Guangzhou, Foshan and Nanjing require our project companies to maintain part of their pre-sale proceeds in the special designated accounts as guarantee deposits to cover the remaining construction cost of related properties. There are no requirements to such effect in Zhongshan. As of December 31, 2014, 2015 and 2016, our total guarantee deposit proceeds from pre-sales was approximately RMB4,735.0 million, RMB4,724.5 million and RMB9,378.7 million (US\$1,350.8 million), respectively.

## **Sales and Marketing**

Our principal customers are individual purchasers of residential properties from the PRC. We primarily target middle and upper-middle class purchasers, such as white collar workers, middle-level and senior-level managers, entrepreneurs and civil servants. None of our directors, their associates nor any of our shareholders holding more than 5% of our issued capital has any interest in our five largest customers.

We have established a Sales and Marketing Center (營銷中心) to supervise, manage and coordinate the sales and marketing activities undertaken by our subsidiaries. As of December 31, 2016, our sales and marketing staff comprised 914 employees, all of whom receive regular training. Our sales and marketing staff work closely to determine the appropriate advertising and sales strategy for a particular property development as well as to implement efficient and orderly on-site sales procedures.

We adopt a variety of measures to reach potential customers, including advertising through traditional media such as television and newspapers, new media such as websites and mobile apps, as well as sponsoring performances and organizing entertainment activities for customers. Our property management subsidiaries also provide professional property consulting advice and extensive after-sales services, such as rental agency, security management, maintenance and landscaping services, to our purchasers. We also issue to our customers the Agile Property Club Card, which offers cardholders discounts at various retailers, supermarkets and restaurants in various cities. In 2014, we entered into a cooperation agreement with China Telecommunications Corporation and introduced the “Agile Club” online service platform for residents to enjoy comprehensive services, including property management fee inquiry and payment, application for use of facilities, activity enrolment and online booking services. We believe that these initiatives have enhanced our brand image and increased the number of referrals by our existing customers.



## **Payment Arrangements**

Our customers, including those purchasing pre-sold properties, may need bank mortgages. We typically require that all purchasers pay a deposit between RMB10,000 and RMB50,000 when executing the purchase contracts. If purchasers choose to make a cash payment, the purchase price (less the deposit already given) must generally be paid no later than three months after the execution of the purchase contracts. If the purchasers choose to pay through home mortgage loans provided by banks, under current PRC laws and regulations, they may obtain home mortgage loans up to a maximum of 70% of the total consideration for first-time home purchases, or not more than 60% for individuals already owning at least one home, of the purchase price with a repayment period of up to 30 years. Purchasers are generally required to pay the remaining balance of that portion of the purchase price that is not covered by the mortgage loan prior to the disbursement of the mortgage by mortgagee banks. We generally receive the mortgage payments from mortgagee banks within approximately one and a half months after the execution of the purchase contracts. The payment terms of sales and pre-sales of properties are substantially identical. We also offer settlement of purchase price by installments, under which purchasers are required to pay at least 30% of the purchase price at the time of the execution of the sale and purchase contract, with the balance to be paid by installments over a period ranging from six to 18 months and normally within 12 months. The purchase price for purchasers who settle by installments is generally higher than those who do not do so and is generally higher for longer installment periods, in order to compensate us for the additional credit risk that we may be exposed to. In certain cases, we have also entered into group buying arrangements with selected customers and may offer discounts for group purchase of our properties.

In accordance with industry practice, we provide guarantees to banks with respect to the mortgages granted to our purchasers. These guarantees are released upon the earlier of (i) the issuance of the property ownership certificate which are generally available within one to two years after we deliver the relevant property to our customers; and (ii) the settlement of mortgage loans between the mortgage banks and the purchasers of our properties. In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2014, 2015 and 2016, our outstanding guarantees over the mortgage loans of our purchasers amounted to RMB14,658.1 million, RMB22,449.0 million and RMB33,293.6 million (US\$4,795.3 million), respectively. Pursuant to the terms of the guarantees, upon default in mortgage payments by the purchasers, we are responsible to repay the outstanding mortgage principals together with any accrued interests and penalties owed by the defaulted purchasers to banks. See “Risk Factors — Risks Relating to Our Business — We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee banks if our purchasers default on their mortgage payments.”

## **Property Management Business**

We provide after-sales property management and after-sales service to the residents of each of the projects we develop through our wholly-owned property management subsidiaries. In 2014, our property management services received accreditations presented by the British Standards Institution, with six of our residential projects having fulfilled the requirements of ISO9001 Quality Management System, ISO14001 Environmental Management System and OHSAS18001 Occupational Health and Safety Management System. Our property management subsidiaries also provide services to certain projects developed by third parties. We seek to provide comprehensive quality after-sales property management and after-sales services to purchasers of our properties, including services such as rental agency, security, maintenance, operation of clubhouse, gardening and landscaping and other services. Our property management services have won awards and received recognition from national, provincial and municipal governmental departments, including “The National Model Residential Community of Property Management” issued by the Ministry of Housing and Urban-Rural Development of the PRC in 2012. In 2016, we ranked the 15th of “The 2016 100 Best Enterprises of China’s Property Management Service” and received the award of “National Model residential Community of Property Management” granted by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China for our property management services. In the same year, we also received integrated accreditations presented by the British Standards Institution as five of our residential projects had fulfilled certain international standards on professional residential property management and received international recognition. As of December 31, 2016,

we managed 144 projects in over 40 cities and districts across China for a total contracted GFA of approximately 57.6 million sq.m. Under PRC laws and regulations, the owners' association of a residential community has the right to change property management companies pursuant to certain procedures. See "Risk Factors — Risks Relating to Our Business — Our branding and marketing strategy could be adversely affected if homeowners in the projects that we have developed elect to discontinue our engagement as the provider of property management services."

Our property management companies generally enter into property management agreements with the property owners. The property management contract sets forth the scope and the quality requirements of the services provided by our property management companies. We are not allowed to assign the management responsibilities to a third party. We are responsible for establishing the property management procedures and preparing maintenance and renovation plans with respect to the properties and public facilities. The property management contract also establishes the payment arrangements of management fees, which cannot be increased without the prior consent of the property owners.

In light of strong demand for high-end property management services, we established a professional high-end property management brand under Agile named "Harrogate (雅萊格)" to provide property management services for high-end projects, commercial properties and serviced apartments. We also provide comprehensive property management services to customers through the operation of our property management programs such as "A-Living" and "A-Steward." The operation of "A-Living" comprises four key business segments, namely new property management, community online-to-offline (O2O) services, and development of tourism properties. We also offer "A-Steward," an internet services platform, which provides services such as e-commerce, financial services, social activities, health care, care for senior citizens, property management fee payment, online booking and activities enrollments, and overall community information. With our property management experience of more than 20 years, we believe that we are able to provide professional community and management services in accordance with our principle of being "customer-oriented".

In 2017, we commenced to reorganize our property management business and have re-arranged the subsidiaries providing property management services to improve our business model and strive to optimize our business portfolio. We may further restructure our property operation business through an initial public offering of the shares of one or more subsidiaries providing property management services depending on market conditions. As of the date of this offering memorandum, there is no definite timetable or execution plan with respect to such restructuring, and such restructuring may or may not materialize.

### **Interior Decoration Services**

Zhongshan Fashion Decoration Co., Ltd. ("Fashion Decoration Co."), our wholly owned subsidiary, was established in March 2000. It achieved accreditation to the BSI-ISO9001 international quality system in September 2005. Prior to 2006, Fashion Decoration Co. provided interior decoration services to purchasers of our property units. Since 2006, it ceased to provide services to third parties and now provides decoration services exclusively for member companies of our group.

### **Hotel Operations**

We engage in commercial hotel development and management to complement our residential property development business. While we have derived a substantial majority of our revenue from residential property development, we expect revenue contribution from our hotel business to remain stable in the next few years.

In 2008, we acquired Zhongshan Agile Hotel from a related party. In 2014, we have completed the construction of Tengchong Agile Hotel and commenced operation in 2015. We operate and manage these hotels through our hotel management companies. We have dedicated business units responsible for design, engineering, monitoring, purchasing, marketing, operation, administration and financial management of our hotels.

In 2011, our Shanghai Marriott Hotel City Centre commenced operations and is the first of our hotels to be managed by an internationally recognized hotel management company. The Raffles Hainan commenced operations in 2013, and Sheraton Bailuhu Resort Huizhou, Howard Johnson Agile Plaza Chengdu and Holiday Inn Resort Hainan Clearwater Bay commenced operations in 2014.

As of date of this offering memorandum, we have three hotels under construction and several hotels in the planning stage. Currently, we have entered into hotel management agreements with several internationally recognized hotel management companies for the operation and management of these hotels. We believe that by engaging these international hotel management companies to operate our hotels, we will be able to benefit from their global reputation, hotel operation expertise, as well as their integrated marketing services, reservation systems and employee training programs. We believe these hotel management arrangements will also enable us to leverage their internationally recognized brand names to enhance our reputation and corporate image.

We are dedicated to building “Agile Hotel” into a recognized “five-star” hotel brand. By associating with the well-known brand names and learning from the extensive experience of our international hotel management partners, we aim to elevate our hotel management and services to world class standards.

The table below sets out details of our key hotels as of December 31, 2016.

<u>Name of hotels</u>	<u>Location</u>	<u>Number of rooms</u>	<u>Status</u>
1 Zhongshan Agile Hotel . . . . .	Zhongshan	66	In operation since 2001 <sup>(1)</sup>
2 Shanghai Marriott Hotel City Centre . . .	Shanghai	720	In operation since 2011
3 Raffles Hainan . . . . .	Hainan	332	In operation since 2013
4 Sheraton Bailuhu Resort Huizhou . . . . .	Huizhou	449	In operation since 2014
5 Holiday Inn Resort Hainan Clearwater Bay . . . . .	Hainan	275	In operation since 2014
6 Howard Johnson Agile Plaza Chengdu . .	Chengdu	342	In operation since 2014
7 Tengchong Agile Hotel . . . . .	Tengchong	75	In operation since 2015
8 Foshan Agile Hotel . . . . .	Foshan	200	In operation since 2008

*Notes:*

(1) We acquired Zhongshan Agile Hotel from a related party.

### **Investment Properties**

We designate certain properties as properties held for long-term rental income or for future capital appreciation purpose. For 2016, the fair value gains of these properties amounted to approximately RMB43.0 million (US\$6.2 million).

The table below sets out details of our major investment properties as of December 31, 2016.

<u>Name of Property</u>	<u>Location</u>	<u>Approximate GFA (sq. m.)<sup>(1)</sup></u>	<u>Actual/Expected Opening Date</u>
1. Xiqiao Metropolis Plaza . . .	Foshan	58,000	In operation since 2011
2. Agile International Plaza Shanghai . . . . .	Shanghai	21,200	In operation since 2012
3. Guangzhou Agile Center . . .	Guangzhou	88,000	In operation since 2014

*Note:*

(1) Approximate GFA includes above-ground GFA only.

### **Property Leasing Services**

We may choose to lease properties we have developed when we believe that leasing such properties would generate a better return on investment than through sales in the long run. Occasionally, we lease properties on a short term basis if we expect the sale of such property to take a considerable period of time. Most of our lease properties are commercial properties and office space. As of December 31, 2016, a total GFA of approximately 349,565 sq.m., 32,666 sq.m. and 5,504 sq.m. of commercial properties, dormitory and office space, respectively, were leased.

### **Properties Used by Us**

As of December 31, 2016, we occupied commercial buildings, dormitory, office buildings and factory space of approximately 65,518 sq.m., 56,145 sq.m., 182,917 sq.m. and 37,935 sq.m.,

respectively, of our properties. As of December 31, 2014, we also rented properties from independent third parties with a total floor area of approximately 132,952 sq.m. which is primarily used as office and dormitories for our employees in the various cities in which we have operations.

### **Environmental Protection**

Our environmental protection business comprises three key categories: solid waste treatment, environmental restoration and water affairs. In furtherance of our extensive property management experience, we provide technology and services for solid waste treatment to our customers. In addition to conventional methods such as burial and incineration, we also conduct research on plasma gasification, biological recycling and other methods through international cooperation. Our environmental restoration business focuses on soil and water restoration, such as sediment dredging and treatment, black and odorous water treatment, regional wetland landscape construction and the construction of “sponge cities” in our property development projects. Our water affairs business includes industrial wastewater treatment, water plant and sewage treatment. We operated several water plants and sewage treatment projects in cities such as Hainan, Zhongshan and Foshan as of December 31, 2016. We have also begun to install advanced sewage water treatment technologies on certain of our property development projects.

### **Competition**

The real property industry in the PRC is highly competitive. Our existing and potential competitors include major domestic state-owned and private property developers in the PRC, as well as property developers from Hong Kong, elsewhere in Asia and other parts of the world. A number of our competitors have greater financial, marketing, land and other resources than we do, and have better economies of scale, better name recognition, a longer track record and more established relationships in certain markets. We believe our major competitors include China Vanke Co., Ltd., Evergrande Real Estate Group Ltd., Longfor Properties Co. Ltd., China Resources Land Ltd., Shimao Property Holdings Ltd., Country Garden Property Development Co. Ltd., China Overseas Property Group Co., Ltd., Times Property Holdings Limited, Guangzhou R&F Property Co., Ltd., and KWG Property Holding Company Limited. See “Risk Factors — Risks Relating to Property Development in the PRC — Increasing competition in the PRC, particularly in Guangdong Province and Hainan Province, may adversely affect our business and financial condition.”

### **Intellectual Property Rights**

We have registered or have applied for the registration of the trademarks “Agile,” “雅居樂” and certain variations of them under various categories with the PRC Trademark Office of the State Administration for Industry and Commerce (the “SAIC”). In addition, most of our project companies have registered or have applied for registration of the trademarks of their respective project names under the same categories.

“雅居樂” has been recognized as a “China’s Well-known Trademark” (中國馳名商標) and a “Guangdong Provincial Famous Trademark” (廣東省著名商標), respectively, by the SAIC and Guangdong Provincial Administration of Industry and Commerce. We have registered the domain name of “www.agile.com.cn” and certain domain names associated with our project names.

In the PRC, the registration of a company’s corporate name is regional. Although we have registered our corporate name “雅居樂” in Guangdong Province, Sichuan Province, Jiangsu Province, Hainan Province, Liaoning Province, Yunnan Province, Shanxi Province, Tianjin, Chongqing and Hong Kong, we cannot prevent others from registering the same corporate name in other provinces or administrative regions of the PRC. We will have to adopt another corporate name, if another company, which conducts a similar type of business as us, has registered “雅居樂” as its corporate name outside the above-said provinces or administrative regions prior to our establishment in that market.

### **Insurance**

Consistent with industry practice in the property development industry in China, generally we do not maintain insurance coverage for our properties, whether they are under construction or have been

completed and are pending delivery. There are no mandatory legal requirements to maintain insurance coverage in the PRC in respect to our property development operations. We maintain, however, insurance coverage against damage to or loss of certain of our buildings under mortgage for our certain bank borrowings. Since January 1, 2003, we have not suffered any losses or damages or incurred any liabilities relating to our properties that have had a material adverse effect on our business.

Our property management subsidiaries maintain management liability insurance coverage in connection with their business operations. We maintain insurance coverage for certain clubhouses. In addition, we also purchase employee-related insurances, such as pension insurance, for our employees.

## Employees

As of December 31, 2016, we had 12,468 full time employees. The following table provides a breakdown of our employees by responsibilities as of December 31, 2016:

President Office . . . . .	52
Administration and Human Resources Management . . . . .	206
Marketing and Sales . . . . .	914
Finance Management . . . . .	295
Planning, Engineering and Design . . . . .	973
Property Management . . . . .	8,886
Others . . . . .	1,142
<b>Total</b> . . . . .	<b>12,468</b>

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

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

## Environmental and Safety Matters

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments. These include regulations relating to air pollution, noise emissions and water and waste discharge. For each of our property developments, we are required to conduct an environmental assessment and submit the related environmental impact assessment document to the relevant government authorities for approval prior to the commencement of construction activities. On the completion of each property development project, the relevant government authorities inspect the site to ensure that applicable environmental standards have been complied with, and the resulting report is then issued together with other specified documents to the local construction administration authorities for their record. As of the date of this offering memorandum, certain of our property projects are in the process of applying for the approval of environmental impact assessments and the acceptance of the environment protection measures. We believe that our operations are in compliance with currently applicable national and local environmental and safety regulations in all material respects. See “Risk Factors — Risks Relating to Our Business — Potential liability for environmental problems could result in substantial costs.”

## Legal Proceedings

From time to time, we may be involved in legal proceedings or other disputes in the ordinary course of business.

As of the date of this offering memorandum, we are not aware of any material legal proceedings, claims or disputes currently existing or pending against us that may have a material adverse effect on our business or results of operations. See “Risk Factors — We may be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.”

## REGULATION

The following discussion summarizes the principal laws, regulations, policies and administrative directives to which we are subject.

### **The PRC Legal System**

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives, local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil and criminal matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the full NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul the conflicting administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations, and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local laws and regulations must be consistent with the PRC Constitution, national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the "Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws" (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981, the Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

### **The PRC Judicial System**

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organized into civil, criminal, economic and administrative divisions. The intermediate courts are organized into divisions similar to those of the basic courts, and are further organized into other special divisions, such as the intellectual property division. The higher level court supervise the basic and intermediate courts. The People's Procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the level immediately superior. Second judgments or orders given at the same level and at the level immediately superior are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given in any court at a lower level, or the presiding judge of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法), which was adopted on April 9, 1991 and amended on October 28, 2007 and August 31, 2012 and June 27, 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. A time limit of two years is imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principal of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

### **Establishment of a Property Development Enterprise**

According to the "Law of the People's Republic of China on Administration of Urban Real Estate" (中華人民共和國城市房地產管理法) (the "Urban Real Estate Law") promulgated by the Standing Committee of the NPC on July 5, 1994, effective on January 1, 1995 and as amended in August 2007 and in August 2009, a property developer is defined as an enterprise which engages in the development and sale of property for the purpose of making profit. Under the "Regulations on Administration of Development of Urban Real Estate" (城市房地產開發經營管理條例) (the "Development Regulations") promulgated and implemented by the State Council in July 1998 and as amended in January 2011, an enterprise which is to engage in property development shall satisfy the following requirements: (i) its registered capital shall be RMB1 million or more; and (ii) have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate. The local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a property developer. Under the "Regulations on Real Estate Developments of Guangdong Province" (廣東省房地產開發經營條例) issued by the Standing Committee of Guangdong Provincial People's Congress in 1993 and as amended in 1997, the registered capital of a property developer in the Guangdong Province ("Guangdong") shall be RMB3 million or more.

In May 2009, the State Council issued a "Notice on Adjusting the Ratio of Capital Fund for Investment Projects in Fixed Assets" (關於調整固定資產投資項目資本金比例的通知) setting the portion of



capital fund of property projects at 20% for affordable housing projects and ordinary commodity housing projects and 30% for other property projects.

In September 2015, the State Council issued a “Notice to Adjust and Promote the System of Capital Fund for Investment Projects in Fixed Assets”(關於調整和完善固定資產投資項目資本金制度的通知), under which the minimum capital ratio remains 20% for affordable housing projects and ordinary commodity residential projects, and is decreased to 25% for other property projects.

To establish a property development enterprise, the developer should apply for registration with the administration for industry and commerce. The property developer must also report its establishment to the property development registration authority in its respective locality, within 30 days of the receipt of its Business License. Where a foreign-invested enterprise is to be established to engage in the development and sale of property, the relevant requirements of the laws and administrative regulations regarding foreign-invested enterprises must also be observed, the relevant examinations conducted and the relevant approvals obtained.

Under the “Foreign Investment Industrial Guidance Catalog” (外商投資產業指導目錄) (the “Guidance Catalog”) promulgated by MOFCOM and the NDRC on March 10, 2015, effective from April 10, 2015, construction of golf course and villas falls within the category of industries in which foreign investment is prohibited, and construction and operation of large theme parks falls within the restricted category. Other real estate development falls within the category of industries in which foreign investment is permitted. Foreign-invested real estate development enterprises can be established in the form of Sino-foreign equity joint venture, Sino-foreign co-operative joint venture or wholly owned foreign enterprise in accordance with the Guidance Catalog and other laws and administrative regulations relating to foreign-invested enterprises. On June 28, MOFCOM and the NDRC jointly issued the revised Guidance Catalog effective from July 28, 2017, according to which, foreign investment is permitted in the real estate development industry.

In July 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, the SAIC and SAFE promulgated the “Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market” (關於規範房地產市場外資准入和管理的意見). Under such circular, when a foreign investor establishes a property development enterprise in China with a total investment amount of US\$10 million or more, such enterprise’s registered capital must not be less than 50% of its total investment amount. Foreign institutions which have no branches or representative offices in the PRC or foreign individuals who work or study in the PRC for less than one year are prohibited from purchasing any real property in the PRC. Furthermore, the admittance and administration of foreign capital in the property market must comply with the following requirements:

- foreign institutions or individuals who buy property not for their own use in China should follow the principle of Commerce Existence and apply for the establishment of foreign-invested enterprise 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;
- for establishment of a foreign-invested property enterprise, the commerce authorities and the administration for industry and commerce take charge of the approval and registration of the foreign-invested property enterprise and the issuance of the Approval Certificate for a Foreign-Invested Enterprise (which is only effective for one year) and the Business License. Upon full payment of the land premium, the foreign-invested property enterprise should apply for a “Land Use Right Certificate.” With a Land Use Right Certificate, it can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the commerce authorities and an update Business License which will have the same approved business period with the formal approval Certificate for Foreign-Invested Enterprise from the administration of industry and commerce;
- transfers of projects or shares in foreign-invested property enterprises or acquisitions of domestic property enterprises by foreign investors should strictly follow relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: (i) a written undertaking of fulfillment of the contract for the State-owned land

use rights assignment, the “Construction Land Planning Permit” and the “Construction Works Planning Permit;” (ii) a “Land Use Right Certificate;” (iii) documents evidencing the filing for modification with the construction authorities; and (iv) documents from the relevant tax authorities evidencing the payment of tax; and

- when acquiring domestic property enterprises by way of shares transfer or otherwise, or purchasing shares from Chinese parties in Sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, handle the debts of the banks and pay the consideration in one single payment with its own capital. Foreign investors with records showing that they have not complied with relevant employment laws, with unsound financial track records, or who have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC” (關於進一步加強、規範外商直接投資房地產產業審批和監管的通知) which was amended in October 2015, stipulates the following requirements for the approval and supervision of foreign investment in real estate:

- foreign investment in the PRC real estate sector relating to high-end properties is to be strictly controlled;
- before obtaining approval for the setup of real estate entities with foreign investment, (i) both the land use rights certificates and housing ownership right certificates should have been obtained or, (ii) contracts for obtaining land use rights or housing ownership rights should have been entered into;
- entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector, and entities which have been set up for real estate development operations need to obtain new approval in case they expand their real estate business operations;
- acquisitions of real estate entities and foreign investment in the real estate sector by way of round-trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;
- parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;
- registration shall be immediately effected according to applicable laws with MOFCOM regarding the setup of real estate entities with foreign investment approved by local PRC governmental authorities;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those who fail to file with MOFCOM; and
- for those real estate entities who are wrongfully approved by local authorities for their setups, (i) MOFCOM should carry out investigation and order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for them.

On September 27, 2007, the PBOC and the CBRC jointly issued a “Circular on Strengthening Commercial Real Estate Loan Administration” (關於加強商業性房地產信貸管理的通知) This circular reaffirmed some of the restrictions applicable to the sale of residential and commercial units imposed by prior regulations as well as introduced new rules that prohibit, among other things, the provision of working capital financing by commercial banks to property developers (other than property development loans, which may only be used on local property development projects and not on projects in other regions without prior approvals from governmental authorities). In the case of a borrower that purchases his first residential unit with GFA of more than 90 sq.m., he is required to

make a down payment of not less than 30% of the purchase price, with such percentage increasing to 40% for his subsequent residential unit purchases. In addition, the loan interest rate applicable to such subsequent residential unit purchases cannot be lower than 1.1 times of the benchmark lending rate published by the PBOC during the same period. For commercial units, the down payment should be no less than 50% of the purchase price, with a maximum loan period of 10 years and a minimum loan interest rate of 1.1 times the PBOC lending rate for the same period.

In June 2008, to strengthen regulation of real estate enterprises with foreign investment, MOFCOM issued the “Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector” (關於做好外商投資房地產備案工作的通知) (“Notice No. 23”). According to Notice No. 23, when a foreign-invested real estate enterprise is established or increases its registered capital, the provincial level MOFCOM is required to verify all records regarding such foreign-invested real estate enterprise. Notice No. 23 also requires that each foreign-invested real estate enterprise undertake only one approved property project.

On April 6, 2010, the State Council issued the “Opinions on Further Enhancing the Utilization of Foreign Investment” (關於進一步做好利用外資工作的若干意見), which provides that, projects with total investment (including capital increase) of less than US\$300 million within the category of industries in which foreign investment is encouraged or permitted as listed in the Guidance Catalog may be approved by local governments, except for those required to be approved by relevant departments of the State Council under the “Catalog of Investment Projects Approved by the Government” (政府核准的投資項目目錄).

On May 4, 2010, NDRC issued the “Circular on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects” (關於做好外商投資項目下放核准權限工作的通知), specifying that the power to verify foreign invested projects shall be delegated and project verification procedures shall be simplified. The circular provides that, except for the projects that are required to be verified by relevant departments of the State Council in accordance with the Catalog of Investment Projects Subject to Government Approvals, the foreign invested projects which are within the encouraged or permitted industry categories under the Guideline Catalog shall be verified by NDRC at the provincial level, provided that such projects have a total investment (including additional invested capital) of no more than US\$300 million. In addition, the circular specifies that, after the power to verify is delegated, project application and verification documents and verification conditions and procedures shall still be determined in accordance with the Tentative Administrative Measures for Verification of Foreign-invested Projects. According to the circular, the power to verify the projects within the restricted category under the Guideline Catalog is not delegated for the time being.

On June 10, 2010, MOFCOM released the “Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment” (商務部關於下放外商投資審批權限有關問題的通知). Under the circular, local authorities are granted the power to examine, approve and administrate the establishment and replacement of (i) foreign invested enterprises which are within the encouraged and permitted categories under the Guidance Catalog and have a total investment of no more than US\$300 million, and (ii) foreign invested enterprises which are within the restricted category under the Guidance Catalog and have a total investment of no more than US\$50 million.

In November 2010, MOFCOM promulgated the “Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry” (關於加強外商投資房地產審批備案管理的通知), which reiterated a number of these limitations on foreign-invested real estate enterprises.

On June 24, 2014, MOFCOM and SAFE jointly issued the “Notice on Improving the Registration of Foreign Investment in Real Estate” (關於改進外商投資房地產備案工作的通知), which became effective on August 1, 2014, in order to simplify the procedures of registration of foreign investment in the real estate sector in China.

On November 11, 2015, MOFCOM and SAFE jointly issued the “Circular on Further Improving the Record-filing for Foreign Investment in Real Estate” (關於改進外商投資房地產備案工作的通知). According to this circular, the record-filing procedure has been canceled.

On September 3, 2016, the National People’s Congress Standing Committee (NPCSC) adopted a decision on amending the law of foreign invested companies which became effective from October 1,

2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to relevant requirements of equity or senior management under the Guidance Catalog, will be subject to the special administrative measures for foreign investment entry. On the same day, MOFCOM promulgated the “Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises” (外商投資企業設立及變更備案管理 暫行辦法) which was amended on July 30, 2017.

### **Qualifications of a Property Developer**

Under the “Provisions on Administration of Qualifications of Property Developers” (房地產開發企業資質管理規定) (the “Provisions on Administration of Qualifications”) promulgated by the Ministry of Construction in March 2000 and amended in May, 2015, a property developer shall apply for registration of its qualifications in accordance with the Provisions on Administration of Qualifications. An enterprise may not engage in development and sale of property without a qualification classification certificate for property development. The construction authority under the State Council oversees the qualifications of property developers throughout the country, and the property development authority under a local government on or above the county level shall oversee the qualifications of local property developers.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to preliminary examination by the construction authority of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualifications shall be formulated by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government. A developer who fulfills the qualification requirements will be issued a qualification certificate of the relevant class by the qualification examination authority.

Under the Development Regulations, the property development authorities shall examine applications for registration of qualifications of a property developer when it reports its establishment, by considering its assets, professional personnel and business results. A property developer shall only undertake property development projects in compliance with the approved qualification registration.

After a newly established property developer reports its establishment to the property development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days of its receipt of the above report. The Provisional Qualification Certificate shall be effective for one year from the date of its issuance, while the property development authority may extend the validity to a period of no longer than two years considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before expiry of the Provisional Qualification Certificate.

A developer of any qualification classification may only engage in the development and sale of property within its approved scope of business and may not engage in business which is restricted to another classification. A class 1 property developer is not restricted as to the scale of property project to be developed and may undertake a property development project anywhere in the country. A class 2 property developer or lower may undertake a project with a gross floor area of less than 250,000 sq.m. and the specific scope of business shall be restricted to those agreed by the construction authority of the relevant province, autonomous region or municipality. Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer shall be

inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual qualification inspection with developers of class 2 or lower shall be formulated by the construction authority of the relevant province, autonomous region or municipality.

### **Development of a Property Project**

Under the “Interim Regulations of the People’s Republic of China on Grant and Transfer of the Use Right of 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) (“Interim Regulations on Grant and Transfer”) promulgated by the State Council in May 1990, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay a land premium to the government as consideration for the grant of the right to use a land site within a specified term, and the land user may transfer, lease, mortgage or otherwise commercially use the land use right within the term of use. Under the Interim Regulations on Grant and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into a land grant contract with the land user to provide for the grant of land use right. The land user shall pay the land premium as provided by the land grant contract. After payment in full of the land premium, the land user shall register with the land administration authority and obtain a land use right certificate evidencing the acquisition of land use rights. The Urban Real Estate Law and the Development Regulations provide that land use right for a site intended for property development shall be obtained through government grant except for land use right which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council.

Under the “Rules Regarding the Grant of State-owned Land Use Rights for construction by Way of 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 the Ministry of Land and Resources on September 28, 2007, state-owned land use rights for the purposes of industrial use, commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction and listing-for-sale. The procedures are as follows:

- The land authority under the people’s government of the city and county (the “assignor”) shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as the size of the land parcel, the qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit for the bid.
- The assignor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive bidding, public auction or listing-for-sale.
- After determining the winning tender or the winning bidder by either competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder shall then enter into a confirmation. The assignor should return the bidding or tender deposits to the unsuccessful bidding or auction applicants.
- The assignor and the winning tender or winning bidder shall enter into a contract for the grant of state-owned land use right according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the land premium for the grant of the state-owned land use right.
- The winning tender or winning bidder should apply for the land registration after paying off the land grant premium in accordance with the state-owned land use right grant contract. The people’s government above the city and county level should issue the “Land Use Permit for State-Owned Land.”

When carrying out a feasibility study for a construction project, a construction company shall make a preliminary application for construction on the relevant site to the land administration authority of

the same level as the project approval authority, in accordance with the “Measures for Administration of Examination and Approval for Construction Sites” (建設用地審查報批管理辦法) promulgated by the Ministry of Land and Resources in March 1999 and as amended in November 2010 and November 2016 and the “Measures for Administration of Preliminary Examination of Construction Project Sites” (建設項目用地預審管理辦法) promulgated by the Ministry of Land and Resources in July 2001 and as amended in October 2004 and November 2008 and November 2016, respectively. After receiving the preliminary application, the land administration authority shall carry out a preliminary process for the approval of various matters relating to the construction project in compliance with the overall zoning plans and land supply policy of the government, and shall issue a preliminary approval report in respect of the project site. The land administration authority of the relevant city or county shall sign a land grant contract with the land user and issue an approval for construction site to the construction company.

According to the Urban Real Estate Law, a land user who obtains land use right under the grant system must develop the land in accordance with the purposes for which the land is acquired and must commence the development within the time frame agreed to under the land grant contract. If the land user fails to commence development and construction within one year of the construction commencement date stipulated in the land grant contract, then the local land administration authority may impose a fine on the land user an “idle land fee” of up to 20% of the land premium agreed. If the land user fails to commence development of the relevant land after two years from the deadline set forth in land grant contract, the land user’s land use right may be forfeited. However, the foresaid penalties do not apply if the failure to commence development and construction is due to force majeure or caused by government actions.

On January 3, 2008, the State Council reiterated the abovementioned policies in the “Notice on Enhancing the Economical and Intensive Use of Land” (關於促進節約集約用地的通知). This notice states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) the prohibition of land supply for villa projects shall continue; (iv) the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy on land appreciation value on idle land; (v) in relation to the supply of residential land, planning conditions such as plot ratio limits and the number and type of flats that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grant for residential development will consist of low rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vi) financial institutions are required to exercise caution when approving financing for any property developer who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of their project or provide at least 25% of the total investment in the project.

On June 1, 2012, the Ministry of Land and Resources revised and promulgated the “Measure for the Disposal of Idle Land” (閒置土地處置辦法), which clarified the scope and definition of idle land, as well as the corresponding punishment measures. Pursuant to the Measures for the Disposal of Idle Land, under the following circumstances, a parcel of land shall be defined as “idle land”:

- any State-owned land for construction use, of which the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of State-owned land for construction use, or the decision on allocation of State-owned land for construction use; and
- any State-owned land for construction uses of which the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year.

If a parcel of land is deemed as idle land by competent department of land and resources, unless otherwise prescribed by the new Measures for the Disposal of Idle Land, the land shall be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Collecting Charges for Idle Land to the holder of the right to use the land and collect the charges for idle land at the rate of 20% of the land assignment or allocation fee; and the said charges for idle land shall not be included in the production cost by the holder of the land use right; and
- where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Recovering the Right to Use the State-owned Land for Construction Use to the holder of the land use right and recover the right to use the State-owned construction land without compensation.

On September 12, 2014, the Ministry of Land and Resources issued the “Guidelines on Improving Economical and Intensive Use of Land” (關於推進土地節約集約利用的指導意見), which implements the rules regarding idle land and specifies the controlling requirements of the land use standards in the relevant legal documents including land use approvals and land grant contracts.

Under the “Measures for Control and Administration of Grant and Transfer of Right to Use Urban State-owned Land” (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction in December 1992 and the “Notice of the Ministry of Construction on strengthening the Planning Administration of Assignment and Transfer of the Right to use State-owned Land” (關於加強國有土地使用權出讓規劃管理工作的通知) promulgated and implemented by the Ministry of Construction on December 26, 2002, the grantee to an land grant contract (i.e., a property developer) shall apply for a Permit for Construction Site Planning from the municipal planning authority with the land grant contract.

After obtaining a construction site planning permit, a property developer shall organize the necessary planning and design work in respect of the planning and design requirements. For the planning and design proposal in respect of a property development project, the relevant reporting and approval procedures required by the “PRC City and Rural Planning Law” (中華人民共和國城鄉規劃法) promulgated by the Standing Committee of the NPC in October 2007 as well as local statutes on municipal planning must be followed and a construction works planning permit must be obtained from the municipal planning authority.

On January 21, 2011, the State Council promulgated the “Regulation on Expropriation and Compensation Related to Buildings on State-owned Land” (國有土地上房屋徵收與補償條例) (the “Expropriation and Compensation Regulation”). The Expropriation and Compensation Regulation provides that, among other things:

- (i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations;
- (ii) compensation shall be paid before the resettlement;
- (iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property may apply to the real estate appraisal institution for re-appraisal, and
- (iv) neither violence nor coercion may be used to force home owners to leave sites, nor may certain measures, such as illegal suspension of water and power supplies, be used in relocation operations.

In addition to paying the demolition and removal compensation, the property developer undertaking the demolition and removal shall pay a removal allowance to the residents of the buildings to be demolished.

After obtaining the Permit for Construction Work Planning and prior to construction, a property developer is required to apply for a Construction Permit from the construction authority above the county level according to the “Measure for the Administration of Construction Permits for Construction Projects” (建設工程品質管制條例) enacted by the Ministry of Housing and Urban Rural Development on June 25, 2014 and effective from October 25, 2014.

A property project developed by a property developer shall comply with the relevant laws and statutes, requirements on construction quality, safety standards and technical guidelines on survey, design and construction work, as well as provisions of the relevant construction contract. After completion of works for a project, the property developer shall organize an acceptance examination according to the “Regulations on the Administration of Quality of Construction Works” (建設工程質量管理條例) promulgated and implemented by State Council on January 30, 2000, and the “Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, and shall also report details of the acceptance examination according to the “Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction in April 2000 and as amended in October 2009. Possession of a property development project may only be delivered after passing the necessary acceptance examination, and may not be delivered before the necessary acceptance examination is completed or without passing such an acceptance examination. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and, where such a project is developed in phases, an acceptance examination may be carried out for each completed phase.

### **Land for Property Development**

The provisions of the “Regulations on the Development, Operation and Management of Property” provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land for property development shall initially be obtained by government grant. Under the “Rules regarding the Grant of State-Owned Land Use Rights for construction by way of 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 the Ministry of Land and Resources on September 28, 2007 and effective on November 1, 2007, land for industrial use, commercial use, tourism, entertainment and commodity housing development shall be assigned by competitive bidding, public auction or listing-for-sale and, in the event that a land parcel for uses other than industry, commerce, tourism, entertainment and commodity housing development has two or more prospective purchasers after the promulgation of the relevant land supply schedule, the grant of the land parcel shall be performed by competitive bidding, public auction or listing-for-sale. Under the aforementioned regulations, the assignor shall prepare the public tender and competitive bidding documents and shall make an announcement 20 days prior to the day of public auction to announce the basic particulars of the land parcel and the time and venue of the public auction. The assignor shall conduct a vetting process of the bidding applicants and auction applicants, accept an open public tender to determine the winning tender; or hold an auction to ascertain a winning bidder. The assignor and the winning tender or winning bidder shall then enter into a confirmation and, then, into a land grant contract. The relevant land use rights certificates will not be issued prior to the full payment of the land premium.

On September 24, 2003, the Ministry of Land and Resources issued the “Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply 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) designed to strictly control land supply for high-end luxury property development. On May 30, 2006, the Ministry of Land and Resources published an “Urgent Notice on Tightening Land Administration” (關於當前進一步從嚴土地管理的緊急通知). The notice requires that all land used for property development must be assigned by competitive tender, auction or listing-for-sale, and that the supply of land for new villa projects shall be suspended.



In November 2009, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the “Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant” (關於進一步加強土地出讓收支管理的通知). The notice raises the minimum down payment level on land premiums to 50% of the total premium and requires the land premium to be paid in full within one year after the signing of a land grant contract, subject to limited exceptions.

On March 8, 2010, the Ministry of Land and Resources promulgated the “Circular on Strengthening Real Estate Land Supply and Supervision” (關於加強房地產用地供應和監管有關問題的通知). Under the circular, the minimum land premium shall not be less than 70% of the benchmark market price in the locality of the parcel of land granted, and the bidding deposit shall not be less than 20% of the minimum land premium. The circular makes further strict provisions on land grant contract administration. The land grant contract shall be entered into within 10 working days after the land grant deal is concluded. The down payment of 50% of the land premium shall be paid within one month of the date of land grant contract. The remaining balance shall be paid in accordance with provisions of the land grant contract within one year.

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the “Notice on Further Strengthening Control and Regulation of Land and Construction 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), which stipulates, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty town and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land auctions before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers’ own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, the Ministry of Land and Resources promulgated the “Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets” (關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which provides, among other things, that: (i) cities and counties that have less than 70% of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of 2010; (ii) land and resource authorities in local cities and counties shall report to Ministry of Land and Resources and provincial land and resource authorities, respectively regarding land with a premium rate of more than 50%; (iii) land designated for affordable housing which is used for property development against relevant policies or involved illegal dealing will be confiscated and the relevant land use rights will be withdrawn. Moreover, amending the plot ratio without approval is strictly prohibited.

On January 26, 2011, the State Council circulated the “Notice on Further Regulating the Real Estate Market” (關於進一步做好房地產市場調控工作有關問題的通知), which provides for more stringent management of housing land supply, among other things, that participants or individuals bidding on any land unit shall show proof of funding sources.

According to the “Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition)” and the “Catalog for Prohibited Land Use Projects (2012 Edition)” (關於印發《限制用地項目目錄》(2012年本)和《禁止用地項目目錄》(2012年本)) promulgated by the Ministry of Land and Resources in May 2012, the transferred area of residential housing projects should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, and (iii) 20 hectares for large cities, and plot ratio must be more than 1.0.

On September 6, 2012, the Ministry of Land and Resources promulgated the “Notice on Strict Implementation of Land Use Standards and Vigorous Promotion of Economical and Intensive Land Use” (關於嚴格執行土地使用標準大力促進節約集約用地的通知), which stipulates, among other things, that: (a) land use standard shall be strictly implemented and continuously improved. For industrial and commercial land transferred through lawful public tender, auction and listing-for-sale, the administration of land and resources of cities and counties shall establish the requirements related to land use standards for the schemes and announcement of land assignment, include such requirements in assignment contracts and strictly enforce the requirements. Construction lands that are listed in the Catalog for Prohibited Land Use Projects, or that fail to conform to the prescribed conditions in the Catalog for Restricted Land Use Projects, or for which the intensity of investment, floor area ratio, construction coefficient, ratio of green land, or proportion of administrative offices and living facilities land fail to conform to relevant requirements for industrial projects or total area or each functional division area surpasses the required limits or the land area and floor area ratio fails to conform to the conditions of the residential land supply shall not pass the land supply and approval procedures; (b) the format and substantial content of land use standard shall be strictly examined; (c) the implementation of land use standard shall be further supervised and evaluated; and (d) the land use standard training program shall be given to the officials in land and resources authorities, and such the land use standards shall be widely publicized for the purpose of effectuation.

On February 26, 2013, the General Office of the State Council issued the “Notice on Continuing to improve the Regulation and Control of Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知) which requires, among other restrictive measures, expanding ordinary commodity housing units and increasing the supply of land. The overall housing land supply in 2013 shall not be lower than the average actual land supply in the past five years.

To support the demand of buyers of residential properties and promote the sustainable development of China’s real estate market, the PBOC and CBRC jointly issued a notice in September 2014, which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

From September 30, 2016 to date, Beijing, Tianjin, Suzhou, Chengdu and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy. To promote the stable and healthy development of the real estate market in Beijing, among other measures, a new policy was adopted. This new policy requires the government to set a ceiling price for land granting and when bidders all bid at the ceiling price, the bidder with the lowest proposed property selling price would win the land. On October 12, 2016, the MOHURD required investigation and punishment of persons or entities that spread rumors, deliberately hype or disrupt the market to protect the rights and interests of housing buyers.

On February 13, 2017, the Asset Management Association of China issued the “No.4 Administrative Rules for the Filing of Private Equity and Asset Management Plans Issued by Securities and Futures Institutions” (證券期貨經營機構私募資產管理計畫備案管理規範第4號) which suspends filings by securities and futures institutions for private equity and asset management plans investing in the ordinary residential real estate projects located in 16 cities in China, including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan and Chengdu. It also prevents private equity and asset management plans from funding real estate development enterprises to make payment for land premiums or providing real estate development enterprises with working capitals by means of, among others, entering into entrusted loans and trust plans and transferring beneficial rights of assets.

The MOHURD and the Ministry of Land and Resources jointly issued the “Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply”

(關於加強近期住房及用地供應管理和調控有關工作的 通知) dated April 1, 2017 which provides, among others, that cities and counties that have more than one million inhabitants should make three-year (2017-2019) and a five-year (2017-2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course based on the period of depleting commodity residential housing inventory. For example, if the above period is longer than 36 months, no more land is to be supplied; if the said period is over 18 months but shorter than 36 months, land supply shall be reduced in size; if the said period is longer than six months but shorter than 12 months, more land shall be provided; however, if the current inventory could be sold in less than six months, land supply shall increase significantly within a short amount of time. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to insure that the property developers use internal funds to acquire lands and that, if the land bid capital originate from a questionable source, the property developers shall be disqualified and prohibited from bidding for land for a designated time.

### **Sale of Commodity Properties**

Under the “Measures for Administration of Sale of Commodity Properties” (商品房銷售管理辦法) promulgated by the Ministry of Construction in April 2001, sale of commodity properties can include both post-completion sales and pre-sales.

Any pre-sale of commodity properties shall be conducted in accordance with the “Measures for Administration of Pre-sale of Commodity Properties” (城市商品房預售管理辦法) (the “Pre-sale Measures”) promulgated by the Ministry of Construction in November 1994 and as amended in August 2001 and July 2004, respectively, and the Development Regulations. The Pre-sale Measures provide that pre-sale of commodity properties is subject to certain procedures. According to the Development Regulations and the Pre-sale Measures, a permit shall be obtained before a commodity property may be put up for pre-sale. A developer intending to sell a commodity property before its completion shall make the necessary pre-sale registration with the property development authority of the relevant city or county to obtain a pre-sale permit of commodity properties. A commodity property may only be sold before completion if the following conditions have been met:

- the land premium has been paid in full for the grant of the land use right involved and a land use right certificate has been obtained;
- a construction works planning permit and a construction works commencement permit have been obtained;
- the funds invested in the development of the commodity properties put up for 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 ascertained; and
- the pre-sale has been registered and a pre-sale permit has been obtained.

Local governments also may also have regulations on pre-sales of commodity properties. In Guangdong Province, according to the “Regulations on Administration of Pre-sale of Commodity Properties of Guangdong Province” (廣東省商品房預售管理條例) promulgated by the Standing Committee of Guangdong Provincial People’s Congress in July 1998, as amended in August 2000, July 2010 and September 2014, respectively, and a notice issued by Guangdong Provincial Construction Bureau in January 2001, the following conditions must be satisfied prior to any pre-sale of commodity properties in Guangdong Province:

- a real property development qualification certificate and a business license have been obtained;
- the construction quality and safety monitoring procedures have been performed;
- the structural works and the topping-out must have been completed in respect of properties of not more than seven stories, and at least two-thirds of the structural works must have been completed in respect of properties of more than seven stories;

- a special property pre-sale account with a commercial bank in the place where the project is located has been opened; and
- the properties subject to pre-sale and the related land use rights are free from third-party rights.

In Sichuan Province, under the “Implementation Opinion for the Administration of Pre-sale of Commodity Housing” (關於加強城市商品房預售管理的實施意見) promulgated by the Sichuan Provincial Government in March 2000, any pre-sale of commodity properties in Sichuan Province must satisfy the following conditions:

- the land premium has been paid in full for the grant of the relevant land use right, and a land use right certificate has been obtained;
- a Permit for Construction Works Planning has been obtained;
- in the case of a commodity property with not more than six stories, the structural works and the topping-out must have been completed. In the case of a non-residential property with not more than six stories and a commodity property with seven stories or more, (i) the foundation and ground floor structural works must have been completed if the building has underground facilities and (ii) the foundation and structural construction for the first six floors must have been completed if the building does not have underground facilities; and
- the construction progress and timetable and the completion date have been fixed.

In Nanjing, Jiangsu Province, under the “City of Nanjing Provisional Measures for the Administration of Sale of Commodity Housing of the City of Nanjing” (南京市商品房銷售管理暫行規定) promulgated by the Nanjing Municipal Government on August 4, 1993, any sale of commodity properties in Nanjing must satisfy the following conditions:

- property development right and approval from the Nanjing Municipal Administration for Industry and Commerce have been obtained;
- the land use right has been obtained from the Nanjing Municipal Land Administration Bureau;
- fixed asset investment permit and project approval from the Nanjing Municipal City Planning Bureau have been obtained;
- application for registration of real property ownership has been made to the Nanjing Municipal Real Estate Administration Bureau;
- for those commodity housing with underground facilities, the fund invested on those facilities must have been more than 20% of the total investment budget of the project. For those commodity properties without underground facilities, the construction of the foundation structure must have been completed; and
- the agreements on the use, management and servicing of the commodity properties must have been formulated.

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

Pursuant to the “Rules Governing the Administration of Urban and Town Property Transactions in Chongqing Municipality” (重慶市城鎮房地產交易管理條例) promulgated on June 7, 2002 and implemented on August 1, 2002 by the Standing Committee of the People’s Congress of Chongqing

Municipality, a property development entity has to comply with the following conditions in order to obtain a “Commodity Property Pre-sale Permit”:

- possesses a business license and the qualification class for property development;
- hold approval documents of land use rights; has paid all premiums in respect of the land use rights obtained by way of grant in accordance with the provisions of land administration laws and regulations and obtained the land use rights certificate;
- holds a construction works planning permit and a commencement of construction works permit;
- in terms of the commodity property available for pre-sale, funds incurred for development and construction have exceeded 25% or more of the total investment for construction works. Where the proposed property for pre-sale is multi-story, the topping of the superstructure has been completed, and for a high-rise, the area under construction has exceeded one-third of the proposed gross floor area approved by planning approvals;
- pre-sale of commodity property proposal. The pre-sale proposal shall specify such information relating to the commodity property, such as the location, fitment standards, works schedule and time of completion and delivery, total area for pre-sale and property management subsequent to delivery and possession, as well as a “Surveying Report of the Area of the Commodity Property for Pre-sale” issued by a professionally competent property surveying organization;
- has opened a designated account for proceeds from pre-sale of commodity property and signed a monitoring agreement with a commercial bank at the location of the project;
- have obtained the demolition permit issued by a property demolition and resettlement complete administration authority for property demolition and resettlement;
- no security right has been created in respect of the proposed commodity property for pre-sale and the land use rights of the land so occupied;
- other conditions as specified by laws and regulations.

According to the “Measures of Property Transactions in Shanghai Municipality” (上海市房地產轉讓辦法) promulgated on April 30, 1997, as amended on September 20, 2000 and April 21, 2004 and December 6, 2010, a property developer must comply with the following requirements in order to obtain a “Commodity Property Pre-Sale Permit”:

- the land premium has been fully paid;
- the real estate ownership have been registered with the relevant authority and real estate ownership certificate have been obtained;
- the developer holds a construction works planning permit;
- the developer holds a permit for the commencement of construction work;
- the completed areas of the properties have reached the required standard;
- the completion time of the properties and the plan for constructing related infrastructure have been confirmed;

In accordance with the above regulation, a property developer must apply to the Housing, Land and Resources Administration Bureau or country housing and land administration authorities of Shanghai Municipality, together with the abovementioned documentations, the floor plans. The review of the application shall be completed within 10 working days and the result of the application will be notified in writing. If the abovementioned requirements are met, the Commodity Property Pre-Sale Permit will be granted.

Under the “Circular of the General Office of the State Council on Forwarding the Opinion of Such Departments as the Ministry of Construction on Good Handling of Stabilizing House Prices” (國務院辦公廳轉發建設部與關於做好穩定住房價格工作意見的通知) promulgated by General Office of the State Council in May 2005, the purchaser of a pre-sold commodity property is prohibited from transferring such pre-sold property before the completion of its construction. Property developers are required to register pre-sales and sales of properties electronically with the local authorities on a real name and real time basis.

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

On March 16, 2011, NDRC promulgated the “Regulation on Price of Commodity Property” (商品房銷售明碼標價規定), which took effect on May 1, 2011. According to this regulation, property developers are required to make public the sale price of each apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to specify factors that would affect housing prices and relative charges before the property sale, such as commission fee and property management fee. No additional charge beyond what is specified in the price tag or made public by the property developers is permitted.

### **Real Estate Registration**

On November 24, 2014, the State Council promulgated the “Interim Regulations on Real Estate Registration” (不動產登記暫行條例), which became effective on March 1, 2015 and provides for the following, among others:

- the competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region, and such department shall be subject to the guide and supervision by the competent real estate registration authority at the higher level;
- the real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the natural condition, ownership conditions of the real estate and restriction of rights;
- the competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform basic management database for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform basic database to ensure the real-time sharing of registration information at the national, provincial, municipal and county level; and
- any right holder or interested party may apply for inquiring about or copying the real estate registration materials, and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purpose, and no such information may be disclosed to the public or others without the consent of the right holder.

The “Implementing Rules of the Interim Regulations on Real Estate Registration” (不動產登記暫行條例實施細則), effective from January 1, 2016, authorizes the real estate registration authority to perform a site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management.

## **Transfer of Real Estate**

According to the Urban Real Estate Law and the “Regulations 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 in August 1995, as amended in August 2001, a property owner may sell, bequeath or otherwise legally transfer the property to another person or legal entity. When a property is transferred, the ownership of the property and the land use rights attached to property are transferred. The parties to a transfer shall enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by government grant, the property may only be transferred on the condition that: (i) the land premium has been paid in full and a land use right certificate has been obtained; (ii) development has been carried out according to the land grant contract; and in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed, or in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been installed, and the site has been leveled and made ready for industrial or other construction purposes.

If the land use rights were originally obtained by government grant, the term of the land use rights after transfer of the property shall be the remaining life of the original term provided by the land grant contract. In the event that the transferee intends to change the use of the land provided in the original land grant contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land grant contract or a new land grant contract shall be signed in order to adjust the land premium accordingly.

If the land use rights were originally obtained by allocation, transfer of the property shall be subject to the approval of the government vested with the necessary approval authority as required by the State Council. After such approval, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

## **Leases of Properties**

On December 1, 2010, the MOHURD issued the “Administrative Measures for Commodity Housing Tenancy” (商品房屋租賃管理辦法), according to which parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent governmental construction (real estate) departments of the county, city, or directly-controlled municipality where the housing is located within 30 days of signing the housing tenancy contract. The relevant construction (real estate) departments are authorized to impose a fine of up to RMB1,000 on individuals, and a fine between RMB1,000 and RMB10,000 on other legal entities which are not natural persons and which fail to comply with the regulations within the specified time limit.

## **Mortgages of Real Estate**

Under the “Urban Real Estate Law” promulgated in July 1994, as amended in August 2007, the Guarantee Law of the People’s Republic of China (中華人民共和國擔保法) promulgated in June 1995 and implemented in October 1995, the “Measures for Administration of Mortgages of Urban Real Estate” (城市房地產抵押管理辦法) promulgated in May 1997, as amended in August 2001, when a mortgage is created on a building, a mortgage shall be simultaneously created on the land use right of the land on which the property is situated. The mortgager and the mortgagee shall sign a mortgage contract. After a real estate mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the real estate administration authority at the location where the property is situated. A real estate mortgage contract shall come into effect on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the “third party rights” item on the original property ownership certificate and then issue a certificate of third-

party rights on the property to the mortgagee. If a mortgage is created on the commodity property put up for pre-sale or on property in development, the registration authority shall record the details on the mortgage contract. If construction of a property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the property after issuance of the certificates evidencing the rights and ownership to the property.

In September 2010, PBOC and the CBRC jointly issued the “Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies” (關於完善差別化住房信貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is raised to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) on their third or more residential property or to non-local residents who cannot provide documentation payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of terms of the land contract, changing the land usage, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities have promulgated measures to restrict the number of residential properties a household is allowed to purchase, such as Guangzhou, Shenzhen, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian.

In November 2010, MOHURD, the Ministry of Finance, CBRC and PBOC jointly promulgated the “Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve Loan” (關於規範住房公積金個人住房貸款政策有關問題的通知), which provides that, among other things: (i) where a first-time home buyer (including the borrower, his or her spouse and minor children) applying for housing loans to buy an ordinary residence for self-use with a unit floor area: (a) equal to or less than 90 sq.m., the minimum down payment shall be at least 20%, (b) more than 90 sq.m., the minimum down payment shall be at least 30%; (ii) for a second-time home buyer applying for housing loans, the minimum down payment shall be at least 50% with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing loan will only be available to families whose per capital housing area is below the average in locality and such loan must only be used to purchase an ordinary residence for self-use to improve living conditions; and (iv) housing loans to families for their third or more residential property purchase will be suspended.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), requiring: (i) a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation evidencing payment of local tax or social security for longer than a specified time period, are not permitted to acquire any residential properties. In order to implement the “Notice on Further Strengthening Regulation and Control of Real Property Markets”, certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties a household is allowed to purchase.

On February 26, 2013, the General Office of the State Council announced the “Notice on Continuing to Improve the Regulation and Control of the Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides, among others things, that for those cities with excessive increase in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties. Since August 2014, most of the local governments have issued their respective measures to lift the housing purchase restrictions. For example, Foshan eased its home purchase restriction on August 7, 2014 by allowing non-residents to buy one housing unit and registered local residents to buy up to two units.

To support the demand of buyers of residential properties and promote the sustainable development of China’s real estate market, the PBOC and CBRC jointly issued a notice in September 2014, which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its



living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve their living conditions, and allow the bank to decide at its own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower.

On August 27, 2015, the MOHURD, the MOF and PBOC jointly issued 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比例的通知) to further improve the policies on the personal housing loans from a housing provident fund and support the needs of depositing workers, under which, from September 1, 2015, 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%.

In February 2016, PBOC and CBRC jointly issued the Circular on Issues Concerning Adjusting the Individual Housing Loan 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 restrictions on the purchase of residential property have not been implemented, the minimum down payment ratio for a first-time home buyer is, in principle, 25% of the property price, which can be adjusted downward by 5% by the local authorities. For existing residential property household owners who have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. In cities that have implemented restrictions on the purchase of residential property, the personal housing commercial loan policies shall remain unchanged.

### **Real Estate Financing**

The PBOC issued the “Circular on Further Strengthening the Management of Loans for Property Business” (關於進一步加強房地產信貸業務管理的通知) in June 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity houses as follows:

- Property development loans should be granted to property developers that are qualified for property development, with high credit ratings and have no overdue payment for construction. For property developers with a high vacancy rate of commodity properties and high debt ratio, banks shall apply more stringent approval procedures for new property development loans and closely monitor their activities.
- Commercial banks shall not grant loans to property developers to finance the payment of land premium.
- Commercial banks may not provide loans in any form for a property development project without a land use right certificate, construction land planning permit, construction works planning permit and construction works commencement permit.
- Commercial banks may only provide housing loans to individual purchasers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the first installment remains to be 20%. For any additional purchase of residential unit(s), the percentage of the first installment shall be increased.

- When a borrower applies for mortgage loan of individual commodity property, the mortgage shall not be more than 60% of the purchase price of the property. In addition, the tenure of the loan may not be more than 10 years and the commodity house shall be completed and delivery accepted after inspection.

The down-payment requirement was subsequently increased to 30% of the property price for residential units with a GFA of 90 sq.m. or more, effective on June 1, 2006. See “— Measures on Stabilizing Housing Prices” below.

The State Council issued the “Circular on Facilitating the Continuously Healthy Development of Property Market” (關於促進房地產市場持續健康發展的通知) issued by the State Council in August 2003, which contains a series of measures to control the property market. They include, but are not limited to, strengthening the construction and management of economical houses, increasing the supply of ordinary commodity properties and controlling the construction of high-end commodity properties. The PRC government also adopted a series of measures in respect of property development loans, which include placing greater effort on provision of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring procedures over property loans. It is expected that the circular should have a long-term positive effect on the development of the PRC property market by facilitating the healthy growth of the PRC property market.

Pursuant to the “Guidance on Risk Management of Property Loans Granted by Commercial Banks” (商業銀行房地產貸款風險管理指引) issued by the CBRC in September 2004, any property developer applying for property development loans must have at least 35% of the total capital required for the development and a commercial bank should maintain a strict loan system for considering applications for property development loans.

Under the “Notice of the People’s Bank of China on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve” (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) issued by the PBOC on March 16, 2005 and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued “Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices” (關於調整住房供應結構穩定住房價格的意見). These opinions stipulate that a commercial bank shall not lend funds to property developers with an internal capital ratio of less than 35%, or grant revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, or take commodity properties which have been vacant for more than three years as security for mortgage loans. The opinions also require that, from June 1, 2006, the minimum amount of down payment shall not be less than 30% of the purchase price of the underlying individual commodity houses with a GFA of 90 sq.m. or more.

On July 10, 2007, SAFE issued a circular indicating that, for foreign-invested enterprises in the property sector, it would not process any foreign debt registration applications or conversion of foreign debt that was approved by the local MOFCOM and filed with MOFCOM after June 1, 2007.

On September 27, 2007, the PBOC and the CBRC issued the “Circular on Strengthening the Credit Management for Commercial Real Property” (關於加強商業性房地產信貸管理的通知), with a supplement issued in December 2007. The circular aims to tighten the control over property loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first time home buyer, increasing the minimum amount to 30% of the purchase price as down payment where the property has a unit floor area of 90 sq.m. or above and the purchaser is buying the property for use as one’s own residence;
- for a second time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price; and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate. If a member of a household

(including the buyer, his/her spouse and their children under 18) finances the purchase of a residential unit, any member of the household that buys another residential unit with loans from banks will be regarded as a second time home buyer;

- for commercial property purchases, (i) prohibiting banks from financing any purchase of pre-sold properties; (ii) increasing the minimum amount of down payment to 50% of the purchase price; (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate; and (iv) limiting the tenure of such bank loans to no more than ten years, although commercial banks are allowed some discretion based on its risk assessment;
- for purchases of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price, with the other terms to be decided by reference to commercial properties; and
- prohibiting commercial banks from providing loans to property developers who have been found by relevant government authorities to be holding excessive amounts of land and properties.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35% of capital funds (proprietary interests), or where there is failure to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral. In principle, property development loans provided by commercial banks should only be used for projects in areas where the commercial bank is located. Commercial banks may not provide loans to property developers to finance the payment of land use rights grant fees.

According to the notice on “Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans” (擴大商業性個人住房貸款利率下浮幅度支持居民首次購買普通住房), the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio of residential properties was lowered to 20% for units with a area of less than 90 sq.m.

In January 2010, the General Office of the State Council issued a “Circular on Facilitating the Stable and Healthy Development of Property Market” (關於促進房地產市場平穩健康發展的通知), adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance on the purchase of property, curb speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a household (including a borrower, his or her spouse and children under 18), which has already purchased a residence through mortgage financing and has applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

On April 17, 2010, the State Council issued the “Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities” [Guofa (2010) No. 10] (國務院關於堅決遏制部分城市房價過快上漲的通知) which stipulated that down payment for the first property with an area of more than 90 sq.m. shall not be less than 30% of the purchase price; down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans.

On May 26, 2010, the MOHURD, PBOC and the CBRC jointly issued the “Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Commercial Personal Housing Loans” (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account the total number of residential properties owned by the household of such purchaser (including the purchaser and his or

her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

In September 2010, PBOC and the CBRC jointly issued the “Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies” (關於完善差別化住房貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is increased to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who cannot provide documentation evidencing payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of violating the terms of the land grant, changing the land usage, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities, such as Guangzhou, Shenzhen, Foshan, Zhuhai, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian have promulgated measures restricting the number of residential properties a household is allowed to purchase.

In November 2010, MOHURD and SAFE jointly promulgated the “Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals” (關於進一步規範境外機構和個人購房管理的通知), pursuant to which, a foreign individual can only purchase one unit of residential property for self-use in the PRC and an overseas institution which has established a branch or representative office in the PRC can only purchase non-residential properties for business use in the city where it is registered within the PRC.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), which: (i) imposes a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are excessively high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation evidencing payment of local tax or social security for longer than a specified time period, are not permitted to acquire any residential properties. In order to implement the “Notice on Further Strengthening Regulation and Control of Real Property Markets”, certain cities, including Beijing, Shanghai, Chengdu, Qingdao, Hainan, Nanjing, Guangzhou, Tianjin, Shenyang and Jinan, have promulgated measures to restrict the number of residential properties a household is allowed to purchase.

On February 20, 2013, the executive meeting of the State Council chaired by Premier Wen Jiabao issued a document emphasizing the strict implementation of tightening measures for the real estate market. The measures include completing a system of responsibility for stabilizing housing prices; restraining purchases of residential housing for investment and speculation purposes; expanding the supply of both ordinary commodity housing and of land; accelerating construction of affordable housing projects; and strengthening market supervision.

On February 26, 2013, the General Office of the State Council announced the “Notice on Continuing to Improve the Regulation and Control of the Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides that for those cities with excessive increase in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties. On November 15, 2013, the General Office of the People’s Government of Guangzhou issued the “Opinions concerning Further Strengthening of the Macroeconomic Control of the Real Property Market” (《廣州市人民政府辦公廳關於進一步做好房地產市場調控工作的意見》), which requires the Guangzhou Branch of PBOC to further increase minimum down payment for loans to purchase second properties in accordance with the price control targets of Guangzhou.

To support the demand of buyers of residential properties and promote the sustainable development of China’s real estate market, the PBOC and CBRC jointly issued a notice in September 2014, which

provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve their living conditions, and allow the bank to decide at its own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower.

### **Property Management**

According to the Guidance Catalog, property management business falls within the category of permitted foreign-invested industries. According to the Guidance Catalog and the relevant requirements set out under the laws and the administrative regulations on foreign-invested enterprises, a foreign-invested real estate management enterprise can be set up in the form of a Sino-foreign equity joint venture, a Sino-foreign cooperative joint venture or a wholly owned foreign enterprise. Before the SAIC registers a foreign-invested enterprise as a foreign-invested real estate management enterprise, the foreign-invested real estate management enterprise should obtain an approval from the relevant department of commerce and receive a “foreign-invested enterprise approval certificate.”

According to the “Regulation on Real Estate Management” (物業管理條例) enacted by the State Council on June 8, 2003 and enforced on September 1, 2003, as amended on August 26, 2007 and effective on October 1, 2007, the state implements a qualification scheme system in monitoring the real estate management enterprises. According to the “Measures for Administration of Qualifications of Real Estate Management Enterprises” (物業管理企業資質管理辦法) enacted by the Ministry of Construction on March 17, 2004 and enforced on May 1, 2004, a newly established real estate management enterprise shall, within 30 days of receiving its business license, apply to the applicable local authority for the grant of qualification certificate. The applicable local authority will assess the qualification of the applicant and issue a “real estate management qualification certificate” based on assessment. The Ministry of Construction amended the “Measures for Administration of Qualifications of Real Estate Management Enterprises” on November 26, 2007 and changed its title to “Measures for Administration of Qualifications of Real Estate Service Enterprises” (物業服務企業資質管理辦法). The amendment removed the requirement of annual inspection of real estate management enterprises and replaced the references to “real estate management enterprises” with references to “real estate service enterprises.”

According to the “Measures for the Administration on Qualifications of Real Estate Service Enterprises,” real estate service enterprise shall be accredited as class one, class two or class three of qualification. The Department of Construction of the State Council is responsible for the issuance and administration of the qualification certificate for class one real estate service enterprises. The competent construction departments of the relevant provincial and regional government are responsible for issuing and administrating the qualification certificate for class two real estate service enterprises, and the competent realty departments of the relevant municipal government are responsible for issuing and administrating the qualification certificate for class two and three real estate service enterprises. The competent realty departments of the people’s governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three real estate service enterprises.

The real estate service enterprises with class one qualification may undertake various property management projects. The real estate service enterprises with class two qualification may provide

property management services to residential properties of less than 300,000 sq.m. of GFA and non-residential properties of less than 80,000 sq.m. of GFA. The real estate service enterprises with class three qualification may provide property management services to residential properties with less than 200,000 sq.m. of GFA and non-residential properties with less than 50,000 sq.m. of GFA.

According to the “Regulation on Real Estate Management,” the general meeting of owners in a property can appoint or dismiss the property management service provider with affirmative votes of more than half of the owners who in the aggregate hold more than 50% of the total uncommunal area of the property. Before the formal appointment of a property service enterprise by the general meeting of the owners, a written temporary service contract should be signed by the construction institutions (for example, a developer) and a property service enterprise.

### **Insurance**

There is no mandatory provision in under PRC laws and regulations requiring a property developer to obtain insurance policies for its property developments. According to the common practice of the real estate industry in Guangdong, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies are required to pay for the insurance premium at their own costs and obtain insurance to cover their liabilities, such as third-party’s liability risk, employer’s liability risk, risk of non-performance of contract in the course of construction and risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all the aforementioned risks ceases immediately after the completion and acceptance upon inspection of construction.

### **Hotel Development**

According to the Guidance Catalog, Construction and operation of common and economic hotels fall within the category of “permitted foreign investment industry.”

A foreign-invested enterprise engaging the hotel business can set up an enterprise in the form of Sino-foreign equity joint venture, Sino-foreign co-operative joint venture or wholly foreign-owned enterprise according to the Guidance Catalog and the requirements of the relevant laws and the administrative regulations on foreign-invested enterprises.

Hotel developments in China are also subject to regulations governing property development generally, including those relating to land use, project planning and construction.

Currently, no dedicated regulator has been designated for the hotel industry in the PRC. The governmental regulation of operations of hotel business is undertaken by different authorities in accordance with the respective business scopes of different hotels.

### ***Supervision on security and fire control***

Pursuant to the “Measures for the Control of Security in the Hotel Industry” (旅館業治安管理办法) issued by the Ministry of Public Security of the People’s Republic of China and enforced on November 10, 1987, a hotel can start operations only after obtaining an approval from the local public security bureau and being issued a business license. The hotel operators should make a filing with the local public security bureau and its branches in the county or city, if the hotel operators has any material change such as closing, transferring business or merging into other business, changing place of business and name. Pursuant to the “Provisions on the Administration of Fire Control 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) enacted by the Ministry of Public Security on November 14, 2001 and enforced on May 1, 2002, hotels (or motels) are subject to special regulation in terms of fire control and safety. When a hotel is under construction, renovation or re-construction, a fire control examination procedure is required and when the construction, renovation or reconstruction project is completed, a hotel can only open for business after passing a fire control inspection.

### ***Supervision on public health***

According to relevant regulations and rules in relation to public health, hotels are subject to public health regulation. The operating enterprise should gain the sanitation license. The measures for

granting and managing sanitation license are formulated by public health authority of the province, autonomous region, and municipality directly under the central government. The sanitation license is signed by the relevant public health administration and the public health and epidemic prevention institutions grant the license. The sanitation license should be reviewed once every two years.

### ***Supervision on food hygiene***

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain food hygiene licenses. Food hygiene licenses are granted by food hygiene administrative bodies above county level. The purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards of food hygiene.

### ***Supervision on entertainment***

According to the “Regulation on the Administration of Entertainment Venues” (娛樂場所管理條例) enacted by the State Council on January 29, 2006 and effective on March 1, 2006 and as amended in February 2016, hotels that operate singing, dancing and game facilities for profit should apply to the relevant local competent authorities of culture administration for entertainment commercial operations approvals. The relevant local competent authorities for entertainment administration shall issue a license for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venue according to the prescriptions by the competent authorities of entertainment administration under the State Council in its approval. According to the regulations concerning broadcast, movies and television, hotels with three stars or above or with the second rank of the national standards may apply to local broadcast and television administration of the county or above for setting ground equipment receiving satellite signal to receive entertainment programs from abroad. After finishing setting ground equipment and gaining the approval from broadcast and television administration from the relevant provincial, regional and municipal government and the approval from state security administration, the permit of receiving foreign television program from satellite is issued.

### ***Supervision on disposition of sewage and pollutants***

According to “Regulations of the Ministry of Construction on the Conditions for the Fifteen Items of Administrative Licensing that are Included in the Decisions of the State Council” (建設部關於納入國務院決定的十五項行政許可的條件的規定) enacted by the Ministry of Construction on October 15, enforced on December 1, 2004, hotels that use or plan to use the city sewage system for water drainage should apply to the local city construction authority for city water-draining permit.

### ***Supervision on special equipment security***

Elevators (lifts or escalators), boilers and pressure containers are treated as special equipment under relevant PRC regulations. According to the “Regulations on Security Supervision of Special Equipment” (特種設備安全監察條例) enacted by the State Council on January 24, 2009 and enforced on May 1, 2009, hotels should register with the special equipment security supervision authority of municipal government or city which has set up districts, and should undergo periodic inspection by the special equipment examination institution.

## **Major Taxes Applicable to Property Developers**

### ***Income Tax***

According to the EIT Law which was promulgated by the National People’s Congress on March 16, 2007 and became effective on January 1, 2008 and as amended on February 24, 2017, a uniform income tax rate of 25% is applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Furthermore, the EIT Law and its implementation rule provide that a withholding tax rate of 10% will normally be applicable to dividends payable to non-PRC enterprise investors 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 enterprise shareholders reside whereupon the relevant tax may be reduced or exempted.

## ***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 in 2008, the tax rate of the transfer of immovable properties, their superstructures and attachments is 5%. The business tax rate for our property management and hotel operation businesses is also 5%. Pursuant to the “Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-Added Tax” (關於全面推開營業稅改征增值稅試點的通知) and the “Implementing Measures for the Pilot Program for Transition from Business Tax to Value-added Tax” (營業稅改征增值稅試點實施辦法) issued by the MOF and SAT on March 23, 2016. On May 1, 2016, the “transitioning from business tax to value-added tax” scheme became effective. The sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. 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專案增值稅徵收管理暫行辦法) issued on March 31, 2016 and implemented on May 1, 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 estate self-development in accordance with the following formula:

Prepaid VAT = Presale proceeds ÷ (1 + applicable rate or simplified rate) 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 refer to (1) real estate projects with commencement dates of construction stated in the Construction Permits prior to April 30, 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 April 30, 2016 but has yet to receive Construction Permits.

## ***LAT***

According to the requirements of the “Provisional Regulations of the People’s Republic of China on Land Appreciation Tax” (中華人民共和國土地增值稅暫行條例) (the “Provisional Regulations”) promulgated on December 13, 1993 and effective on January 1, 1994, and the “Detailed Implementation Rules on the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax” (中華人民共和國土地增值稅暫行條例實施細則) (the “Detailed Implementation Rules”) promulgated and effective on January 27, 1995, any appreciation amount gained from taxpayer’s transfer of property shall be subject to LAT. LAT is levied according to four 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:

- amount paid for obtaining the land use rights;
- costs and expenses for land development;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;



- related tax payable for transfer of property;
- other deductible items as specified by the Ministry of Finance.

According to the requirements of the “Provisional Regulations, the Detailed Implementation Rules” and the “Notice Issued by the Ministry of Finance in Respect of the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before January 1, 1994” (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) announced by the Ministry of Finance and the State Administration of Taxation on January 27, 1995, LAT shall be exempted under any one of the following circumstances:

- Taxpayers constructing ordinary standard residences for sale (i.e., the residences built in accordance with the local standard for general use residential properties; deluxe apartments, villas, resorts, for example, are not categorized as ordinary standard residences) in which the appreciation amount does not exceed 20% of the sum of deductible items;
- Property taken over and repossessed according to the law due to the construction requirements of the government;
- Due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of which they have been living there for 5 years or more, and after obtaining tax authorities’ approval;
- For property assignments which were signed before January 1, 1994, whenever the properties are transferred, the LAT shall be exempted;
- Either when the property assignments were signed before January 1, 1994 or when the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, LAT shall be exempted if the properties are transferred within five years after January 1, 1994 for the first time. The date of signing the assignment shall be the date of signing the Sale and Purchase Agreement. Particular property projects which are approved by the government for the development of the whole piece of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by Ministry of Finance and State Administration of Taxation, the tax-free period would then be appropriately prolonged.

After the enactment of the Provisional Regulations and the Detailed Implementation Rules, due to the longer period for the property development and transfer, many local tax authorities in the course of implementing the regulations and rules did not force the property developers to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau had separately and jointly issued several notices to restate the requirement that after the assignment contracts are signed, the taxpayers should declare the tax to the local tax authorities with jurisdiction over the underlying property, and pay LAT in accordance with the amount calculated by the tax authority and the time as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority shall not process the relevant title change and shall not issue the property ownership certificate.

The State Administration of Taxation also issued the “Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax” (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up sound taxpaying declaration system for LAT, to modify the methods of pre-levying for the pre-sale of property. Such notice also pointed out that either for the property assignment contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within 5 years after January 1, 1994 for the first time is expired, and such tax shall be levied again.

On August 2, 2004, the State Administration of Taxation issued the “Notice of the State Administration of Taxation in Respect of Enhancing the Administration of Land Appreciation Tax” (關於加強土地增值稅管理工作的通知) in order to further clarify the taxpayers’ duties in relation to filing of periodic tax returns. On August 5, 2004, the State Administration of Taxation issued the “Notice of the State Administration of Taxation in Respect of Further Enhancing the Administration on Collection of Urban Land Use Tax and Land Appreciation Tax” (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) to further enhance the administrative efforts relating to the collection of LAT. It is stipulated in this notice that the waiver of LAT on any land grant contracts executed prior to January 1, 1994 has expired, and that appreciation in land value shall be subject to LAT irrespective of the time of assignment.

On March 2, 2006, the State Administration of Taxation and the Ministry of Finance issued the “Circular of the Ministry of Finance and the State Administration of Taxation on Land Appreciation Tax” (關於土地增值稅若干問題的通知). The Circular stipulated the following:

- Taxpayers constructing both ordinary residential properties and other commodity houses should calculate the LAT separately, and declare the tax to the local tax authorities where the properties are located.
- Local authorities shall determine, and adjust as appropriate, the provisional LAT rates considering the relevant real property market, the type of building constructed and any other applicable factors.
- A taxpayer who fails to prepay the LAT within the stipulated time frame may be liable to a penalty under the “Administrative Law of the People’s Republic of China on the Levying and Collection of Taxes.”
- In relation to completed property projects, if 85% or more of the saleable GFA has been assigned or transferred, then the local tax authority may require the taxpayer to pay tax on the income from the assigned or transferred property.
- For taxpayers whose shareholders or joint-cooperation partners contributed real properties as capital to such taxpayers, the temporary tax exemption in relation to ordinary residential properties does not apply.

On December 28, 2006, the State Administration of Taxation issued the “Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises” (關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on February 1, 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 (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole uncompleted development project; or (3) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if any of the following criteria is met: (1) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (3) the developer applies for cancelation of the tax registration without having settled the relevant LAT; or (4) 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; (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.

To further strengthen LAT enforcement, in May 2009, the State Administration of Taxation released the “Rules on the Administration of the Settlement of Land Appreciation Tax” (土地增值稅清算管理規程), which became effective on June 1, 2009.

On May 19, 2010, the State Administration of Taxation has issued the “Circular on Issues Concerning Settlement of Land Appreciation Tax” (關於土地增值稅清算有關問題的通知) which clarifies revenue recognition in the settlement of LAT and other relevant issues. According to the said circular, in the settlement of LAT, if the sales invoices of commodity properties are issued in full, the revenue shall be recognized based on the amount indicated in the invoices; if the sales invoices of commodity properties are not issued or are issued in part, the revenue shall be recognized based on the purchase price indicated in the sales contract as well as other proceeds. If the area of a commodity property specified in a sales contract is inconsistent with the result obtained by the relevant authorities after on-site survey, and if purchase price for the property is made up or refunded before the settlement of LAT, adjustments shall be made accordingly in the calculation of LAT. The said circular also provides that the deed tax paid by a real estate development enterprise for land use rights shall be treated as the “relevant fees paid in accordance with the uniform regulations of the state” and be deducted from the “amount paid for land use rights.”

On May 25, 2010, the State Administration of Taxation published the “Circular on Strengthening the Collection and Administration of Land Appreciation Tax” (關於加強土地增值稅徵管工作的通知) to require all local governments to scientifically formulate the tax rate and strengthen provisional LAT taxation. According to this circular, all local governments shall make adjustments to the current provisional LAT rate. In addition to safeguarding housing, the provisional LAT rate of provinces in the eastern region shall not be lower than 2%, while the provinces in middle and northeastern region shall not be lower than 1.5% and the provinces in western region shall not be lower than 1%. The local governments shall determine the provisional LAT rate applicable to different types of real estate.

### ***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 in July 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be responsible for the payment of deed tax. The rate of deed tax is 3%–5% of the purchase price. The governments of provinces, autonomous regions and municipalities may, within the foresaid range, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record. Pursuant to the “Implementation Provisions on Deed Tax in Guangdong Province” promulgated by the People’s Government of Guangdong in May 1998, the rate of deed tax in Guangdong is 3%.

### ***Urban Land Use Tax***

Pursuant to the “Interim Regulations of the People’s Republic of China on Land Use Tax in respect of Urban Land” (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council in September 1988 as amended in December 2006, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30. Any foreign investment enterprise using urban land is required to pay the tax on urban land use accordingly from January 1, 2007. According to the “Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China” promulgated by the Ministry of Finance on November 2, 1988 and the “Approval on Land Use Tax Exemption of Foreign-Invested Enterprises” issued by State Administration of Taxation on March 27, 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise. However, the Interim Regulations of the People’s Republic of China on Land Use Tax in respect of Urban Land were revised by the State Council on December 31, 2006. As of January 1, 2007, land use tax shall be collected from foreign-invested enterprises. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

## ***Property Tax***

Under the “Interim Regulations of the People’s Republic of China on Property Tax” (中華人民共和國房產稅暫行條例) enacted by the State Council on September 15, 1986 and enforced on October 1, 1986, the property tax rate is 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

On January 27, 2011, the government of Chongqing Municipality issued the “Interim Measures Concerning Pilot Property Tax Scheme on Certain Personal Residential Properties” (關於進行對部分個人住房徵收房產稅改革試點的暫行辦法) and the “Implementation Rules for Collecting Administration Regarding Property Tax on Personal Residential Properties” (重慶市個人住房房產稅徵收管理實施細則), each effective on January 28, 2011. The Chongqing government will execute the pilot scheme to impose property tax on personal residential properties within the nine major districts of Chongqing Municipality in stages from January 28, 2011. The first batch of personal properties subject to property tax include (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two years, and (iii) the second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals in Chongqing who are not employed in and do not own an enterprise in Chongqing. Stand-alone residential properties (such as villas) and high-end residential properties that are priced less than three times, three to four times or more than four times of the average price per square meter of new residential properties developed within the nine major districts in the last two years will be subject to property tax rates at 0.5%, 1% or 1.2%, respectively, of the property’s purchase price. The second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals who are not employed in and do not own an enterprise in Chongqing will be subject to property tax rate at 0.5% of the property’s purchase price. The following area will be deductible from the tax base: (i) 180 sq.m. for stand-alone residential properties (such as villas) purchased before January 28, 2011, and (ii) 100 sq.m. for stand-alone residential properties (such as villas) and high-end residential properties purchased on or after January 28, 2011. The deductible area will apply to only one taxable residential property for a household, but not to any non-resident individual who is not employed in and does not own an enterprise in Chongqing.

On January 27, 2011, the government of Shanghai Municipality issued the “Interim Measures on Pilot Property Tax Scheme on Certain Personal Residential Properties in Shanghai” (上海市開展對部分個人住房徵收房產稅試點的暫行辦法), which provides that, within the territory of the administrative regions of the Shanghai Municipality, property tax will be imposed on any purchase of a second (or further) residential property by local residents or any purchase of a residential property by non-local residents on or after January 28, 2011, at rates ranging from 0.4% to 0.6% based on 70% of the purchase price of the property. These measures became effective on January 28, 2011.

## ***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 in August 1988, for building property transfer instruments, including those in respect of property ownership transfer, the 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.

## ***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 by the State Council in 1985, a 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 or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

In October 2010, the State Council issued the “Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign 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), pursuant to which, from December 1, 2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the “Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises” (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知) promulgated by the Ministry of Finance and the State Administration of Taxation in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

### ***Education Surcharge***

Under the “Interim Provisions on Imposition of Education Surcharge” (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the “Notice of the State Council on Raising Funds for Schools in Rural Areas” (國務院關於籌措農村學校辦學經費的通知). Under the “Supplementary Notice Concerning Imposition of Education Surcharge” (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the “Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises” and the “Reply on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises” issued by the State Administration of Taxation on February 25, 1994 and on September 14, 2005, respectively, whether foreign-invested enterprises are subject to the education surcharge will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Pursuant to the aforesaid “Unification of Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals”, from December 1, 2010, an education surcharge is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals.

Pursuant to the aforesaid “Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises”, foreign-invested enterprises must pay an education surcharge on any value-added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from paying an education surcharge on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

### **Measures on Stabilizing Housing Prices**

The General Office of the State Council promulgated the “Circular on Stabilizing Housing Prices” (關於切實穩定住房價格的通知) in March 2005 requiring measures to be taken to keep housing prices from increasing too fast and to promote the healthy development of the property market. The “Opinions on Work of Stabilizing Housing Price,” jointly issued by the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and resources, the PBOC, the State Administration of Taxation and the CBRC in April 2005 provides that:

- Where housing prices grow too fast at a time when the supply of medium- or low-priced ordinary commodity houses and affordable housing is insufficient, construction of new names should mainly focus on projects of medium- or low-priced ordinary commodity houses and affordable housing. The construction of low-density, high-quality houses shall be strictly controlled. With respect to construction projects of medium- or low-priced ordinary commodity houses, before land supplying, the municipal planning authority shall, according to controlling detailed planning, set forth such conditions for planning and design as height, plot ratio and green space, while the property authority, together with other relevant authorities, shall set forth such controlling requirements as sale price,

type and area. Such conditions and requirements will be established as preconditions of land grant to ensure adequate supply of medium- or low-priced houses and houses with medium or small area. Local governments are asked to strengthen the supervision of planning permit for property development projects. Housing projects that have not been commenced within two years must be examined again, and those not in compliance with the planning permits shall have their permits revoked.

- Where the price of land for residential use and residential house grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses with medium or low price and economical houses should be especially increased. Land supply for villa construction shall continue to be suspended, and land supply for high-end housing property construction shall be strictly restricted.
- Idle land fee shall be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use right of land that has not been developed for two years shall be forfeited without compensation.
- Starting from June 1, 2005, business tax on the transfer of a residential house by an individual within two years from date of purchase shall be levied on the basis of the full amount of the income therefrom. For an individual having transferred an ordinary residential house for two years or more from date of purchase, the business tax will be exempted. For an individual having transferred a residential property other than ordinary residential house for two years or more from date of purchase, the business tax will be levied on the basis of the difference between the income from selling the house and the purchase price.
- Low- to medium-cost ordinary residential houses with medium or small area may enjoy such preferential policies as planning permit, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio of the residential development is above 1.0, the floor area of a single unit is less than 120 sq.m., and the actual transfer price is lower than 1.2 time of the average transfer price of houses located on the land of the same level. The local government of a province, autonomous region or municipality may, based on actual circumstances, set up the specific standard for ordinary residential houses enjoying the preferential policies. Under the “Circular on Setting up the Standard for Ordinary Residential House in Guangdong Province” issued by Guangdong Provincial Construction Bureau in June 2005, ordinary houses in Guangdong Province enjoying preferential policies must also satisfy the following conditions: the plot ratio of the residential district is above 1.0, the gross floor area of one single unit is less than 120 sq.m. or the internal gross floor area of a single unit is less than 144 sq.m., and the actual transfer price is lower than 1.44 time of the average transfer price of houses located on the land of the same level.
- The transfer of uncompleted commodity properties by any pre-sale purchaser shall be prohibited. A system shall be adopted to require purchasers to buy properties in their real names. Any commodity property pre-sale contract shall be filed through the Internet immediately after its execution.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued the “Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices” (關於調整住房供應結構穩定住房價格的意見). Such opinions reiterated the existing measures and introduced new measures intended to further curtail the rapid increase in property prices in large cities and to promote healthy development of the PRC property market. These measures, among others, include the following:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low- to medium-cost and small to medium-size units and low-cost rental properties;

- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a GFA less than 90 sq.m. per unit and that projects which have received project development approvals prior to that date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying residential property if the underlying property has a GFA of 90 sq.m. or more, as effective from June 1, 2006;
- prohibiting commercial banks from lending funds to property developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the project, of less than 35%; restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties; and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for mortgage loans; and
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005; where an individual transfers a residential property other than an ordinary residential property after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price.

On May 30, 2006, the Ministry of Land and Resources published the “Urgent Notice on Tightening Land Administration” (進一步從嚴土地管理的緊急通知). In this notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten the control on land supply for non-agricultural use. The notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing and to strictly enforce the regulations regarding penalty on and forfeiture of idle land. In this notice, the Ministry of Land and Resources also requires local governments to investigate on illegal use of land and submit a report on such investigations to the Ministry of Land and Resources by the end of October 2006.

To carry out “Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices,” the Ministry of Construction promulgated “Opinions on Carrying Out Structure Proportion of Newly-Built Housing” (關於落實新建住房結構比例要求的若干意見) on July 6, 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

- from June 1, 2006, in any city (including county), the floor area of the housing which is less than 90 sq.m. should total at least 70% of the total floor area of commercial commodities newly approved or constructed in a given year;
- according to the above requirements, the governments should guarantee the conditions of planning and design of newly built commodity buildings and that such buildings conform to the structure proportion requirements. Any digression from the above-mentioned requirements without authorization is forbidden. Construction works planning permits should not be issued by the municipal planning authority if there is any noncompliance with the planning permits; certifications should not be issued by the authority charged with censoring construction documents; construction works permits should not be issued by the construction authority; permits for pre-sale of commodity buildings should not be issued by the property development authority; and
- for projects which were approved before June 1, 2006 but that have not obtained construction permits, the city governments should adjust specific projects to conform to the structure proportion requirements in that year.

Also on July 6, 2006, the Ministry of Construction, the NDRC and the SAIC promulgated the “Notice for the Further Rationalization and Standardization of the Real Estate Market”

(關於進一步整頓規範房地產交易秩序的通知) with serial code of JZF [2006] No. 166, or the “166 Notice.” According to the 166 Notice:

- a real estate developer must commence selling the property within 10 days of the receipt of the pre-sale permit for the project;
- the resale of any unit of a pre-sold uncompleted commodity building is prohibited;
- the advertisement of pre-sale prior to obtaining the relevant pre-sale permit is prohibited; and
- standard forms for the sale and purchase of a unit of a commodity building before or after its completion must be made available to a purchaser.

On July 11, 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, SAIC and SAFE jointly promulgated the “Opinions on Regulating the Admittance and Administration of Foreign Capital in the Real Estate Market,” (關於規範房地產市場外資准入和管理的意見) which provided as follows:

- an overseas entity or individual investing in real estate in China other than for self-use shall apply for the establishment of a foreign-invested real estate enterprise in accordance with applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities;
- the registered capital of a foreign-invested real estate enterprise with a total investment of US\$10 million or more shall not be less than 50% of its total investment amount, whereas for a foreign-invested real estate enterprise with a total investment of less than US\$10 million, the current rules on registered capital shall apply;
- a newly established foreign-invested real estate enterprise can only obtain an interim approval certificate and business license which are valid for one year. The formal approval certificate and business license can be obtained by submitting the land use rights certificate to the relevant government departments after the land grant premium for the land has been paid;
- an equity transfer of a foreign-invested real estate enterprise or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the relevant commerce administration authorities. The investor shall submit a letter to the relevant commerce authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use rights certificate, the registration of change of investor and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid;
- foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors’ equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital and shall ensure that the enterprise’s employees and bank loans are properly handled with in accordance with applicable PRC laws;
- if the registered capital of a foreign-invested real estate enterprise is not yet fully paid, its land use rights certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the foreign-invested real estate enterprise is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans;
- the investors in a foreign-invested real estate enterprise shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; and



- a branch or representative office established by a foreign investor in China (other than a foreign-invested real estate enterprise), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

On September 1, 2006, SAFE and the Ministry of Construction jointly issued “Notice in respect of Standardization of Issues Relating to Management of Foreign Exchange of Real Estate Market” (關於規範房地產市場外匯管理有關問題的通知). This notice provides, among other things, the specific procedures for purchasing houses by branches and representative offices established in the PRC by foreign institutions, foreign individuals who work or study in the PRC for more than one year, and residents of Hong Kong, Macau and Taiwan as well as foreigners of Chinese origin.

On May 23, 2007, MOFCOM and SAFE promulgated the “Circular on Further Reinforce and Standardize the Examination and Supervision on Foreign Direct Investment in Real Estate Industry” (關於進一步加強、規範外國直接投資房地產審批和監管的通知) (Shang Zi Han No. 50, 2007) which was amended in October 2015. The circular provides stricter controlling measures including, among others:

- Where the application is filed for establishment of the real estate company, the land use rights, the ownership of the real property should be obtained first, or the pre-assignment/purchase agreement has already been concluded with the land administration authority, land developer/owner of the real property. If the above requirements have not been satisfied, the approval authority shall not approve the application.
- Acquisition of or investment in domestic real estate enterprises by way of return investment (including the same actual controlling person) shall be strictly controlled. Oversea investors may not avoid approval for foreign investment in real estate by way of changing the actual controlling person of the domestic real estate enterprise. Once the foreign exchange authority has found the foreign-invested real estate enterprise established by way of deliberately avoiding and false representation, it shall take action against the enterprise’s conduct of remittance of capital and interest accrued without approval, and the enterprise shall bear the liability for cheated purchase and evasion of foreign exchange.
- Agreement as to any fixed return or of the same effect for either party of a foreign-invested real property enterprises is prohibited.
- The local SAFE administrative authority and designated foreign exchange banks shall not conduct foreign exchange purchase and settlement process for any foreign-invested real property enterprises who fail to satisfy the Ministry of Construction’s filing requirement.

On October 10, 2007, the Ministry of Land and Resources issued a regulation, which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and/or commence development on the land, effective November 1, 2007.

Pursuant to the notice on “Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans,” (擴大商業性個人住房貸款利率下浮幅度) the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio of residential properties was lowered to 20%. On October 22, 2008, the Ministry of Finance and the State Administration of Taxation issued the “Notice on the Adjustments to Taxation on Real Property Transactions” (關於調整房地產交易環節稅收政策的通知), pursuant to which, from November 1, 2008, the rate of deed tax has been reduced to 1% for a first time home buyer of an ordinary residence with a unit floor area less than 90 sq.m., individuals who are to sell or purchase residential properties are temporarily exempted from stamp duty and individuals who are to sell residential properties are temporarily exempted from LAT.

On December 20, 2008, the General Office of the State Council issued the “Several Opinions on Facilitating the Healthy Development of the Real Estate Market” (關於促進房地產市場健康發展的若干意見), which aims to, among other things, encourage the consumption of ordinary residential units and support property developers in changing market conditions. Pursuant to the opinion, in order to encourage the consumption of ordinary residential units, from January 1, 2009 to December 31, 2009, (i) business tax will be imposed on the full amount of the sale price, upon the transfer of a non-ordinary residential unit by an individual within two years from the purchase date; (ii) for the transfer of a non-ordinary residential unit which has been held by the purchaser for more than two years from the purchase date and a ordinary residential unit which has been held by the purchaser for two years or less from the purchase date, the business tax is to be levied on the difference between the sale price and the purchase price; (iii) and in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residential unit that is smaller than the average size for their locality may buy a second ordinary residential unit under favorable loan terms similar to first time buyers. In addition, support for property developers to deal with the changing market is to be provided by increasing credit financing services to “low-to medium-level price” or “small-to medium-sized” ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to property developers with good credit standing for merger and acquisition activities.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

On January 27, 2011, the Ministry of Finance and the State Administration of Taxation jointly issued a “Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties” (關於調整個人住房轉讓營業稅政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner’s purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner’s purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after five years from the individual owner’s purchase. This notice became effective on January 28, 2011 and was replaced by a notice of the same name on March 13, 2015, which stipulated that business tax is imposed on (i) the full amount of transfer price upon the transfer of any residential property by an individual owner within two years from such individual owner’s purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than two years from such individual owner’s purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after two years from the date of the individual owner’s purchase.

On February 20, 2013, the executive meeting of the State Council chaired by Premier Wen Jiabao issued a document emphasizing the strict implementation of tightening measures for the real estate market. The measures include completing a system of responsibility for stabilizing housing prices; restraining purchases of residential housing for investment and speculation purposes; expanding the supply of both ordinary commodity housing and of land; accelerating construction of affordable housing projects; and strengthening market supervision.

On February 26, 2013, the General Office of the State Council announced the “Notice on Continuing to Improve the Regulation and Control of the Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which among others, provides the following requirements: (i) limitations on the purchase of commodity properties must be strictly implemented, and the scope of such limitations must cover all newly constructed commodity properties and second-hand properties located within the entire administrative area of the city; (ii) for those cities with excessive increase in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties; and (iii) the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information such as tax filings and property registration. On November 15, 2013, the general office of the People’s Government of Guangzhou

issued the “Opinions concerning Further Strengthening of the Macroeconomic Control of the Real Property Market” (《廣州市人民政府辦公廳關於進一步做好房地產市場調控工作的意見》), which requires: (1) the speeding up of low-cost commodity housing supply and controlling of high-end commodity housing supply. The low-density commodity housing projects under construction will be approved for sale only after the completion of the initial registration of the real estate; (2) non-local resident families who can provide local tax clearance certificates or local social insurance payment certificates for three consecutive years are permitted to purchase only one house (including newly built houses and second-hand houses); and (3) the Guangzhou Branch of PBOC should further increase minimum down payment for loans to purchase second properties in accordance with the price control targets of Guangzhou.

On September 30, 2014, the PBOC and CBRC jointly issued the “Notice on Further Improving Financial Services for Real Estate Sector” (關於進一步做好住房金融服務工作的通知), which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

In March 2015, the PBOC, CBRC and MOHURD jointly issued the “Notice on Relevant Issues Concerning the Individual Housing Loan Policy” (關於個人住房貸款政策有關問題的通知), which provides that where households that own a residential property and have not paid off their existing mortgage loan applies for a new mortgage loan to buy another residential property to improve their living conditions, the minimum down payment will be 40% of the property price, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower.

On February 1, 2016, the 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%.

On October 10, 2016, the MOHURD issued the “Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order” (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

### **Regulations on transactions of commodity buildings**

According to the Development Regulations and the Pre-sale Measures, for pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building to the relevant property administrative authorities.

Pursuant to the “Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House Prices” on May 9, 2005, there are several regulations when conducting commodity building transactions:

- A buyer of a commodity building is prohibited from conducting any transfer of a pre-sold commodity before completion of construction and obtaining the Property Ownership Certificate. If there is discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the registration organ of the property administration shall not record the application of property ownership.
- A real name system is applied for each property purchase transaction and an immediate archival filing network system is in place for pre-sale contracts of commodity buildings.

On July 6, 2006, the Ministry of Construction, the NDRC, and the SAIC jointly promulgated “Notice on Reorganizing and Regulating the Transaction Procedures of Property” (關於落實新建住房結構比例要求的若干意見) the details of which are as follows:

- A developer should start to sell the commodity buildings within 10 days after receiving the permit for pre-sale of commodity buildings. Without this permit, the pre-sale of commodity buildings is prohibited, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments.
- The property administration authority should establish an immediate network system for pre-sale contracts of commodity buildings and the system should, issue the transaction information of a piece of property. The basic location and information of the commodity building, the schedule of the sale and the rights status should be duly, truly and fully published on the network system and at the locale of sale. The advance buyer of a commodity building is prohibited from conducting any transfer of the advance sale of the commodity building that he has bought but which is still under construction.
- Without the permit for pre-sale of commodity buildings, no advertisement of the pre-sale of commodity buildings may be issued.
- The property developers with a record of serious irregularity or developers which do not satisfy the requirements of the pre-sale of commodity buildings are not allowed to take part in such sale activities.
- The property administration authority should strictly carry out the regulations of the pre-sale contractor registration and record and apply the real name system for house purchases.

## **Foreign Exchange**

With effect from January 1, 1994, the PRC government abolished its two-tier exchange rate system and replaced it with a unified floating exchange rate system based largely on supply and demand. Financial institutions authorized to deal in foreign currency may enter into foreign exchange transactions at exchange rates within an authorized range above or below the exchange rate published by the PBOC according to market condition. However, despite such developments, RMB is still not a freely-convertible currency.

Pursuant to the Foreign Exchange Control Regulations of the PRC issued by the State Council which came into effect on April 1, 1996 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment of the PRC, which came into effect on July 1, 1996, foreign investment enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange from their foreign exchange bank accounts in the PRC.

If foreign investment enterprises require foreign exchange services for transactions relating to current account items, they may, without approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof. If such enterprises need foreign exchange services for the distribution of

dividends to their shareholders, they may, on the strength of a board of directors resolution authorizing the distribution of dividends and any other relevant documents, effect payment from their foreign exchange accounts and make such payments at the designated foreign exchange bank.

However, convertibility of foreign exchange in respect of capital account items, like direct investment and capital contributions, is still subject to restriction, and prior approval from SAFE or its relevant branches must be sought.

On April 28, 2013, SAFE issued the “Notice regarding Promulgation of Administrative Measures on Foreign Debt Registration” (國家外匯管理局關於發佈<外債登記管理辦法>的通知), which became effective on May 13, 2013 and includes three appendices: (i) Administrative Measures on Foreign Debt Registration, (ii) Operating Guidelines for Foreign Debt Registration Administration, and (iii) List of Repealed Regulations. The measures stipulate the general provisions on foreign debt registration, administrative provisions on foreign debt account management, use and settlement of foreign debt funds, foreign guarantee for domestic loans, foreign exchange managements for outbound transfer of non-performing assets, as well as relevant penalty provisions. The Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引) provide specific operational rules in relation to foreign debts administration, which contain 15 items. Among these 15 items, foreign debt registration of foreign invested real estate enterprises is regulated as follows: (i) foreign invested real estate enterprises established before June 1, 2007, which have increased the registered capital on and after June 1, 2007, may raise foreign debt financing limited to the balance of the difference between its total investment and registered capital. Provided that such difference between its total investment and registered capital after increasing its capital is smaller than that of before increasing its capital, the smaller one shall prevail, (ii) that SAFE will no longer process foreign debt registration or foreign exchange settlement for foreign debt for foreign invested real estate enterprises that obtained approval certificates from and filed with MOFCOM on or after June 1, 2007, and (iii) foreign invested real estate enterprises of which the registered capital has not been fully paid, the land use rights certificate has not been obtained, or the project capital is less than 35% of the total investment of the project, are prohibited from raising foreign debt financing, and SAFE will not process foreign debt registration for such enterprises.

On September 14, 2015, the NDRC issued the Circular of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-filing and Registration System for the Issuance of Foreign Debts by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) to remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system.

On May 11, 2013, SAFE issued the “Notice on Printing and Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and its Ancillary Documents” (國家外匯管理局關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知), which includes three appendices as follows: (i) the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China, (ii) the List of Repealed Regulations on Foreign Exchange Administration over Direct Investment in China, and (iii) the Business Operating Guidelines for Domestic Direct Investment.

The “Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China” (外國投資者境內直接投資外匯管理規定), effective on May 13, 2013, set out the general principles for foreign exchange control in direct investments by foreign investors, and specific provisions on the foreign exchange registration, foreign exchange account management, foreign exchange settlement and sales, as well as supervision and administration of banks engaging in the foreign exchange business related to direct investments by foreign investors. The provisions apply to foreign investors setting up foreign invested enterprises, foreign invested projects and foreign invested financial institutions in China through methods of new establishment, mergers or acquisitions, and obtaining the ownership right, control right and business management right of domestic enterprises.

On January 10, 2014, SAFE issued the “Notice of the State Administration of Foreign Exchange on the Further Improvement and Adjustment of the Foreign Exchange Control Policy for Capital Projects” (國家外匯管理局關於進一步改進和調整資本項目外匯管理政策的通知), effective on February 10,

2014, which provides for, among others: (i) loosening of certain administrative procedures for the initial expenses outlay for overseas direct investments by domestic enterprises; (ii) loosening of certain restrictions on overseas lending by domestic enterprises; (iii) simplifying the procedures for remitting profits offshore by domestic enterprises.

In March 30, 2015, the SAFE issued “Notice on the Reform of Foreign Investment Enterprises of Foreign Exchange Capital Settlement Management” (關於改革外商投資企業外匯資本金結匯管理方式的通知) which will be effective since June 1, 2015. The notice provides that a voluntary foreign exchange settlement system will be established. On June 9, 2016, SAFE issued the “Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement” (關於改革和規範資本項目結匯管理政策的通知) to further reform foreign exchange capital settlement nationwide.

## MANAGEMENT

The following table sets forth certain information with respect to our directors and senior management as of the date of this offering memorandum.

Name	Age	Position
Mr. CHEN Zhuo Lin <sup>(4)</sup>	55	Chairman, President and Executive Director
Mr. CHAN Cheuk Yin	50	Vice Chairperson and Non-executive Director
Madam LUK Sin Fong, Fion <sup>(1)(3)</sup>	56	Vice Chairperson and Non-executive Director
Mr. CHAN Cheuk Hung <sup>(4)</sup>	60	Executive Director and Senior Vice President
Mr. HUANG Fengchao <sup>(4)</sup>	54	Executive Director and Vice President
Mr. CHEN Zhongqi <sup>(4)</sup>	49	Executive Director and Vice President
Mr. CHAN Cheuk Hei	58	Non-executive Director
Mr. CHAN Cheuk Nam	54	Non-executive Director
Dr. CHENG Hon Kwan <sup>(1)(2)(3)</sup>	90	Independent Non-executive Director
Mr. KWONG Che Keung, Gordon <sup>(1)(2)(3)</sup>	67	Independent Non-executive Director
Mr. CHEUNG Wing Yui, Edward <sup>(1)(2)(3)</sup>	67	Independent Non-executive Director
Mr. HUI Chiu Chung, Stephen <sup>(1)(2)(3)</sup>	70	Independent Non-executive Director
Mr. WONG Shiu Hoi, Peter <sup>(1)(3)(4)</sup>	76	Independent Non-executive Director
Mr. PAN Zhiyong	47	Vice President
Mr. WANG Haiyang	47	Vice President
Mr. CHEUNG Sum Sam	53	Chief Financial Officer
Madam YUE Yuan	41	Vice President
Mr. LI Xuejun	36	Vice President
Mr. LAM Ping Yuk	45	Company Secretary

*Notes:*

- (1) Member of the Remuneration Committee.
- (2) Member of the Audit Committee.
- (3) Member of the Nomination Committee.
- (4) Member of the Risk Management Committee.

### Directors

Our Board of Directors consists of 13 directors, four of whom are Executive Directors, four of whom are Non-executive Directors and five of whom are independent non-executive directors. Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei and Mr. Chan Cheuk Nam are brothers and Madam Luk Sin Fong, Fion is the spouse of Mr. Chen Zhuo Lin. Our Directors are elected at meetings of the shareholders of the Company for a term of three years, renewable upon re-election and re-appointment.

A description of the business experience and present positions of each of our Directors is provided below.

**CHEN Zhuo Lin** (陳卓林), aged 55, is the Chairman of the Board and the President of the Company. He is also the Chairperson of the Risk Management Committee of the Board. Mr. Chen is the founder of the Group. He has been the Chairman of the Board and an executive Director since August 2005 and a President of the Company since March 2014. Mr. Chen has over 25 years of extensive experience in real estate development and management. He is mainly responsible for the formulation of development strategies, directions on the operations and management of overall business, decision-making on investment projects, setting the goal of the financial year for the Group and maintaining the relationship between the Group and the Shareholders. Mr. Chen received several honorary awards, including “World Outstanding Chinese Award”, “Top 30 Chinese Philanthropists in 30 Years of Reform (改革開放30年·華人慈善30人)”, “China Philanthropy Outstanding Contribution Individual Award (中華慈善突出貢獻人物獎)” and “Top 10 Persons of the Year for China Enterprise Management Excellence Award (中國企業十大卓越管理年度人物)”. For the public services, Mr. Chen serves as an executive vice chairperson of China Overseas Chinese Entrepreneurs Association (中國僑商投資企業協會), honorary vice president of Chinese Language and Culture Education Foundation of China (中國華文教育基金會), the vice chairperson of Friends of Hong Kong Association Development Foundation, the vice chairman of Hong Kong New Home Association, vice chairperson

of Zhongshan Association of Enterprise with Overseas Chinese Investment (中山市僑資企業商會), honorary vice chairperson of Sun Yat-sen Foundation, the vice chairperson of Guangdong Overseas Chinese Enterprises Association (廣東省僑商投資企業協會) and the executive chairperson of the 4th Guangdong Chamber of Real Estate (廣東省地產商會). Mr. Chen is the brother of Chan Cheuk Yin, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam and also the spouse of Luk Sin Fong, Fion.

**CHAN Cheuk Yin** (陳卓賢), aged 50, has been a Vice Chairperson of the Board and a non-executive Director since March 25, 2015. He had been an executive Director and Vice Chairperson of the Board and Co-president of the Company from August 2005 to March 28, 2014; a non-executive Director from March 28, 2014 to October 10, 2014; an executive Director and an Acting Co-chairperson of the Board and Acting Co-president of the Company from October 10, 2014 to March 25, 2015. He has over 25 years of extensive experience in real estate development and management. Mr. Chan is mainly responsible for the participation in Board meetings to provide advice on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and for the scrutinization of the Group's performance. Mr. Chan has received several honorary awards, including "Guangdong Province Outstanding Entrepreneurs of Privately-owned Enterprises (廣東省優秀民營企業家)" in 2003, "2006-2007 The Most Respected Entrepreneurs in Guangzhou, PRC (2006-2007 年中國廣州最受尊敬企業家)" in 2007 and "Top 10 Philanthropist in Guangdong (廣東十大慈善人物)" in 2008. For the public services, he is a member of Standing Committee of 11th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (政協第十一屆廣東省委員會), the chairperson of Guangdong Chamber of Real Estate (廣東省地產商會) and the honorary chairperson of 3rd Council of Guangdong Provincial Qiaoxin Charity Foundation (廣東省僑心慈善基金會). In addition, he was a member of Standing Committee of the 10th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (政協第十屆廣東省委員會) and an honorary vice chairperson of China Charity Federation (中華慈善總會) in 2007. Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam.

**LUK Sin Fong, Fion** (陸倩芳), aged 56, has been a Vice Chairperson of the Board and a non-executive Director since March 25, 2015. She had been an executive Director, Vice Chairperson of the Board and Co-president of the Company from August 2005 to March 28, 2014; a non-executive Director from March 28, 2014 to October 10, 2014; an executive Director, an Acting Co-chairperson of the Board and an Acting Co-president of the Company from October 10, 2014 to March 25, 2015. She is also a member of Remuneration Committee and Nomination Committee of the Board. Madam Luk has over 24 years of extensive experience in real estate development and management; in particular she has outstanding achievement in strategic marketing and marketing management. She is mainly responsible for the participation in Board meetings to provide advice on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and for the scrutinization of the Group's performance. Madam Luk holds a Master's degree in Business Administration from Western Sydney University (formerly known as University of Western Sydney) in Australia. She has received several honorary awards including honorary resident in Foshan and Nanhai District in 2004 and Zhongshan in 2009, respectively, "Zhongshan Outstanding Entrepreneurs (中山優秀企業家)" in 2006 and "Top 10 Excellent CBO (中國十大卓越 CBO)" in 2008. For the public services, Madam Luk is currently the vice chairperson of Guangzhou Housing Society (廣州市房地產協會) and an honorary chairperson of Guangdong Provincial Qiaoxin Charity Foundation (廣東省僑心慈善基金會). She is the spouse of Chen Zhuo Lin.

**CHAN Cheuk Hung** (陳卓雄), aged 60, has been an executive Director since August 2005. He is also a member of the Risk Management Committee of the Board and a Senior Vice President of the Company. Mr. Chan has over 25 years of extensive experience in real estate development and related business. He is mainly responsible for the quality, progress, cost control and management of contractors of the Group's construction projects, as well as the management of the operation of Zhongshan Fashion Decoration Co., Ltd. (中山市時興裝飾有限公司) and Guangzhou Zhenzhong Construction Co., Ltd. (廣州振中建設有限公司). Mr. Chan has received several honorary awards, including honorary resident in Foshan and "Community Construction Outstanding Contribution Award (小區建設突出貢獻獎)" in National Xiaokang Housing Demonstration Community Competition (國家小康住宅示範小區評比) hosted by Ministry of Construction (國家建設部) in 2000. For the public services, he was a standing committee member of Guangdong Province Real Estate Association



(廣東省房地產業協會) in 2004. Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Yin, Chan Cheuk Hei and Chan Cheuk Nam.

**HUANG Fengchao** (黃奉潮), aged 54, has been an executive Director since March 28, 2014. He is also a member of the Risk Management Committee of the Board and Vice President of the Company. Since joining the Group in 1999, Mr. Huang had been the Head of Real Estate Management Center of the Group, General Manager of Huadu and Nanhu projects and Regional Head of Hainan and Yunnan region. Prior to joining the Group, he worked for ExxonMobil (China) Co. Ltd. (美國埃索(中國)有限公司) and France TOTAL (China) Ltd. (法國道達爾(中國)有限公司).

**CHEN Zhongqi** (陳忠其), aged 49, has been an executive Director since March 28, 2014. He is also a member of the Risk Management Committee of the Board and Vice President of the Company. Since joining the Group in 1993, Mr. Chen had been a project controller and chief engineer, supervisor of the Project Engineering Department, deputy manager of Project Management Department and the deputy head of Real Estate Management Center of the Group. He is mainly responsible for the management of the project development of the Group's real estate business, including monitoring the quality, progress, technology, contracts and quantity surveying of projects. Mr. Chen received his professional qualification in industrial and civil construction from Neijiang Normal University (內江師範學院) in 1991. He is also qualified as a budgeting engineer and a registered quantity surveyor.

**CHAN Cheuk Hei** (陳卓喜), aged 58, has been a non-executive Director since March 28, 2014. He had been an executive Director and a Senior Vice President of the Company from August 2005 to March 28, 2014. Mr. Chan has over 25 years of extensive experience in real estate development and related business. He is mainly responsible for the participation in Board meetings to provide advice on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and for the scrutinization of the Group's performance. Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Yin, Chan Cheuk Hung and Chan Cheuk Nam.

**CHAN Cheuk Nam** (陳卓南), aged 54, has been a non-executive Director since March 28, 2014. He had been an executive Director and a Senior Vice President of the Company from August 2005 to March 28, 2014. Mr. Chan has over 24 years of extensive experience in real estate development and management. He is mainly responsible for the participation in Board meetings to provide advice on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and for the scrutinization of the Group's performance. Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Yin, Chan Cheuk Hung and Chan Cheuk Hei.

**CHENG Hon Kwan** (鄭漢鈞), GBS, OBE, JP, aged 90, has been an independent non-executive Director since October 2005. He is also the Chairperson of Remuneration Committee and a member of Audit Committee and Nomination Committee of the Board. Dr. Cheng is mainly responsible for providing independent advice to the Board. He holds a Bachelor of Science in Engineering degree from Tianjin University and a postgraduate diploma from The Imperial College London. Dr. Cheng was also awarded several honorary doctorate degrees by The Hong Kong University of Science and Technology, City University of Hong Kong, The Open University of Hong Kong and The Open University, United Kingdom, and is an honorary fellow of The Imperial College London and City and Guilds of London Institute. Dr. Cheng is a former president, honorary fellow and gold medallist of The Hong Kong Institution of Engineers; former vice president, fellow and gold medallist of The Institution of Structural Engineers; fellow of The Institution of Civil Engineers, United Kingdom and of American Society of Civil Engineers, and honorary fellow of The Institution of Engineers, Australia. He is also an honorary member of both Hong Kong Institute of Planners and Hong Kong Institute of Architects and obtained National Class 1 Registered Structural Engineer qualification. Dr. Cheng is an Authorized Person and a Registered Structural Engineer under the Buildings Ordinance (Chapter 123 of the laws of Hong Kong); and former chairperson of Hong Kong Housing Authority and Transport Advisory Committee. He is a former member of both Executive Council and Legislative Council and a former standing member of the Tianjin Committee Chinese People's Political Consultative Conference. Dr. Cheng is currently a permanent honorary chairperson of Hong Kong Tianjin Friendship Association. Dr. Cheng is currently an independent non-executive director of Tianjin Development Holdings Limited (stock code: 882). He resigned as an independent non-executive director of Wing Hang Bank Limited (delisted on Hong Kong Stock Exchange) in August 2014. He also retired as an independent non-executive director of Hang Lung Group Limited (stock

code: 10) and resigned as an independent non-executive director of Hang Lung Properties Limited (stock code: 101) in April 2015.

**KWONG Che Keung, Gordon** (鄺志強), aged 67, has been an independent non-executive Director since October 2005. He is also the Chairperson of Audit Committee and a member of Remuneration Committee and Nomination Committee of the Board. Mr. Kwong is mainly responsible for providing independent advice to the Board. He holds a Bachelor of Social Science degree from The University of Hong Kong and is a fellow member of both The Institute of Chartered Accountants in England and Wales and The Hong Kong Institute of Certified Public Accountants. Mr. Kwong is currently an independent non-executive director of a number of companies, including NWS Holdings Limited (stock code: 659), OP Financial Investments Limited (stock code: 1140), Global Digital Creations Holdings Limited (stock code: 8271), China Power International Development Limited (stock code: 2380), Henderson Land Development Company Limited (stock code: 12), Henderson Investment Limited (stock code: 97), Chow Tai Fook Jewelry Group Limited (stock code: 1929), FSE Engineering Holdings Limited (stock code: 331), Shanghai Commercial Bank Limited and Piraeus Port Authority S.A. (a company listed in Athens, Greece). He retired as an independent non-executive director of CITIC Telecom International Holdings Limited (stock code: 1883) in June 2017 and COSCO SHIPPING Holdings Co., Ltd. (stock code: 1919) in May 2017. He also resigned as supervisor of Beijing Capital International Airport Company Limited (stock code: 694) in June 2014. Mr. Kwong was a partner of Pricewaterhouse from 1984 to 1998 and a council member of Hong Kong Stock Exchange from 1992 to 1997.

**CHEUNG Wing Yui, Edward** (張永銳), BBS, aged 67, has been an independent non-executive Director since October 2005. He is also the Chairperson of Nomination Committee and a member of Audit Committee and Remuneration Committee of the Board. Mr. Cheung is mainly responsible for providing independent advice to the Board. He holds a Bachelor of Commerce degree in accountancy from The University of New South Wales in Australia. He was awarded an honorary degree of Doctor of Business Administration from the Open University of Hong Kong in 2016. Mr. Cheung is also a member of CPA Australia, a practicing solicitor in Hong Kong, a solicitor in the United Kingdom and an advocate and solicitor in Singapore. Mr. Cheung was awarded the Bronze Bauhinia Star (BBS) in 2013. He is currently a consultant of Woo, Kwan, Lee & Lo, the director of The Community Chest of Hong Kong, honorary council member of The Hong Kong Institute of Directors Limited and a Court Member of The Open University of Hong Kong. He was the deputy chairman of The Open University of Hong Kong until June 2014. In addition, Mr. Cheung was a member of the Appeal Board established under the Accreditation of Academic and Vocational Qualifications Ordinance, a member of the Board of Review (Inland Revenue Ordinance), the deputy chairman of The Hong Kong Institute of Directors Limited, a director of Po Leung Kuk and the vice chairman of the Mainland Legal Affairs Committee of the Law Society of Hong Kong. Mr. Cheung is currently a non-executive director of a number of companies, including Tianjin Development Holdings Limited (stock code: 882), Sunevision Holdings Ltd. (stock code: 8008), Tai Sang Land Development Limited (stock code: 89) and SmarTone Telecommunications Holdings Limited (stock code: 315). He is also an independent non-executive director of Hop Hing Group Holdings Limited (stock code: 47). He resigned as a non-executive director of SRE Group Limited (stock code: 1207) in December 2015.

**HUI Chiu Chung, Stephen** (許照中), JP, aged 70, has been an independent non-executive Director since June 27, 2014. He is also a member of Audit Committee, Nomination Committee and Remuneration Committee of the Board. Mr. Hui is mainly responsible for providing independent advice to the Board. He has over 40 years of experience in the securities and investment industry. He is a senior fellow member of Hong Kong Securities and Investment Institute and a fellow member of the Hong Kong Institute of Directors. He had been serving as a council member and vice chairman of the Hong Kong Stock Exchange, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission (“SFC”), a director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee of the Hong Kong Exchanges and Clearing Limited, an appointed member of the Securities and Futures Appeal Tribunal, a member of the Standing Committee on Company Law Reform and an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A for years. He was also a member of the Committee on Real Estate Investment Trusts of the SFC. Mr. Hui is a member of Hengqin New Area Development Advisory Committee and Hong Kong and Macao Legal Issues Expert Group of The Administrative Committee of Hengqin New Area, Zhuhai. Mr. Hui was appointed by the Government

of the Hong Kong as a Justice of the Peace in 2004 and is also an appointed member of Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference from 2006 to 2017. Mr. Hui was the vice chairman of OSK Holdings Hong Kong Limited (now known as RHB Holdings Hong Kong Limited) in 2011. He is currently a non-executive director of Luk Fook Holdings (International) Limited (stock code: 590) and the chairman and chief executive officer of Luk Fook Financial Services Limited. He also serves as an independent non-executive director of China South City Holdings Limited (stock code: 1668), Gemdale Properties and Investment Corporation Limited (stock code: 535), Lifestyle International Holdings Limited (stock code: 1212), SINOPEC Engineering (Group) Co., Ltd. (stock code: 2386), Zhuhai Holdings Investment Group Limited (stock code: 908) and FSE Engineering Holdings Limited (stock code: 331). He resigned as an independent non-executive director of Chun Wo Development Holdings Limited (now known as Asian Allied Infrastructure Holdings Limited) (stock code: 711) in February 2015, and retired as an independent non-executive director of Hong Kong Exchanges and Clearing Limited (stock code: 388) in April 2015.

**WONG Shiu Hoi, Peter** (黃紹開), aged 76, has been an independent non-executive Director since 27 June 2014. He is also a member of Nomination Committee, Remuneration Committee and Risk Management Committee of the Board. Mr. Wong is mainly responsible for providing independent advice to the Board. He holds a Master of Business Administration Degree from the University of Macau (formerly known as the University of East Asia, Macau). Mr. Wong possesses over 40 years of experience in the financial services industry. He is a former chairman of The Hong Kong Institute of Directors Limited and was an executive director, deputy chairman and chief executive of Haitong International Securities Group Limited. He is also a former member of Standing Committee of Company Law Reform, Listing Committee of the Hong Kong Stock Exchange, Financial Services Advisory Committee and Professional Services Advisory Committee of the Hong Kong Trade Development Council. He is currently a consultant of Halcyon Holdings Limited. He is a former overseas business advisor of Haitong Securities Company Limited. He is a former director of the Hong Kong Securities and Investment Institute. He is an independent non-executive director of High Fashion International Limited (stock code: 608), Tianjin Development Holdings Limited (stock code: 882) and Target Insurance (Holdings) Limited (stock code: 6161).

## Senior Management

The business address for all members of our senior management in the PRC is at 33rd Floor, Agile Center, 26 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, Postal Code: 510623, and in Hong Kong is at 18th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong.

A description of the business experience and present positions of our senior management is provided below.

**PAN Zhiyong** (潘智勇), aged 47, is the Vice President of the Company. Mr. Pan joined the Group in 2017. He is mainly responsible for financial management, investment and legal affairs of the Group. Before the joining of the Group, Mr. Pan had held different positions in Agricultural Bank of China ("ABC"), Guangdong branch including the general manager of Marketing Department, Institutional Banking Division and Corporate Banking Department, assistant president and vice president. He had been the president of ABC Zhaoqing branch. Mr. Pan holds a bachelor's degree in finance from Jinan University, a master's degree in business administration and a doctoral degree in management from South China University of Technology. Mr. Pan also has a senior economist qualification. He had been awarded as Senior Financial Management Talent of Guangzhou (廣州市金融高級管理人才), Model Worker of Zhaoqing City (肇慶市勞動模範) and Ten Outstanding Young Persons of ABC Guangdong Branch (中國農業銀行廣東省分行十大傑出青年). He is the executive vice president of China Interchange Association of Top Credit-rating Property Enterprises Association (中國地產資信強企交流會).

**WANG Haiyang** (王海洋), aged 47, is the Vice President of the Company. Mr. Wang joined the Group in July 2011. He had been the Regional President of Hainan Region of Agile Property Land Co., Ltd. He was the General Manager of China Machinery TDI International Engineering Co., Ltd, Zhongshan branch. Mr. Wang holds a Bachelor's degree in Construction Engineering of Xi'an University of Technology. He is a PRC National Class 1 Registered Structural Engineer.

**CHEUNG Sum Sam** (張森), aged 53, is the Chief Financial Officer of the Group. He joined the Group in 2013 and is mainly responsible for financial management, accounting, capital markets, corporate affairs and investor relations of the Group. Mr. Cheung holds a Bachelor of Science (Economics) degree in Accounting and Finance from the London School of Economics and Political Science, University of London. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

**YUE Yuan** (岳元), aged 41, is a Vice President of the Company and Property Group and an Assistant to Chairman. Since joining the Group in 2006, Madam Yue had been the Head of Engineering Center and the General Manager of Finance Center and the General Manager of Costing Centre. She is mainly responsible for the management of the Costing Center, the Hotel Management Center, the Business Management Center and the Golf Club Management Center of the Group. Madam Yue holds a Bachelor of Engineering degree from Lanzhou Jiaotong University (formerly known as Lanzhou Railway University) and a Master of Science degree in Construction Project Management from The University of Hong Kong. She is a Shanghai City registered bidding engineer, a PRC intermediate economist, a PRC registered budgeting engineer and a member of the Royal Institute of Chartered Surveyors.

**LI Xuejun** (李雪君), aged 36, is a Vice President of the Company, the General Manager of Operations Department of the Company and the President of Environmental Group. Mr. Li joined the Group in March 2008. He had been an Assistant to Vice President, an Assistant to Chairman and the General Manager of Operation Center of Property Group. He is mainly responsible for the management of Operation Center of the Company and the business operations of Environmental Group. Mr. Li holds a Bachelor of Water Supply and Drainage from Tongji University and a Master's degree in Business Administration from Tsinghua University.

**LAM Ping Yuk** (林炳玉), aged 45, is the Company Secretary of the Company and the Head of Capital Markets and Corporate Affairs Department of the Group. Mr. Lam joined the Group in January 2015 as the Head of Capital Markets and Corporate Affairs Department. He is mainly responsible for capital markets, corporate affairs, investor relations and financial management of the Group. He was appointed as the Company Secretary of the Company on December 16, 2016, and concurrently is responsible for the company secretarial, legal and compliance matters of the Group. Mr. Lam graduated from The University of Hong Kong with a Bachelor of Economics degree and a Master of Science in Electronic Commerce and Internet Computing. He is a fellow member of the Association of Chartered Certified Accounts in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

### **Compensation of Directors**

The aggregate amount of fees, salaries, housing allowances, contributions to pension schemes, other allowances and benefits in kind paid by the Company to our directors during 2014, 2015 and 2016 were approximately RMB31.8 million, RMB32.7 million and RMB23.5 million (US\$3.4 million), respectively.

### **Audit Committee**

We have an audit committee in compliance with the Listing Rules. The functions of the audit committee are to review our accounting policies, supervise our financial reporting system, monitor the performance of our external auditor and internal audit department, review and evaluate the effectiveness of our financial reporting procedures and internal controls and ensure the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by our board of directors. The audit committee consists of four members, all of whom are independent non-executive directors. Mr. Kwong Che Keung, Gordon is the Chairperson of the audit committee.

### **Remuneration Committee**

We also have a remuneration committee. The remuneration committee is mainly responsible for making recommendations to the Board on the remuneration packages of individual Directors (including executive Directors and non-executive Directors) and senior management of the Group,

formulating the policies and structure for remuneration of Directors and senior management of the Group and establishing a formal and transparent procedure for developing remuneration policy. Remuneration packages include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of office or appointment. In determining remuneration of Directors and senior management, the Board will consider the remuneration level of comparable companies, the time commitment and responsibilities and employment conditions elsewhere in the Group, individual performance of respective Directors and the Company's performance. The remuneration committee consists of six members, five of whom are independent non-executive directors. Dr. Cheng Hon Kwan is the Chairperson of the remuneration committee.

#### **Nomination Committee**

We also have a nomination committee. The nomination committee is responsible for establishing a formal and transparent approach for the appointment or re-appointment of directors, providing recommendations to the Board for new appointments or re-election of executive and non-executive directors, evaluating the performance of existing directors and their contribution towards the Company and addressing other significant issues concerning the nomination of directors. The nomination committee consists of six members, five of whom are independent non-executive directors. Mr. Cheung Wing Yui is the Chairperson of the nomination committee.

#### **Risk Management Committee**

We also have a risk management committee. The risk management committee is mainly responsible for considering and formulating risk management framework, review and assessing the effectiveness of the Group's risk management framework, monitoring the implementation of risk control and ensuring it is effectively implemented. The risk management committee consists of five members, one of whom is independent non-executive director. Mr. Chen Zhuo Lin is the Chairperson of the risk management committee.

#### **Share Award Scheme**

The Company has adopted a share award scheme (the "Share Award Scheme") on December 10, 2013 to recognize the contributions by certain employees. Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date. The maximum number of Shares which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time; the Board shall not make any further award of awarded shares which will result in the nominal value of the Shares awarded under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time.

The Company issued and allotted a total of 34,470,000 awarded shares to Bank of Communications Trustee Limited as trustee on February 10, 2014 to hold on trust for such employee(s) selected by the Board ("Selected Employees") in accordance with the trust deed and rules of the scheme. These awarded shares will be transferred to such Selected Employees upon their satisfaction of relevant vesting conditions specified by the Board at the time of the grant. 32,750,000 out of 34,470,000 awarded shares ("Awarded Shares") were granted to certain Selected Employees. The first and the second 30% Awarded Shares have lapsed effective from August 26, 2015 and August 23, 2016 respectively.

## PRINCIPAL SHAREHOLDERS

As of December 31, 2016, the interests or short positions of the Directors and chief executives of the Company in the shares and underlying Shares (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“SFO”)) which (i) were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of SFO; or (iii) were required by Code for Securities Transactions by Directors to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

### Director’s interests

Name of Director	Capacity of interests held	Number of Shares of the Company held		Total number of Shares	Approximate percentage to issued share capital of the Company
		Number of Shares	Note		
Chen Zhuo Lin . . . . .	Beneficiary of a trust	2,453,096,250	1	2,467,372,500	62.99%
	Controlled corporation	14,276,250	2		
Chan Cheuk Yin . . . . .	Beneficiary of a trust	2,453,096,250	1	2,468,283,750	63.01%
	Controlled corporation	15,187,500	3		
Luk Sin Fong, Fion . . . . .	Beneficiary of a trust	2,453,096,250	1	2,467,372,500	62.99%
	Controlled corporation	14,276,250	2		
Chan Cheuk Hung . . . . .	Beneficiary of a trust	2,453,096,250	1	2,453,096,250	62.63%
Chan Cheuk Hei . . . . .	Beneficiary of a trust	2,453,096,250	1	2,460,971,250	62.83%
	Beneficial owner	7,875,000	4		
Chan Cheuk Nam . . . . .	Beneficiary of a trust	2,453,096,250	1	2,459,877,750	62.80%
	Beneficial owner	6,781,500	5		
Chen Zhongqi . . . . .	Spouse	187,000	6	807,000	0.02%
	Others	620,000	7		
Huang Fengchao . . . . .	Beneficial owner	1,400,000		2,020,000	0.05%
	Others	620,000	7		

*Notes:*

1. Held by Full Choice Investments Limited (“Full Choice”) as trustee through Top Coast Investment Limited (“Top Coast”).
2. Held by Brilliant Hero Capital Limited and Famous Tone Investments Limited, which are jointly controlled by Chen Zhuo Lin and Luk Sin Fong, Fion.
3. Held by Renowned Idea Investments Limited, which is wholly-owned by Chan Cheuk Yin.
4. Jointly held by Chan Cheuk Hei and his spouse Lu Yanping.
5. Jointly held by Chan Cheuk Nam and his spouse Chan Siu Na.
6. Held by Sun Hong, the spouse of Chen Zhongqi. By virtue of SFO, Chen Zhongqi is deemed to be interested in the Shares held by his spouse Sun Hong.
7. Each of Huang Fengchao and Chen Zhongqi is entitled to receive 620,000 Shares upon the satisfaction of relevant vesting conditions specified by the Board under the Share Award Scheme at the time of the grant. Those Shares are still held on trust by Bank of Communications Trustee Limited until the satisfaction of the vesting conditions.

***Substantial shareholders' interests and short positions***

So far as is known to the Directors or chief executive of the Company, as of December 31, 2016, the interests or short positions of substantial shareholders (other than Directors or the chief executive of the Company) in the shares or underlying shares of the Company which (i) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO were as follows:

<u>Name of Shareholder</u>	<u>Capacity of interests held</u>	<u>Number of Shares of the Company held</u>		<u>Approximate percentage to issued share capital of the Company</u>
		<u>Number of Shares</u>	<u>Total number of Shares</u>	
Full Choice . . . . .	Trustee	2,453,096,250 <sup>(1)</sup>	2,453,096,250	62.63%
Top Coast . . . . .	Beneficial owner	2,453,096,250 <sup>(1)</sup>	2,453,096,250	62.63%
Zheng Huiqiong . . . . .	Spouse	2,468,283,750 <sup>(2)</sup>	2,468,283,750	63.01%
Lu Liqing . . . . .	Spouse	2,453,096,250 <sup>(3)</sup>	2,453,096,250	62.63%
Lu Yanping . . . . .	Beneficial owner	7,875,000 <sup>(4)</sup>	2,460,971,250	62.83%
	Spouse	2,453,096,250 <sup>(5)</sup>		
Chan Siu Na . . . . .	Beneficial owner	6,781,500 <sup>(6)</sup>	2,459,877,750	62.80%
	Spouse	2,453,096,250 <sup>(7)</sup>		

*Notes:*

1. Full Choice holds, through Top Coast, the Shares as the trustee of the Chen's Family Trust. Beneficiaries of which are Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam.
2. By virtue of the SFO, Zheng Huiqiong is deemed to be interested in the Shares held by her spouse, Chan Cheuk Yin.
3. By virtue of the SFO, Lu Liqing is deemed to be interested in the Shares held by her spouse, Chan Cheuk Hung.
4. Jointly held by Lu Yanping and her spouse, Chan Cheuk Hei.
5. By virtue of the SFO, Lu Yanping is deemed to be interested in the Shares held by her spouse, Chan Cheuk Hei.
6. Jointly held by Chan Siu Na and her spouse, Chan Cheuk Nam.
7. By virtue of the SFO, Chan Siu Na is deemed to be interested in the Shares held by her spouse, Chan Cheuk Nam.

## RELATED PARTY TRANSACTIONS

The following describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on the Hong Kong Stock Exchange, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain “connected transactions” with “connected persons” be approved by the Company’s independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

The following table sets forth information for some of our related parties

<u>Name of the related parties<sup>(1)</sup></u>	<u>Relationship with our Group and/or the Controlling Shareholders</u>
Top Coast Investment Limited	The ultimate holding company of the Group
The Founding Shareholders, including Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Madam Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei, and Mr. Chan Cheuk Nam	The Founding Shareholders are also the directors of the Company
Zhongshan Changjiang Golf Course (中山長江高爾夫球場) (“Zhongshan Changjiang Golf Course”)	Controlled by the Founding Shareholders
Zhongshan Agile Changjiang Hotel Co., Ltd. (中山雅居樂長江酒店有限公司) (“Agile Changjiang Hotel”)	Controlled by the Founding Shareholders
Guangzhou Li He Property Development Company Limited (廣州利合房地產開發有限公司) (“Li He”)	An associate of the Group
Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. (天津津南新城房地產開發有限公司) (“Tianjin Jinnan”)	Joint venture of the Group
Zhongshan Yahong Real Estate Development Co., Ltd. (中山市雅鴻房地產開發有限公司) (“Zhongshan Yahong”)	Joint venture of the Group
Guangxi Fuya Investments Ltd. (廣西富雅投資有限公司)	Joint venture of the Group
Charm Talent Limited (焯迪有限公司)	Joint venture of the Group
Zhongshan Shiguang Chuangjian Real Estate Development Co., Ltd. (“Shiguang Zhiye”) (note (i)) 中山市世光創建置業有限公司	Joint venture of the Group
Zhongshan Haide Real Estate Development Co., Ltd. (“Zhongshan Haide”) (note (i)) 中山市海德房地產開發有限公司	Joint venture of the Group
Zhongshan Dongcheng Development Co., Ltd. (“Zhongshan Dongcheng”) (note (i)) 中山市東城實業發展有限公司	Joint venture of the Group
Zhongshan Mingtai Real Estate Development Co., Ltd. (“Zhongshan Mingtai”) (note (i)) 中山市名泰房地產開發有限公司	Joint venture of the Group



Name of the related parties <sup>(1)</sup>	Relationship with our Group and/or the Controlling Shareholders
Suzhou Agile Property Development Co., Ltd (“Suzhou Agile”) (note (i)) 蘇州雅居樂置業有限公司	Joint venture of the Group
Foshan Yazhan Real Estate Development Co., Ltd (“Foshan Yazhan”) (note (i)) 佛山雅展房地產開發有限公司	Joint venture of the Group
Wuhan Changkai Property Development Co., Ltd (“Wuhan Changkai”) (note (i)) 武漢長凱物業發展有限公司	Joint venture of the Group
Beijing Ruri Jiahe Real Estate Development Co., Ltd (“Ruri Jiahe”) (note (i)) 北京如日嘉和房地產開發有限公司	Joint venture of the Group

*Note:*

- (1) The English names represent the best efforts of management in translating the Chinese names of these companies as no English names have been registered or available.

The following table sets forth certain material transactions between us and our related parties for the periods indicated:

	Year ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US\$
	(in thousands)			
	(unaudited)			
<b>Restaurant and hotel service fee charged by:</b>				
Agile Changjiang Hotel <sup>(1)</sup> . . . . .	4,218	3,178	2,151	300
<b>Golf facilities service fee charged by:</b>				
Zhongshan Changjiang Golf Course <sup>(2)</sup> . . . . .	30	32	—	—
<b>Underwriting fee charged by:</b>				
Top Coast Investment Limited <sup>(3)</sup> . . . . .	8,572	—	—	—
<b>Providing guarantee for borrowings of related parties</b>				
— Li He . . . . .	2,233,980	1,781,900	1,015,920	146,323
— Tianjin Jinnan . . . . .	734,346	551,097	1,125,000	162,034
— Zhongshan Yahong . . . . .	65,000	—	—	—
— Guangxi Fuya . . . . .	—	49,900	120,000	17,284
— Changsha Shangcheng . . . . .	—	49,950	35,000	5,041
	<u>3,033,326</u>	<u>2,432,847</u>	<u>2,295,920</u>	<u>330,681</u>
Directors’ emoluments . . . . .	31,846	32,684	23,481	3,382
<b>Key management compensation</b>				
— Salaries and other short-term employee benefits . . . . .	28,786	32,513	36,057	5,193
— Retirement scheme contributions . . . . .	165	171	134	19
	<u>28,951</u>	<u>32,684</u>	<u>36,191</u>	<u>5,213</u>

*Notes:*

- (1) Restaurant and hotel service fees were charged in accordance with the terms of the underlying agreements. In the opinion of the directors, the fees were determined with reference to the market price at the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.
- (2) Golf facilities service fees were charged in accordance with the terms of the underlying agreements. In the opinion of the directors, the fees were determined with reference to the market price at the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

- (3) During the year ended December 31, 2014, Top Coast Investment Limited has acted as the sole underwriter for the rights issue of the Company and an underwriting fee of RMB8,572,000 was paid to Top Coast Investment Limited in November 2014.

The following is a brief description of our major ongoing related party transactions:

### ***Contracting Agreements***

#### ***Zhongshan Changjiang Golf Course***

Zhongshan Changjiang Golf Course from time to time rents to us properties in Zhongshan City, which we have used as staff quarters, office space, and a staff canteen. An independent property valuer has confirmed that the rental fees payable under these leasing arrangements are comparable to the prevailing market rates.

Zhongshan Changjiang Golf Course allows us to use its golf facilities, which we share with our staff and our business associates, including our suppliers, contractors and customers. For the years ended December 31, 2014 and 2015, fees paid to Zhongshan Changjiang Golf Course amounted to approximately RMB30,000 and RMB32,000, respectively. Zhongshan Changjiang Golf Course is beneficially owned by Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam, each of whom serves as an executive director.

#### ***Restaurant and Hotel Service Fees***

In September 2009, we entered into an agreement with Agile Changjiang Hotel, pursuant to which Agile Changjiang Hotel agreed to provide restaurant and hotel services to us from time to time on normal commercial terms which are no less favorable than those available to independent third parties. The agreement involves the provision of food and beverages and hotel accommodation to staff members and our business associates, including our suppliers, contractors and customers. For the years ended December 31, 2014, 2015 and 2016, fees paid to Agile Changjiang Hotel totaled RMB4,218,000, RMB3,178,000 and RMB2,151,000 (US\$309,808), respectively. Agile Changjiang Hotel is beneficially owned by Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam, each of whom serves as an executive director.

We had the following significant non-trade balances with related parties as of the dates indicated:

	As of December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US \$
	(in thousands)			
Due from related parties				
— Li He <sup>(1)</sup> . . . . .	2,039,716	2,439,716	3,210,646	462,429
— Zhongshan Yahong <sup>(2)</sup> . . . . .	—	214,523	22,118	3,157
— Tianjin Jinnan <sup>(2)</sup> . . . . .	1,075,000	1,115,000	—	—
— Changsha Shangcheng <sup>(2)</sup> . . . . .	660,310	685,310	500,310	72,068
— Huadu Yazhan <sup>(2)</sup> . . . . .	423,983	312,482	251,982	36,293
— Guangxi Fuya <sup>(2)</sup> . . . . .	—	—	10,000	1,440
— Shiguang Zhiye <sup>(3)</sup> . . . . .	—	—	468,247	67,442
— Zhongshan Haide <sup>(3)</sup> . . . . .	—	—	644,172	92,780
— Zhongshan Dongcheng <sup>(3)</sup> . . . . .	—	—	28,176	4,058
— Zhongshan Mingtai <sup>(3)</sup> . . . . .	—	—	31,888	4,592
— Suzhou Agile <sup>(2)</sup> . . . . .	—	—	977,630	140,808
— Foshan Yazhan <sup>(2)</sup> . . . . .	—	—	240,336	34,616
— Ruri Jiahe <sup>(2)</sup> . . . . .	—	—	458,696	66,066
— Charm Talent <sup>(2)</sup> . . . . .	—	—	80,483	11,592
	<u>4,199,009</u>	<u>4,767,031</u>	<u>6,924,684</u>	<u>997,362</u>
Due to related parties				
— Top Coast Investment Limited <sup>(4)</sup> . . . . .	6,884	7,480	7,719	1,112
— Founding Shareholders <sup>(5)</sup> . . . . .	92,820	92,820	92,820	13,367
— Wuhan Changkai <sup>(2)</sup> . . . . .	—	—	2,700,000	388,881
— Zhongshan Changjiang Golf Course <sup>(2)</sup> . . . . .	30	32	34	54
— Zhongshan Yahong <sup>(2)</sup> . . . . .	30,646	267,587	—	—
— Charm Talent <sup>(2)</sup> . . . . .	427,629	288,649	—	—
— Tianjin Jinnan <sup>(2)</sup> . . . . .	—	—	91,825	13,226
— Foshan Yazhan <sup>(2)</sup> . . . . .	—	—	9,500	1,386
— Huadu Yazhan <sup>(2)</sup> . . . . .	—	—	184,735	26,607
	<u>558,009</u>	<u>656,568</u>	<u>3,086,633</u>	<u>444,568</u>

Notes:

- (1) As at 31 December 2016, the balances due from Li He are cash advance in nature, which are unsecured, interest-free and expected to be received after 1 year.
- (2) The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.
- (3) The balances are loan receivables from joint ventures, which are unsecured, interest bearing and repayable after 1 year.
- (4) Amounts due to Top Coast Investment Limited are cash advances in nature, which are unsecured, interest-free and repayable on demand.
- (5) Amounts due to Founding Shareholders represent the consideration payable for acquisition of a hotel building.

## DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions and obtained financings through debt offerings. As of December 31, 2016, our total external borrowings amounted to RMB43,995.9 million (US\$6,336.7 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

### **PRC Project Loans**

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including but not limited to Bank of China, The Agricultural Bank of China, China Construction Bank, China Merchants Bank, the Bank of East Asia, Bank of Communications and Industrial and Commercial Bank of China (“ICBC”). These loans typically are project loans to finance the construction of our projects (the “project loans”) and have terms ranging from 12 months to 120 months, which generally correspond to the construction periods of the particular projects. As of December 31, 2016, the aggregate outstanding amount under these project loans totaled approximately RMB5,227.8 million (US\$753.0 million), RMB3,670.1 million (US\$528.6 million) of which was due within one year and RMB1,557.7 million (US\$224.4 million) of which was due between one and five years. As of December 31, 2016, we did not have project loans due over than five years. Our project loans are typically secured by land use rights and properties as well as guaranteed by certain of our other PRC subsidiaries.

### ***Interest***

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank’s benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2016, the weighted average interest rate on the aggregate outstanding amount of our project loans was 5.72% per annum.

### ***Covenants***

Under these project loans, many of our subsidiary borrowers and the guarantor have agreed, among other things, give notice before substantial financing and not to take the following actions without first obtaining the lenders’ prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- alter the nature or scope of their business operations in any material respect; and
- distribute dividends before repaying their loans (and we have obtained relevant waivers for such dividend restrictions for certain of our PRC project loans).

### ***Shareholder Loans***

Some of our subsidiaries have also obtained project loans from PRC banks such as Bank of China. Under the terms of these project loans, any shareholders’ loans obtained by our subsidiaries are required to be subordinated.

### ***Events of Default***

The project loans contain certain customary events of default, including insolvency and breaches of the terms of the loan agreements. The banks are entitled to terminate their respective agreements

and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

### ***Guarantee and Security***

Certain of our PRC subsidiaries have entered into guarantee agreements, mortgage or pledge contracts, or a combination of them, with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers or have provided security over land use rights, equity or accounts receivables or all of these under these project loans. Further, as of December 31, 2016, RMB6,466.3 million (US\$931.3 million) of the project loans were secured by land use rights and/or properties of the subsidiary borrowers and/or our other PRC subsidiaries.

### **Perpetual Capital Securities**

On January 18, 2013, we issued an aggregate principal amount of US\$700.0 million Perpetual Capital Securities. As of December 31, 2016, we had a total of US\$700.0 million aggregate principal amount of the Perpetual Capital Securities outstanding.

### ***Distributions***

The Perpetual Capital Securities confer a right to receive distributions semi-annually in arrear at the following distribution rates:

- an initial distribution rate of 8.25% per annum from and including the issue date to and excluding the first reset date,
- thereafter a distribution rate referencing U.S. treasury rates plus an initial spread of 7.463% from and including the first reset date until and excluding the second reset date,
- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 7.463% as well as an initial step-up margin of 0.25% from and including the second reset date until and excluding the additional step-up margin reset date of July 18, 2033,
- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 7.463%, the initial step-up margin of 0.75%, and an additional step-up margin of 0.75% from and including the additional step-up margin reset date, or any reset date falling on and after thereto, until and excluding the next reset date.

We have the option to redeem the securities upon the occurrence of a change of control triggering event. If we elect not to redeem, the applicable distribution rate will increase by 3% per annum beginning from the next distribution payment date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date. However, if a distribution is deferred or has not been made in full, we may not declare or pay dividends in our common stock or redeem or buyback any junior obligations or parity obligations, including our common stock. If we fail to make distributions in accordance with the terms of the Perpetual Capital Securities, the trustee of the Perpetual Capital Securities may initiate proceedings for our winding-up and claim in the winding-up proceedings for the principal amount and the relevant distributions accrued on the Perpetual Capital Securities prior to the commencement of the winding-up proceedings. The distributions on the Perpetual Capital Securities are not accounted for as interest expenses under HKFRS and we therefore do not include such distributions when calculating the Fixed Charge Coverage Ratio under our bank facilities and senior notes, including the Notes. In addition, because the Perpetual Capital Securities are not Capital Stock, we do not treat distributions on the Perpetual Capital Securities as Restricted Payments under our senior notes, including the Notes. However, we have been voluntarily subtracting the amounts of distributions on the Perpetual Capital Securities from our Restricted Payments “basket” under our senior notes and will continue to do so in the future.

### ***Maturity and Redemption***

There is no fixed maturity date for the Perpetual Capital Securities. We may redeem the Perpetual Capital Securities, in whole, but not in part, on the first reset date or any distribution payment date after the first reset date.

The Perpetual Capital Securities may be redeemed at our option in whole, but not in part, (a) at their redemption amount if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after January 11, 2013 and (b) at their early redemption price upon the occurrence of: (i) any change or amendment to the relevant accounting standard such that the Perpetual Capital Securities must not or must no longer be recorded as our “equity” pursuant to the relevant accounting standard; or (ii) a change in the equity classification ascribed to the Perpetual Capital Securities by Moody’s or S&P or their respective successors which results in a lower equity credit for the Perpetual Capital Securities than the equity credit assigned on the issue date.

### **Domestic Perpetual Capital Securities**

On July 26, 2016, through a subsidiary, we issued the Domestic Perpetual Capital Securities with an aggregate principal amount of RMB1,100.0 million (US\$158.4 million). The Domestic Perpetual Capital Securities do not have a maturity date and the distribution payments can be deferred at the discretion of the Company. When we elect to declare dividends to our shareholders, the issuer subsidiary shall make distribution to the holders of Domestic Perpetual Capital Securities at the distribution rate as defined in the subscription agreement. As of December 31, 2016, we had a total of RMB1,079.4 million (US\$155.5 million) aggregate principal amount of the Domestic Perpetual Capital Securities outstanding.

### **Asset-backed Securities**

Through a PRC subsidiary, on February 26, 2016 we established an asset-backed securities program (the “Asset-backed Securities”) in the PRC with a principal amount of RMB1,100.0 million (US\$158.4 million), among which RMB100.0 million (US\$14.4 million) was subordinate securities purchased by the PRC subsidiary as original equity holder. The Asset-backed Securities are backed by the future five years’ right of receiving management fee for certain properties managed by one of our asset management subsidiaries. As of December 31, 2016, we had a total of RMB795.4 million (US\$114.6 million) of the Asset-backed Securities outstanding.

### **2014 USD Notes**

On February 18, 2014, we entered into an indenture (as amended and supplemented from time to time, the “2014 USD Notes Indenture”) pursuant to which we issued US\$500,000,000 principal amount of the 8.375% Senior Notes due 2019. As of the date of this offering memorandum, the entire principal amount of the 2014 USD Notes is outstanding.

### ***Guarantee***

The obligations pursuant to the 2014 USD Notes are guaranteed by our existing subsidiaries (the “2014 USD Notes Subsidiary Guarantors”) other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2014 USD Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a 2014 USD Notes Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2014 USD Notes Indenture.

Each of the 2014 USD Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2014 USD Notes.

### ***Collateral***

In order to secure the obligations under the 2014 USD Notes, the Company and the 2014 USD Notes Subsidiary Guarantors under the 2014 USD Notes Indenture pledged the capital stock of all such 2014 USD Notes Subsidiary Guarantors for the benefit of the holders of the 2014 USD Notes (the “2014 USD Notes Collateral”).

The 2014 USD Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2014 USD Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2014 USD Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2014 USD Notes Indenture.

### ***Interest***

The 2014 USD Notes bear an interest rate of 8.375% per annum. Interest is payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the 2014 USD Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

### ***Events of Default***

The 2014 USD Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2014 USD Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2014 USD Notes Indenture. If an event of default occurs and is continuing, the trustee under the 2014 USD Notes Indenture or the holders of at least 25% of the outstanding 2014 USD Notes may declare the principal of the 2014 USD Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

### ***Change of Control***

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2014 USD Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Maturity and Redemption***

The maturity date of the 2014 USD Notes is February 18, 2019.

At any time on or after February 18, 2017, we may redeem the 2014 USD Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below if redeemed during the twelve month period beginning on February 18 of each of the years indicate below:

Period	Redemption Price
2017 . . . . .	104.18750%
2018 and thereafter . . . . .	102.09375%

At any time on or prior to February 18, 2017, we may redeem the 2014 USD Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2014 USD Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any and from time to time prior to February 18, 2017, we may redeem up to 35% of the aggregate principal amount of the 2014 USD Notes at a redemption price equal to 108.375% of the principal amount of the 2014 USD Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company’s capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2014 USD Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2014 USD Notes at a redemption price equal to 100% of the principal amount of the 2014 USD Notes, plus any accrued and unpaid interest, subject to certain exceptions.

***Intercreditor Agreement***

On February 18, 2014, the trustee for the 2014 USD Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a *pari passu* basis with other holders of permitted *pari passu* secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

**2015 Notes**

On May 21, 2015, we entered into an indenture (as amended and supplemented from time to time, the “2015 Notes Indenture”) pursuant to which we issued US\$500,000,000 principal amount of the 9.0% Senior Notes due 2020. As of the date of this offering memorandum, the entire principal amount of the 2015 Notes is outstanding.

***Guarantee***

The obligations pursuant to the 2015 Notes are guaranteed by our existing subsidiaries (the “2015 Notes Subsidiary Guarantors”) other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2015 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a 2015 Notes Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2015 Notes Indenture.

Each of the 2015 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2015 Notes.

***Collateral***

In order to secure the obligations under the 2015 Notes, the Company and the 2015 Notes Subsidiary Guarantors under the 2015 Notes Indenture pledged the capital stock of all such 2015 Notes Subsidiary Guarantors for the benefit of the holders of the 2015 Notes (the “2015 Notes Collateral”).

The 2015 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2015 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2015 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2015 Notes Indenture.



***Interest***

The 2015 Notes bear an interest rate of 9.0% per annum. Interest is payable semi-annually in arrears.

***Covenants***

Subject to certain conditions and exceptions, the 2015 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of Default***

The 2015 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2015 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2015 Notes Indenture. If an event of default occurs and is continuing, the trustee under the 2015 Notes Indenture or the holders of at least 25% of the outstanding 2015 Notes may declare the principal of the 2015 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

***Change of Control***

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2015 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

***Maturity and Redemption***

The maturity date of the 2015 Notes is May 21, 2020.

At any time on or after May 21, 2018, we may redeem the 2015 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below if redeemed during the twelve month period beginning on February 18 of each of the years indicate below:

<b>Period</b>	<b>Redemption Price</b>
2018 . . . . .	104.500%
2019 and thereafter . . . . .	102.250%

At any time on or prior to May 21, 2018, we may redeem the 2015 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2015 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any and from time to time prior to May 21, 2018, we may redeem up to 35% of the aggregate principal amount of the 2015 Notes at a redemption price equal to 109.0% of the principal amount of the 2015 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2015 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2015 Notes at a redemption price equal to 100% of the principal amount of the 2015 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

### ***Intercreditor Agreement***

On May 21, 2015, the trustee for the 2015 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a *pari passu* basis with other holders of permitted *pari passu* secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

### **Domestic Corporate Bonds**

On January 11, 2016, through a subsidiary, we issued 4.7% corporate bonds with an aggregate amount of RMB1,600.0 million (US\$230.4 million). The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,584.1 million (US\$228.2 million). The bonds will mature on January 11, 2021. The issuer shall be entitled to adjust the coupon rate at the end of third year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On April 29, 2016, through a subsidiary, we issued 5.8% non-public corporate bonds with an aggregate amount of RMB1,200.0 million (US\$172.8 million). The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,189.2 million (US\$171.3 million). The bonds will mature on April 29, 2020. We shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On July 29, 2016, we issued 4.98% corporate bonds (the "Panda Bonds") with an aggregate amount of RMB3,000.0 million (US\$432.1 million). The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,970.0 million (US\$427.8 million). The bonds will mature on July 29, 2020. We shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On October 11, 2016, we issued 4.6% and 5.7% corporate bonds with an aggregate amount of RMB1,800.0 million (US\$259.3 million) and RMB1,200.0 million (US\$172.8 million) respectively. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787.3 million (US\$257.4 million) and RMB1,192.5 million (US\$171.8 million) respectively. The bonds will mature on October 11, 2021 and October 11, 2023 respectively. We shall be entitled to adjust the coupon rate at the end of the third and the fifth year respectively whereas the investors shall be entitled to sell back in whole or in part the bonds.

On July 12, 2017, we issued non-public domestic corporate bonds in the amount of RMB 3.0 billion (US\$0.4 billion) at a coupon rate of 6.98% per annum for a term of three years to qualified institutional investors in the PRC. We shall be entitled to adjust the coupon rate at the end of the second year whereas the investors shall be entitled to sell back in whole or in part the bonds.

### **Offshore Facility Agreements**

We have entered into facility agreements with offshore banks and financial institutions, including, without limitation, The Hongkong and Shanghai Banking Corporation Limited, Chong Hing Bank Limited, The Bank of East Asia, Limited, Dah Sing Bank, Limited and Agricultural Bank of China

Limited, Singapore Branch. In addition, on May 26, 2016, we entered into a facility agreement with various lenders and Hang Seng Bank Limited as the facility agent for term loan facilities in an aggregate amount of HK\$6,707.0 million for a term of 36 months commencing from May 26, 2016 (the “2016 HSB Syndicated Loan”). As of the date of this offering memorandum, we have already drawn down the facility in full. On June 2, 2017, we entered into a facility agreement with Standard Chartered Bank (Hong Kong) Limited as the facility agent for term loan facility in an aggregate amount of HK\$624.0 million for a term of 36 months commencing from June 2, 2017 (the “2017 SCB Facility”) and on June 5, 2017 we drew down the facility in full. On July 17, 2017, we entered into a facility agreement with Standard Chartered Bank (Hong Kong) Limited as the facility agent for dual tranche transferable term loan facilities denominated in both H.K. dollars and U.S. dollars for a term of 36 months commencing July 17, 2017 (the “2017 SCB Syndicated Loan”) and on July 18, 2017 we drew down the facility in full.

Our offshore facilities typically have terms ranging from one year to three years.

### ***Guarantee and security***

The obligations pursuant to the 2016 HSB Syndicated Loan, the 2017 SCB Facility and the 2017 SCB Syndicated Loan are guaranteed by the same subsidiaries acting as subsidiary guarantors for the Notes (the “Loan Subsidiary Guarantors”). Each of the Loan Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2016 HSB Syndicated Loan, the 2017 SCB Facility and the 2017 SCB Syndicated Loan. The 2016 HSB Syndicated Loan, the 2017 SCB Facility, the 2017 SCB Syndicated Loan and the subsidiary guarantees provided by the Loan Subsidiary Guarantors are secured by the Collateral.

### ***Interest***

The principal amounts outstanding under these loans generally bear interest at floating rates calculated with reference to the London Interbank Offered Rate or Hong Kong Interbank Offered Rate.

### ***Covenants***

Our other loans contains customary covenants and restrictions, including, amongst others, negative pledge on assets (with certain exemptions), financial covenants including consolidated tangible net worth, consolidated net borrowings and interest coverage ratios.

### ***Events of default***

These offshore facilities contain certain customary events of default, including non-payment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

### **Customer Guarantees**

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank. As of December 31, 2016, the aggregate outstanding amount guaranteed was RMB33,293.6 million (US\$4,795.3 million).

### **Asian Games City Guarantees**

We, as one of the four shareholders of Guangzhou Li He Property Development Company Limited, the joint venture developing the Guangzhou Asian Games City Project, have provided guarantees for certain borrowings of Li He. As of December 31, 2016, our guarantees provided for the Guangzhou Asian Games City Project for its borrowings amounted to RMB1,015.9 million (US\$146.3 million).

### **Tianjin JV Co and Charm Talent Guarantees**

We are developing Jinnan New Town in Jinnan through a joint venture with KWG Property Holding Limited (“KWG”), Guangzhou R&F Properties Co., Ltd. (“Guangzhou R&F”) and Shimao Property Holdings Limited (“Shimao Property”), through Tianjin JV Co, the project company, in which we hold a 25% interest. On May 21, 2013, Tianjin JV Co, as borrower, entered into a RMB1,000 million term loan facility (the “First Tianjin JV Loan”) with certain financial institutions, as lenders. In connection with the First Tianjin JV Loan, Foshan Agile Real Estate Development Co., Ltd., our wholly-owned subsidiary, provided a guarantee up to an amount in proportion to our percentage of investment in the joint venture in favor of the lenders. On March 28, 2017, Tianjin JV, as borrower, entered into a RMB3,000.0 million term loan facility (the “Second Tianjin JV Loan” and, together with the First Tianjin JV Loan, the “Tianjin JV Loans”) with China Bohai Bank Beijing Branch, as lender. In connection with the Second Tianjin JV Loan, we provided a guarantee for payment up to the amount equal to 25% of the principal amount of the Second Tianjin JV Co Loan for a term of two years in favor of the lender.

## DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Agile Group Holdings Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined herein) is referred to as the “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of August 14, 2017, among the Company, the Subsidiary Guarantors, as guarantors, The Hongkong and Shanghai Banking Corporation Limited, as trustee (the “Trustee”).

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Intercreditor Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Intercreditor Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at The Hongkong and Shanghai Banking Corporation Limited, Level 30, HSBC Main Building, 1 Queen’s Road Central, Hong Kong.

The Hongkong and Shanghai Banking Corporation Limited also acts as the trustee for the 2014 USD Notes and the 2015 Notes.

### Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment against the Company with respect to the 2014 USD Notes, the 2015 Notes, the 2016 HSB Syndicated Loan, the 2017 SCB Facility, the 2017 SCB Syndicated Loan and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantor (if any) on a senior basis, subject to the limitations described below under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral”;
- effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below), which will not provide a Guarantee for the Notes.

In addition, on the Original Issue Date, subject to the limitations described in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the caption “— Security” and will:

- be entitled to a lien on the Collateral (subject to any Permitted Liens) shared on a *pari passu* basis pursuant to the Intercreditor Agreement (as defined below) with (i) the

holders of the 2014 USD Notes, (ii) the holders of the 2015 USD Notes, (iii) the lenders of the 2016 HSB Syndicated Loan, (iv) the lenders of the 2017 SCB Facility, (v) the lenders of the 2017 SCB Syndicated Loan and (vi) any other creditors with respect to Permitted Pari Passu Secured Indebtedness; and

- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Company will initially issue US\$200,000,000 million in aggregate principal amount of the Notes, which will mature on August 14, 2022, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 5.125% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears in equal installments on February 14 and August 14 of each year (each an “Interest Payment Date”), commencing February 14, 2018. Interest on the Notes, when in the form of Global Notes, will be paid to Holders of record at the close of business on February 13 or August 13, and when in the form of Certificated Notes, on January 30 or July 30, immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under “Optional Redemption”, “Redemption for Taxation Reasons” and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of The Hongkong and Shanghai Banking Corporation Limited, as the paying agent, registrar and transfer agent (the “Paying and Transfer Agent”), then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due.

The Notes will mature on August 14, 2022, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose in Hong Kong (which initially will be the corporate trust administration office of the Trustee, currently located at The Hongkong and Shanghai Banking Corporation Limited, Level 30, HSBC Main Building, 1 Queen’s Road Central, Hong Kong), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

### **The Subsidiary Guarantees and the JV Subsidiary Guarantees**

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company’s Restricted Subsidiaries other than the Non-Guarantor Restricted Subsidiaries (defined below). Certain of the Subsidiary Guarantors are holding companies that do not have significant operations.

The following Restricted Subsidiaries will not be Subsidiary Guarantors on the Original Issue Date:

- all Subsidiaries organized under the laws of the PRC (together, the “PRC Non-Guarantor Subsidiaries”);
- Agile (Hong Kong) Limited (雅居樂(香港)有限公司), Agile Investment Consultants Limited (雅居樂投資顧問有限公司), Champion Luck Limited (啓福有限公司), China Mart Development Limited (創美發展有限公司), Complete Apex Limited (越優有限公司), Eminent Sail Limited (瓏陞有限公司), Fervent Hero Limited (適得有限公司), Full Pride Limited (福貴有限公司), Giant Top Group Limited (澤高集團有限公司), Grand Shine Limited (冠暉有限公司), Heroic Ace Limited (溢機有限公司), Hong Kong Agile Property Management Services Limited (香港雅居樂物業管理服務有限公司), Innovative Eagle Limited (名略有限公司), Many Harvest Limited (貿康有限公司), Maxer Development Limited (萬藝發展有限公司), Mindway Limited (維誼有限公司), On Sky Group Limited (曉高集團有限公司), Pacific Vantage Limited (長栢有限公司), Perfect Hero Limited (越福有限公司), Prestige City Developments Limited (名峰發展有限公司), Sino Reality Limited (順隆有限公司), The Baroque On Lamma Limited (博寮港有限公司), The Baroque On Lamma Yacht Club Limited (博寮港船會有限公司), Union Capital Limited (溢球有限公司), Well Global Development Limited (華凱發展有限公司), Winton Limited (和進有限公司), Worldwide Trinity Limited (環球通達有限公司), Agile PJD Development Sdn. Bhd., Agile Property Development Sdn. Bhd., Agile Real Estate Development (M) Sdn. Bhd., Agile Tropicana Development Sdn. Bhd., Nga Koi Lok Development and Investment Company Limited (雅居樂投資發展有限公司), Zhongshan Ever Creator Real Estate Development (Macau) Ltd. (中山市雅建房地產發展(澳門)有限公司), Agile Investment Holding (US) Limited, Century Beyond (BVI) Limited, Crown Golden Investments Limited (冠金投資有限公司), Fame Way Holdings Limited (名威控股有限公司), Full Ambition Limited (溢志有限公司), Full Epoch Limited, Glory Empire Overseas Limited (煌朝海外有限公司), Hodson Investment Limited (合成投資有限公司), Pride Height Investments Ltd (傲凱投資有限公司), Smooth State International Limited (順邦國際有限公司) and Straight Up Limited (正上有限公司) (together, the “Initial Other Non-Guarantor Subsidiaries”).

As used herein, “Non-Guarantor Restricted Subsidiaries” refers to the Restricted Subsidiaries that are neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor (as defined below), including as of the Original Issue Date, the PRC Non-Guarantor Subsidiaries and the Initial Other Non-Guarantor Subsidiaries. The Non-Guarantor Restricted Subsidiaries together with the Unrestricted Subsidiaries are referred to herein as the “Non-Guarantor Subsidiaries.”

None of the existing PRC Non-Guarantor Subsidiaries will at any time in the future provide a Subsidiary Guarantee or JV Subsidiary Guarantee. Moreover, no future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiaries or Listed Subsidiaries (each as defined below) will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries organized under the laws of the PRC and other Non-Guarantor Restricted Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

In the case of a Restricted Subsidiary (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and that is not an Exempted Subsidiary or a Listed Subsidiary and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase no less than 50.1% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC and that are not Exempted

Subsidiaries or Listed Subsidiaries, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
  - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the “JV Subsidiary Guarantee”) and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than Exempted Subsidiaries and Listed Subsidiaries), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) a duly executed Security Document that pledges in favor of the Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
  - (iii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of December 31, 2016, the Company and its consolidated subsidiaries (including the Non-Guarantor Subsidiaries) had total consolidated borrowings of approximately RMB43,995.9 million (US\$6,336.7 million), of which approximately RMB11,700.4 million (US\$1,685.2 million) was secured.

As of December 31, 2016, the Non-Guarantor Subsidiaries had total outstanding indebtedness, including both current and non-current borrowings, of approximately RMB16,536.4 million (US\$2,381.7 million) and the Non-Guarantor Subsidiaries had capital commitments and contingent liabilities of approximately RMB33,293.6 million (US\$4,795.3 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;



- ranks at least *pari passu* with the guarantees provided for the 2014 USD Notes, the 2015 USD Notes and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

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

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

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, the Exempted Subsidiaries, the Listed Subsidiaries and members of the Crown Golden Group) to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor, as soon as practicable and in any event within 30 days after such Person becomes a Restricted Subsidiary or, in the case of an Exempted Subsidiary or a Listed Subsidiary, ceases to be an Exempted Subsidiary or a Listed Subsidiary, as the case may be. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, as the case may be, *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor do not account for more than 30% of the Total Assets of the Company.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become “New Non-Guarantor Restricted Subsidiaries” (such that each New Non-Guarantor Restricted Subsidiary will no longer Guarantee the Notes) and (b) instruct the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Restricted Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Restricted Subsidiary, (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor (including the New Non-Guarantor Restricted Subsidiaries) do not account for more than 30% of the Total Assets of the Company. For purposes of the calculations in this paragraph and the foregoing paragraph, the Consolidated Assets of the Crown Golden Group shall be excluded. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this

paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than through a JV Subsidiary Guarantee is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

Crown Golden Investments Limited, Pride Height Investments Limited, Smooth State International Limited, On Sky Group Limited and Giant Top Group Limited will not provide Subsidiary Guarantees and holders of the Notes will not have any direct recourse against them.

In addition, subject to the limitations described in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor

- will be entitled to a security interest in the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption “— Security” shared on a *pari passu* basis pursuant to the Intercreditor Agreement (as defined below) with (a) the holders of the 2014 USD Notes, (b) the holders of the 2015 Notes, (c) the lenders of the 2016 HSB Syndicated Loan, (d) the lenders of the 2017 SCB Facility and (d) the lenders of the 2017 SCB Syndicated Loan, and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured (no JV Subsidiary Guarantor is required to pledge the shares of any Restricted Subsidiary that it holds).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV

Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its respective JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or the JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or the JV Subsidiary Guarantees."

#### ***Release of the Subsidiary Guarantees and JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge;"
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor or a JV Subsidiary Guarantor that becomes a New Non-Guarantor Restricted Subsidiary or an Unrestricted Subsidiary (including the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary), in compliance with the terms of the Indenture.

#### ***Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor which remains a Restricted Subsidiary may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or

indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares is for no less than 20% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor, provided that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock as determined by an independent appraisal firm of recognized international standing appointed by the Company;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
  - (i) (A) a duly executed JV Subsidiary Guarantee of such Restricted Subsidiary by which it becomes a JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than Exempted Subsidiaries and Listed Subsidiaries), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and the shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) a duly executed Security Document that pledges in favor of the Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
  - (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale or disposition results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries other than those listed in the definition of "Unrestricted Subsidiaries" below will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee, as the case may be, shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release under the Indenture have been complied with and that such release is authorized and permitted by the Indenture.

## Security

The Company has agreed, for the benefit of the holders of the Notes, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of the initial Subsidiary Guarantors held directly by the Company or the Subsidiary Guarantor Pledgors (the "Collateral") (subject to Permitted Liens and *pari passu* sharing described below) on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee.

The initial Subsidiary Guarantor Pledgors are All Jolly Investments Limited (普熹投資有限公司), Best Forward Investments Limited (佳躍投資有限公司), Champoint Holdings Limited (冠邦控股有限公司), Charming Way Investments Limited (悅威投資有限公司), Chieffield Global Limited (捷輝環球有限公司), Clear Fortune Investments Limited (晴福投資有限公司), East Kent International (BVI) Limited (東建國際(BVI)有限公司), Eastern Supreme Group Holdings Limited (東萃集團控股有限公司), Eternal Sun International (BVI) Limited (恒日國際(BVI)有限公司), Ever Access Limited (恆通有限公司), Excel Epoch Limited (卓代有限公司), Forever Fame Property Development Holdings Limited (譽永房地產發展控股有限公司), Fortune Century International (BVI) Limited (富陞國際(BVI)有限公司), Giant Delight Limited (宏悅有限公司), Hefty Wealth Holdings Limited (鉅富控股有限公司), Infoglory (BVI) Limited (訊耀(BVI)有限公司), Intersino Holdings (BVI) Limited (聯華控股(BVI)有限公司), Jolly China International Limited (華熹國際有限公司), Jolly Day Investments Limited (朝熹投資有限公司), Joy New Property Limited (悅新地產有限公司), Linkan Enterprises Ltd (麗嘉企業有限公司), Magic Resources (BVI) Limited (美城物業(BVI)有限公司), Massive King Development Limited (浩京發展有限公司), Maximum Rise Investments (BVI) Limited (盛興投資(BVI)有限公司), Maxsino (Panyu) Investments Limited (陞美(番禺)投資有限公司), Mega Build Investments (BVI) Limited (鴻建投資(BVI)有限公司), Mexon Holdings (BVI) Limited (明誠控股(BVI)有限公司), On Glory (BVI) Limited (光盛(BVI)有限公司), Pomaine International (BVI) Limited (寶明國際(BVI)有限公司), Proactive Asia Investments (BVI) Limited (寶亞投資(BVI)有限公司), Profitica Group (BVI) Limited (盈嘉集團(BVI)有限公司), Prospero International Group Limited (富道國際集團有限公司), Real Genius International Limited (賢域國際有限公司), Rich Pacific International (BVI) Limited (豐平國際(BVI)有限公司), Richy Bright Investments (BVI) Limited (富輝投資(BVI)有限公司), Rise Max Property Limited (晉溢地產有限公司), Rising Wood International Limited (昇林國際有限公司), Rovex Holdings Limited (朗榮控股有限公司), Shining Talent Limited (耀能有限公司), Sino Casa International Limited (莎華國際有限公司), Sinorinc Investments (BVI) Limited (中興投資(BVI)有限公司), Speed Ample (BVI) Limited (迅盈(BVI)有限公司), Success Port Global Limited (盛港環球有限公司), Supremacy Development (BVI) Limited (卓傑發展(BVI)有限公司), Top Delight International Limited (興致國際有限公司), Transfortune Development (BVI) Limited (財運發展(BVI)有限公司) and Wise Idea (BVI) Limited (穎思(BVI)有限公司).

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned directly by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Trustee.

The Company has also agreed, for the benefit of the holders of the Notes, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any is established) to pledge, the Capital Stock directly owned by the Company or such Subsidiary Guarantor of any Person that becomes a Subsidiary Guarantor or JV Subsidiary Guarantor after the Original Issue Date, as soon as practicable and in any event within 30 days after such Person becomes a Subsidiary Guarantor or JV Subsidiary Guarantor, to secure (subject to Permitted Liens) the obligations of the Company under the Notes and the Indenture, and of the Subsidiary Guarantor Pledgor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

The Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement (as defined below) by the holders of the Notes and the holders of other secured indebtedness including the holders of the 2014 USD Notes, the holders of the 2015 Notes, the lenders of the 2016 HSB Syndicated Loan, the lenders of the 2017 SCB Facility and the lenders of the 2017 SCB Syndicated Loan. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness.

The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company’s and each of the Subsidiary Guarantor Pledgors’ obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), and the Collateral securing the Notes and such Subsidiary Guarantee (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted *Pari Passu* Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture and the Intercreditor Agreement. See “— Release of Security,” “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantee and the Collateral — The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes” and “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Intercreditor Agreement may impact our ability and the ability of the Subsidiary Guarantors to pay amounts due under the Notes and the Subsidiary Guarantees and may limit the rights of holders of the Notes to the Collateral.”

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement). By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

#### ***Permitted Pari Passu Secured Indebtedness***

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor and any *Pari Passu* Subsidiary Guarantee with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such *Pari Passu* Subsidiary Guarantee, “Permitted *Pari Passu* Secured Indebtedness”); *provided that* (1) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”, (2) the holders (or their representative agent or trustee) of such Indebtedness (other than Additional Notes) become party to the Intercreditor Agreement referred to below; and (3) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Opinion of Counsel and Officers’ Certificate with respect to corporate and collateral matters in connection with the Security Documents, stating that either (x) all necessary actions have been taken with respect to the recording, registering and filing of the Security Documents, financing statements or other

instruments necessary to make effective the Liens intended to be created by the Security Documents, and reciting the details of such action or (y) no such action is necessary to make such Lien effective. The Trustee will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted *Pari Passu* Secured Indebtedness).

Except for certain Permitted Liens and the Permitted *Pari Passu* Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

### ***Intercreditor Agreement***

(i) The Company, (ii) the Subsidiary Guarantor Pledgors, (iii) The Hongkong and Shanghai Banking Corporation Limited, as collateral agent (the “Collateral Agent”), (iv) The Hongkong and Shanghai Banking Corporation Limited, as trustee with respect to the 2014 Notes and (v) The Hongkong and Shanghai Banking Corporation Limited, as trustee with respect to the 2015 Notes, among others, have entered into and are currently parties to an intercreditor agreement (as supplemented or amended from time to time, the “Intercreditor Agreement”), to which the Trustee will accede, pursuant to which they agree to (1) share the Collateral on an equal and ratable basis, the parties thereto shall share equal priority and *pro rata* entitlement in and to the Collateral; (2) the conditions that are applicable to the release of or granting of any Lien on such Collateral; and (3) the conditions under which their rights with respect to such Collateral and the Indebtedness secured thereby will be enforced.

Prior to the first Incurrence of any Permitted *Pari Passu* Secured Indebtedness (other than Additional Notes), the holders of such Permitted *Pari Passu* Secured Indebtedness (or their representative) will accede to the Intercreditor Agreement to include the holders of such Permitted *Pari Passu* Secured Indebtedness as parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement, any supplements, amendments or modifications thereto, and any future intercreditor agreement required under the Indenture.

### ***Enforcement of Security***

The liens securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, will be granted to the Trustee, subject to Permitted Liens and *pari passu* sharing. The Trustee will, through the Collateral Agent, hold such liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the Holders to exercise remedies under the Security Documents. The Trustee has agreed to act as secured party on behalf of the holders under the applicable Security Documents, to follow the instructions provided to it under the Indenture and the Security Documents and to carry out certain other duties.

The Indenture and/or the Security Documents principally provide that, at any time while the Notes are outstanding, the Trustee, subject to the Intercreditor, has the right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture.

All payments received and all amounts held in respect of the Collateral under the Security Documents will be applied as follows pursuant to the Intercreditor Agreement:

*first*, to the payment of any taxes, filing fees and registration fees and any other expenses owed to any governmental entity and incurred in connection with the sale or other realization (if any) upon all or any part of the Collateral;

*second*, to, *pro rata*, (a) the payment of, any expenses properly incurred by the Collateral Agent in connection with such sale or other realization; any amounts owed to the Collateral Agent under the Intercreditor Agreement or any related security documents; and any other amounts payable to the Collateral Agent in connection with the performance of its functions, including, without limitation, compensation to its agents and counsel, in each case whether actually paid or accrued; and (b) the Trustee and the agents or trustees of the other holders of Permitted *Pari Passu* Secured Indebtedness who are or become parties to the Intercreditor Agreement to the extent necessary to reimburse the Trustee or such other agent or trustee for any expenses incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing its remedies under the security documents covered by the Intercreditor Agreement and preserving the Collateral and all amounts for which the Trustee or such agent or trustee is entitled to indemnification under the security documents covered by the Intercreditor Agreement;

*third*, to payment of any unreimbursed expenses for any Secured Party (as defined in the Intercreditor Agreement) that is to be reimbursed pursuant to the Secured Party Documents (as defined in the Intercreditor Agreement) other than those paid under the second clause above;

*fourth*, to, *pro rata*, the Trustee for the benefit of Holders, the relevant trustee or agent for the benefit of the holders of the 2014 USD Notes, the holders of the 2015 Notes, the lenders of the 2016 HSB Syndicated Loan, the lenders of the 2017 SCB Facility and the lenders of the 2017 SCB Syndicated Loan and, to the extent applicable, to the holders of Permitted *Pari Passu* Secured Indebtedness (or their representative); and

*fifth*, any surplus remaining after such payments will be paid to the Company or the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Trustee may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification to its satisfaction. In addition, the Trustee's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Trustee's Liens on the Collateral. Neither the Trustee nor the Collateral Agent nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, validity, perfection, continuation, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, for the preservation of rights against any Person with respect to any Collateral, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Trustee and the Collateral Agent for all liabilities, losses, damages, penalties, actions, proceedings, claims, costs, expenses or disbursements of any kind imposed against the Trustee and the Collateral Agent arising out of the Security Documents.

This section, "— Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness in accordance with "— Permitted *Pari Passu* Secured Indebtedness" above.

### ***Release of Security***

Subject to the provisions of the Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents may be released in relation to the Notes and the Subsidiary Guarantees, in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "— Defeasance — Defeasance and Discharge;"
- upon dispositions of any of the Collateral in compliance with the covenants under the captions "— Limitation on Sales and Issuances of Capital Stock in Restricted



Subsidiaries” or “— Limitation on Asset Sales” or in accordance with the provision under the caption “— Consolidation, Merger and Sale of Assets;”

- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- with respect to a Subsidiary Guarantor that becomes a New Non-Guarantor Restricted Subsidiary, the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in such New Non-Guarantor Restricted Subsidiary;
- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the release of the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor in accordance with the terms of the Indenture; and
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor or JV Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture.

#### **Further Issues**

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the “Limitation on Indebtedness and Preferred Stock” covenant described below. The Hongkong and Shanghai Banking Corporation Limited, may serve as trustee with respect to any Additional Notes.

#### **Optional Redemption**

At any time and from time to time on or after August 14, 2020, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on August 14 of each of the years indicated below.

<b>Period</b>	<b>Redemption Price</b>
2020 . . . . .	102.56250%
2021 and thereafter . . . . .	101.28125%

At any time prior to August 14, 2020, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption.

At any time and from time to time prior to August 14, 2020, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.125% of the

principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

### ***Selection and Notice***

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

- (1) if the Notes are listed on any national securities exchange or are held through a clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed (if any) or the requirements of the clearing system; or
- (2) if the Notes are not listed on any national securities exchange, on a *pro rata* basis, by lot or by such method as the Trustee deems fair and appropriate.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any redemption price and Applicable Premium payable under any notice of redemption and shall not be liable to the Holders or any other person for not doing so.

### **Repurchase of Notes Upon a Change of Control Triggering Event**

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantor's then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The phrase "all or substantially all", as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant

jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of “all or substantially all” the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

### **No Mandatory Redemption or Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the Notes.

### **Additional Amounts**

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption “— Consolidation, Merger and Sale of Assets”) or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, the PRC (each as applicable, a “Relevant Taxing Jurisdiction”) or any jurisdiction through which payments are made (or any political subdivision or taxing authority thereof or therein) (together with each Relevant Taxing Jurisdiction, as applicable, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
  - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
    - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
    - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, or interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
    - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor or any JV

Subsidiary Guarantor addressed to the Holder to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction;

- (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
  - (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
  - (c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or
  - (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

None of the Trustee, the Paying and Transfer Agent nor the Collateral Agent shall be responsible for paying any Additional Amounts or for determining whether such Additional Amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Company, any Surviving Person, any Subsidiary Guarantor, or JV Subsidiary Guarantor, Holder or any third party to pay such Additional Amounts.

### **Redemption for Taxation Reasons**

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying and Transfer Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any

Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be canceled.

### **Certain Covenants**

Set forth below are summaries of certain covenants contained in the Indenture.

#### ***Limitation on Indebtedness and Preferred Stock***

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, provided that the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Restricted Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.5 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):
  - (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
  - (b) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor or any JV Subsidiary Guarantor;

- (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided* that such Indebtedness of Non-Guarantor Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (d), (f), (g) and (m) below);
- (d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and, (ii) if the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is the obligor and none of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors is an obligee on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor, or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, in the case of a JV Subsidiary Guarantor, *provided* further that, any Preferred Stock issued by a Subsidiary Guarantor or a JV Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor;
- (e) Indebtedness (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (o), (p), (q), (r), (s), (t), (u), (v), (w) or (x) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any

Indebtedness of any JV Subsidiary Guarantor (provided that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);

- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (h) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (r), (s), (t), (u), (v), (w) and (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit or trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary

course of business *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence;

- (m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the covenant under the caption “— Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$50.0 million (or the Dollar Equivalent thereof);
- (o) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$30.0 million (or the Dollar Equivalent thereof);
- (p) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement, *provided* that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement;
- (q) Indebtedness Incurred by any Restricted Subsidiary incorporated under the laws of the PRC which is secured by Investment Properties, and Guarantees thereof by the Company or any such Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (q) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (q) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) does not exceed 50% of the total Fair Market Value of such Investment Properties;
- (r) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, *provided* that on the date of Incurrence of such Indebtedness, the aggregate principal amount outstanding of such Indebtedness permitted by this clause (r) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clause (h) above and clauses (s), (t), (u), (v), (w) and (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (r) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (s) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Financial Company Investor in a PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness or issuance of Preferred Stock and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred under this clause (s) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (h) and (r) above and clauses (t), (u), (v), (w) and (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;



- (t) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (t) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (r) and (s) above and clauses (u), (v), (w) and (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (u) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary or an individual or natural person) by the Company or such Restricted Subsidiary, if the aggregate of all Indebtedness Incurred under this clause (u) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (r), (s) and (t) above and clauses (v), (w) and (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (v) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (v) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (r), (s), (t) and (u) above and clauses (w) and (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (w) Unrestricted Subsidiary Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (w) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (r), (s), (t), (u) and (v) above and clause (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (w) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets; and
- (x) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (w) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (r), (s), (t), (u) and (v) above and the refinancings thereof, but

excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (x) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.
- (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, *provided* that such Indebtedness was permitted to be Incurred at the time of such Incurrence.

### ***Limitation on Restricted Payments***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary other than the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock;” or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of:
  - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss)

accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the semi-annual period during which the Measurement Date occurred and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

- (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
- (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments and Investments in the Asian Games City Joint Venture made pursuant to clause (6) of the paragraph below) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person, or (E) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person were not a Permitted Investment at the time such Investments were made; plus
- (v) US\$150.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV

Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) or Subordinated Indebtedness (*provided* that such Subordinated Indebtedness was permitted to be Incurred under the “— Limitation on Indebtedness and Preferred Stock” covenant) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4); or
- (5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary; *provided* that, with respect to a Restricted Subsidiary of which less than a majority of the Voting Stock is, directly or indirectly owned by the Company, such dividend or distribution shall be declared, paid or made on a *pro rata* basis or on a basis more favorable to the Company, as determined by the ownership of the Voting Stock;
- (6) (i) Investments in the Asian Games City Joint Venture of which the Company owns a minority interest as of the Measurement Date, *provided* that the aggregate amount of Investments made under this clause (6)(i) after the Measurement Date shall not exceed RMB3.0 billion and (ii) any Guarantee by the Company or any Restricted Subsidiary of Indebtedness Incurred by the Asian Games City Joint Venture or any of its Subsidiaries in proportion to the Company’s direct or indirect interest in the Capital Stock of the Asian Games City Joint Venture, *provided* that such Guarantee is permitted to be incurred under the covenant described under “— Limitation on Indebtedness and Preferred Stock” and the aggregate amount of Indebtedness outstanding guaranteed by such Guarantees made under this clause 6(ii) shall not exceed RMB2.2 billion. For the avoidance of doubt, each Investment made pursuant to this clause 6(i) shall be valued at the time such Investment is made;
- (7) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by any Financial Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(s) of the “Limitation on Indebtedness and Preferred Stock” covenant;
- (8) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between or among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, *provided* that (x) such purchase

occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;

- (9) the repurchase of Capital Stock of the Company by the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with the Company's employee incentive, stock option, or stock award plans or programs from time to time, and any Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements created in connection with any such repurchase, in an aggregate amount, without duplication, not to exceed US\$50.0 million;
- (10) payments made pursuant to a Staged Acquisition Agreement;
- (11) payments made in connection with the redemption or repurchase of the 2013 Perpetual Securities, *provided* that (x) no Default has occurred and is continuing or would occur as a result of such payment and (y) the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock" after giving effect to such payment;
- (12) the declaration and payment of dividends by the Company and/or the repurchase of the Company's Common Stock with respect to any financial year, *provided* that such declaration and payment of dividends by the Company pursuant to this clause (13), together with such repurchase of the Company's Common Stock pursuant to this clause (13), shall not exceed 30.0% of the consolidated profit for the year of the Company calculated in accordance with GAAP; and
- (13) the distributions or payments of Securitization Fees in connection with Receivable Financings;

*provided* that, in the case of clause (2), (3), (4) or (12) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment made pursuant to clause (1) or (12) of the preceding paragraph after the Measurement Date shall be included (without duplication) in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (13) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this "— Limitation on Restricted Payments" covenant, in the event that an item of Investment meets the criteria of more than one of the following: (i) the first paragraph of this "— Limitation on Restricted Payments" covenant, (ii) the second paragraph of this "— Limitation on Restricted Payments" covenant, (iii) clause (16) of the definition of

“Permitted Investment”, (iv) clause (21) of the definition of “Permitted Investment” and (v) clause (24) of the definition of “Permitted Investment”, at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in any or all of them.

***Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
  - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
  - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
  - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
  - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.
- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
  - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted *Pari Passu* Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or *Pari Passu* Subsidiary Guarantee of any Subsidiary Guarantor or any JV Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
  - (b) existing under or by reason of applicable law, rule, regulation or order;
  - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
  - (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
  - (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the

Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales” covenants;

- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock of the type described under clause (2)(h), (2)(n), (2)(p), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u), 2(v), 2(w) or 2(x) or permitted under clause (2)(o) of the “Limitation on Indebtedness and Preferred Stock” covenant if, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced; *provided* further that, the Board of Directors is delegated with the sole power to determine as to whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution;
- (g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; *provided* that, the Board of Directors is delegated with the sole power to determine as to whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

#### ***Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries***

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director’s qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

- (3) for the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the “— Limitation on Restricted Payments” covenant if made on the date of such issuance or sale and *provided* that the Company complies with the “— Limitation on Asset Sales” covenant; *provided* further that, paragraph (16)(v) of the definition of “Permitted Investments” shall not apply if such Investment in such Person immediately after giving effect to such issuance or sale would otherwise have been permitted under paragraph (16) of such definition; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the “— Limitation on Asset Sales” covenant.

#### ***Limitation on Issuances of Guarantees by Restricted Subsidiaries***

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness (“Guaranteed Indebtedness”) of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1) (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c), (2)(d) or (2)(r) (in the case of clause (2)(r), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts or deposits or other assets to secure (or the use of any Guarantee or letter of credit or similar instruments to Guarantee) any Bank Deposit Secured Indebtedness), under the caption “— Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount, which will be conclusively evidenced by an Officers’ Certificate from the Company certifying to that effect. The Trustee is fully protected in relying on such an Officers’ Certificate with respect to such guarantee given by the relevant JV subsidiary Guarantor. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

#### ***Limitation on Transactions with Shareholders and Affiliates***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or



any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
  - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$30.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation for the service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described above under the caption “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in connection with the Crown Golden Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with the Crown Golden Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the Crown Golden Restructuring;
- (7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with the Crown Golden Restructuring, or any amendment or modification or extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with the Crown

Golden Restructuring and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's common shares are then listed for trading;

- (8) any purchase of Capital Stock of the type specified in clause (7), (8), (9) or (10) of the second paragraph of the covenant entitled "Limitation on Restricted Payments", so long as each such purchase is in compliance with the rules of The Stock Exchange of Hong Kong Limited;
- (9) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Qualified Spin-off Group entered into in connection with a proposed restructuring in preparation for a Qualified Spin-off IPO, including but not limited to transactions entered into for purposes of any reorganization in connection with such proposed restructuring and Qualified Spin-off IPO and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with such proposed restructuring and Qualified Spin-off IPO; or
- (10) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Qualified Spin-off Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with a proposed Qualified Spin-off IPO, or any amendment, modification, extension or replacement thereof, so long as such amendment, modification, extension or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with such proposed Qualified Spin-off IPO and in compliance with the rules of the relevant Qualified Exchange.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "Limitation on Restricted Payments" covenant, (ii) Investments in any corporation, association or other business entity made under clause (16) of the definition of "Permitted Investments," *provided* that such Investment is on a *pro rata* basis (or on a basis no less favorable to the Company than on a *pro rata* basis) to the interest the Company or any of its Restricted Subsidiary has in such entity as compared to the other shareholders or partners of such entity, (iii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iv) any transaction between or among any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among the Company or a Restricted Subsidiary on the one part and a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary on the other part; *provided* that in the case of clause (iv) (a) such transaction is entered into in the ordinary course of business, (b) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or being a Subsidiary of the Company), or (c) in the case of a transaction with a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary or by reason of being a Subsidiary of the Company).

#### ***Limitation on Liens***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or

properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

#### ***Limitation on Sale and Leaseback Transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “— Limitation on Asset Sales.”

#### ***Limitation on Asset Sales***

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$50.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
  - (a) any liabilities, as shown on the Company’s most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
  - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

*provided* that clauses (1), (2) and (3) above shall not apply to any Asset Sale to any Person that will, upon the consummation of such Asset Sale, become a Restricted Subsidiary.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or Replacement Assets; and

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$10 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$10 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a *pro rata* basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

#### ***Use of Proceeds***

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption "Use of Proceeds" in this offering memorandum or, in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

#### ***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support (other than any Guarantee in compliance with clause (6) below) for the Indebtedness of such

Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company at the time of the designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens;” (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “— Limitation on Restricted Payments” (other than any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Crown Golden Group in connection with the Crown Golden Restructuring, *provided* that (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Crown Golden Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Crown Golden Restructuring and (ii) the members of the Restructuring Group remain Subsidiaries of the Company.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock;” (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “— Limitation on Liens;” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under the section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees”; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned directly by the Company or any other Restricted Subsidiary shall be pledged to the extent required under “— Security.”

#### ***Government Approvals and Licenses; Compliance with Law***

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the business of the Company or any of its Restricted Subsidiaries; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

#### ***Anti-Layering***

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable

JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

### ***Suspension of Certain Covenants***

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (2) “— Certain Covenants — Limitation on Restricted Payments”;
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “— Certain Covenants — Limitation on the Company’s Business Activities”;
- (7) “— Certain Covenants — Limitation on Sale and Leaseback Transactions”;
- (8) “— Certain Covenants — Limitation on Asset Sales”; and
- (9) clauses (3) and (4) of the first and second paragraphs of “— Consolidation, Merger and Sale of Assets.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

### ***Provision of Financial Statements and Reports***

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s shares of Common Stock are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
  - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a

consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

- (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
  - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semiannual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, provided that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification ; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Any financial statements provided by the Company shall be in the English language or shall be accompanied by an English translation.

### **Events of Default**

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenant described under "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "— Limitation on Asset Sales," or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a Lien on the Collateral (subject to any Permitted Liens) in accordance with the covenant described under the caption "— Security;"
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$20.0 million (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Restricted Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Restricted Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a *pro rata* basis or on a basis more favorable to the Company);
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or
- (11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Trustee ceases to have a security interest in the Collateral (subject to any Permitted Liens).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate



principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, foreclose on the Collateral in accordance with the terms of the Security Documents and the Intercreditor Agreement and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See “— Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity, security and/or prefunding reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity, security and/or prefunding; and

- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify, on or before a date not more than 120 days after the end of each fiscal year ending after the Original Issue Date, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and the Subsidiary Guarantors' performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports."

### **Consolidation, Merger and Sale of Assets**

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock;"
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption "— Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the

obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and

- (7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor);
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock;”
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred;

*provided* that this paragraph shall not apply to any sale or other disposition that complies with the “— Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees — Release of the Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

Notwithstanding the foregoing, the Company, each Subsidiary Guarantor and each JV Subsidiary Guarantor shall be permitted to sell, convey transfer, lease or otherwise dispose of all or

substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) as an entirety or substantially an entirety in one transaction or a series of related transactions, to any Restricted Subsidiary or any Person that will, upon the consummation of such sale, conveyance, transfer, lease or disposal, become a Restricted Subsidiary.

### **No Payments for Consents**

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, the Company and its Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, to exclude Holders in any jurisdiction where (A)(i) the solicitation of such consent, waiver or amendment in the manner deemed appropriate by the Company, (ii) the payment of the consideration therefor or (iii) the conduct or completion of a related offer to purchase or exchange the Notes for cash or other securities in the manner deemed appropriate by the Company would be prohibited or would require the Company or any of its Subsidiaries to (a) file a registration statement, prospectus or similar document or subject the Company or any of its Subsidiaries to ongoing periodic reporting or similar requirements under any securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), or conduct a bondholder identification exercise to establish the availability of an exemption from registration under Rule 802 under the Securities Act, in each case which the Company in its sole discretion determines would be burdensome, (b) qualify as a foreign corporation or other entity or as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (c) generally consent to service of process in any such jurisdiction or (d) subject the Company or any of its Subsidiaries to taxation in any such jurisdiction if it is not otherwise so subject; or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

### **Defeasance**

#### ***Defeasance and Discharge***

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below has been made, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee, in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

- (3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, each of the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

#### ***Defeasance of Certain Covenants***

The Indenture further will provide that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under “— Certain Covenants,” other than as described under “— Certain Covenants-Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants-Anti-Layering,” clause (3) under “Events of Default” with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause, clause (4) under “Events of Default” with respect to other covenants and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and the satisfaction of the provisions described in clause (2) of the preceding paragraph.

#### ***Defeasance and Certain Other Events of Default***

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default in respect of the Notes that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

#### **Amendments and Waiver**

##### ***Amendments Without Consent of Holders***

The Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, if any, the Subsidiary Guarantor Pledgors, the Collateral Agent and the Trustee may amend and supplement the Indenture, the Intercreditor Agreement, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees or any Security Document, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under “— Consolidation, Merger and Sale of Assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor or any Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable securities depository;
- (10) permit Permitted *Pari Passu* Secured Indebtedness (including, without limitation, permitting the Trustee and the Collateral Agent to enter into any amendments to the Intercreditor Agreement, the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness, in accordance with the Indenture);
- (11) make any other change that does not materially and adversely affect the rights of any Holder; or
- (12) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

#### ***Amendments With Consent of Holders***

The Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, if any, the Subsidiary Guarantor Pledgors, the Collateral Agent and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes may amend or waive future compliance by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Subsidiary Guarantor Pledgors with any provision of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, any Security Document or the Intercreditor Agreement; *provided*, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

- (8) release any Collateral, except as provided in the Intercreditor Agreement, the Indenture and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;
- (11) amend, change or modify any provision of the Intercreditor Agreement, any Security Document or the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (13) change the redemption date or the redemption price of the Notes from that stated under the captions “— Optional Redemption” or “— Redemption for Taxation Reasons;”
- (14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

### **Unclaimed Money**

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

### **No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees**

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

### **Concerning the Trustee and the Paying Agent**

The Hongkong and Shanghai Banking Corporation Limited, has been appointed as Trustee under the Indenture and as the paying and transfer agent with regard to the Notes. The Trustee has appointed The Hongkong and Shanghai Banking Corporation Limited as the Collateral Agent, and such Collateral Agent will hold the security interest granted under the Collateral on behalf of the Trustee. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of

the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. The Trustee shall not be deemed to have knowledge of any event unless it has been actually notified of such event. Neither the Trustee nor the Paying and Transfer Agents shall (a) be deemed to have knowledge of an Event of Default or a Default unless it has been notified in writing of such an Event of Default or Default thereof or (b) be obliged to take any steps to ascertain whether an Event of Default or Default has occurred.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates without accounting for any profit; *provided, however*, that if it acquires any conflict of interest, as such term is used in Section 310(b) of the Trust Indenture Act, it must eliminate such conflict or resign.

If the Company maintains a paying agent with respect to the Notes in a member state of the European Union, such paying agent will be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive.

The Trustee shall not be responsible for the performance by any other person appointed by the Company in relation to the Notes and shall assume that the same are being duly performed. The Trustee shall not be liable to any Holders or any other person for any action taken by the Holders or the Trustee, as the case may be, in accordance with the instructions of the Holders pursuant to the Indenture. The Trustee shall be entitled to seek directions from, and rely on any written direction of, the Holders which has been duly given by the Holders of the requisite principal amount of the Notes outstanding pursuant to the Indenture and the Trustee, in the absence of gross negligence or willful misconduct on its part, is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

The Hongkong and Shanghai Banking Corporation Limited, will initially act as Trustee under the Security Documents in respect of the Security over the Collateral. The Trustee, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents, subject to the Intercreditor Agreement. Under certain circumstances, the Trustee may have obligations under the Security Documents that are in conflict with the interests of the Holders. The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the Holders unless such Holders have offered to the Trustee indemnity, security and/or prefunding reasonably satisfactory to the Trustee against all action, proceedings, claims and demands to which it may be or become liable and any loss, liability, damages, costs, charges or expense (including but not limited to legal expenses) which may be incurred by it in connection therewith. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee in respect of such risks. The Trustee will look to the interests of the Holders as a class rather than to individual Holders

In the performance of its duties under the Indenture and the Security Documents, the Trustee may rely, without liability to Holders, on a report, confirmation, opinion or certificate or any advice of any lawyers, accountants, financial advisers or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely (without further investigation or enquiry) on any such report, confirmation, opinion or certificate or advice.

Inspection of documents held by the Trustee may be made during normal business hours upon prior written notice.



## **Book-Entry; Delivery and Form**

The Notes will be represented by a global note in registered form without interest coupons attached (the “Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Any Additional Notes will be represented by additional Global Notes (the “Additional Global Notes” and, together with the Global Note, the “Global Notes”).

### ***Global Notes***

Ownership of beneficial interests in the Global Notes (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Certificated Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

### ***Payments on the Global Notes***

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “— Additional Amounts.”

Under the terms of the Indenture, the Company and the Trustee will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

### ***Redemption of Global Notes***

In the event any Global Note, or any portion thereof, is redeemed, each of Euroclear and Clearstream will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

### ***Action by Owners of Book-Entry Interests***

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for certificated notes in certificated form, and to distribute such certificated notes to their participants.

### ***Transfers***

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

### ***Global Clearance and Settlement Under the Book-Entry System***

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

### ***Information Concerning Euroclear and Clearstream***

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic

book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

### ***Certificated Notes***

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue certificated notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depository or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Notes for certificated notes and cause the requested certificated notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for certificated notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such certificated notes. In all cases, certificated notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Certificated notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

### **Notices**

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the mail (if intended for the Company or any Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream or if by mail, when so sent or deposited. Notices and other communications to the Trustee shall be effective upon actual receipt, which includes receipt by fax or email.

## **Consent to Jurisdiction; Service of Process**

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

## **Governing Law**

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

## **Definitions**

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this “Description of the Notes” for which no definition is provided.

“2013 Perpetual Securities” means the US\$700 million subordinated perpetual capital securities issued by the Company on January 18, 2013.

“2014 USD Notes” means the US\$500 million 8.375% Senior Notes due 2019 issued by the Company on February 18, 2014.

“2015 Notes” means the US\$500 million 9.0% Senior Notes due 2020 issued by the Company on May 21, 2015.

“2016 HSB Syndicated Loan” means the HK\$6,707 million term loan facility, with a greenshoe option of HK\$2,000 million, made available to the Company pursuant to a facility agreement dated May 26, 2016, among the Company, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and Hang Seng Bank Limited as mandated lead arrangers and bookrunners, Hang Seng Bank Limited as facility agent and security agent, and the lenders and guarantors provided therein.

“2017 SCB Facility” means the HK\$624 million term loan facility, made available to the Company pursuant to a facility agreement dated June 2, 2017, among the Company, Standard Chartered Bank (Hong Kong) Limited as facility agent and security agent, and the lenders and guarantors provided therein.

“2017 SCB Syndicated Loan” means the HKD and USD term loan facility in the amount of HK\$3,519 million and US\$0, made available to the Company pursuant to a facility agreement dated July 17, 2017, among the Company, Standard Chartered Bank (Hong Kong) Limited as mandated lead arranger and bookrunner and as facility agent and security agent, and the lenders and guarantors provided therein.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after August 14, 2020, yields for the two published

maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the redemption price of such Note at August 14, 2020 (such redemption price being set forth in the table appearing above under the caption “— Optional Redemption”), plus (y) all required remaining scheduled interest payments due on such Note through August 14, 2020 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asian Games City Joint Venture” means Guangzhou Lihe Real Estate Development Co., Ltd., a joint venture company established in connection with the Asian Games City Project by the Company (by itself or through its Restricted Subsidiaries) with entities who are not Affiliates of the Company, in which the Company holds a minority equity interest in the joint venture company’s total outstanding Capital Stock, or any successor thereof.

“Asian Games City Project” means the acquisition, development, improvement, management and operation of the Property and any activity related, ancillary or complementary to the acquisition, development, improvement, management or operation of the Property.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock of a Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;

- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “— Limitation on Restricted Payments” covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant under the caption “— Consolidation, Merger and Sale of Assets;” and
- (7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Associate” means any corporation, association or other business entity of which at least 20% of the Capital Stock and the Voting Stock is owned, directly or indirectly, by the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by a pledge of one or more bank accounts, deposits or other assets of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchange of currencies or remit money onshore or offshore.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;
- (2) the Permitted Holders are the beneficial owners of less than 35% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors present at the meeting voting on such election who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Rating Decline.

“Chen Family Trust” means a family trust constituted by a trust deed dated November 23, 2005, as amended and supplemented from time to time, with Full Choice Investments Limited as trustee and the beneficiaries of which are, as of the Original Issue Date, Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors held by the Company or the initial Subsidiary Guarantor Pledgors.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to manage exposure to fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to August 14, 2020 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a comparable maturity to August 14, 2020.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Company acting in good faith) Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), only to the extent such interest has become due and payable by the Company or any Restricted Subsidiary and (7) any



capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
  - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
  - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

*provided* that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of the Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income; and

(C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Core Business or a Designated Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Core Businesses” means (i) real estate acquisition, development, leasing and management and (ii) any other business related, ancillary or complementary to the real estate businesses of the Company and its Restricted Subsidiaries, in each case, excluding any Designated Business.

“Credit Facilities” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (provided that such increase is permitted under the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) or (4) otherwise altering the terms and conditions thereof.

“Crown Golden Group” means the group of Subsidiaries of the Company holding the Hainan Clearwater Bay project, including Crown Golden Investments Limited.

“Crown Golden Restructuring” means the restructuring and Qualified IPO of, the common shares of a Subsidiary of the Company through which the Company holds (directly or indirectly) the Common Stock of Crown Golden Investments Limited immediately prior to the completion of such public offering or listing.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to manage exposure to fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Designated Businesses” means (i) any investment in commercial and rental properties, (ii) any environmental services, education, building and construction, furniture and renovation, gardening businesses, (iii) any property management business, property agency and property related services, (iv) any sports, leisure, travel and tourism related services, (v) any advertising and marketing services (vi) any hotel acquisition, development, operation and management businesses, and (vii) the acquisition, development, management and operation of sports and leisure facilities or infrastructure facilities.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided* that such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) results in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank SA/NV.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of international standing appointed by the Company.

“Financial Company Investor” means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that Invests in any Capital Stock of a PRC Restricted Subsidiary.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements (the “Four Quarter Period”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

*provided* that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers or similar obligations Incurred in

the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in the businesses of the Company or any of its Restricted Subsidiaries or any Entrusted Loan; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the “Limitation on Indebtedness and Preferred Stock” covenant, and (ii) equal to the net amount payable if such Hedging Obligation terminated at that time due to default by such Person if not Incurred pursuant to such paragraph.

“Independent Third Party” means any Person that is not an Affiliate of the Company.

“Intercreditor Agreement” has the meaning set forth under “— Security.”

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to manage exposure to fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent Guaranteed by such Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “—” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or

any of its successors or assigns or a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or assigns or the equivalent ratings of any internationally-recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody’s or both, as the case may be.

“Investment Property” means any property that is owned and held by the any Restricted Subsidiary incorporated under the laws of the PRC primarily for rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“Investment Receipt” means, at any time, with respect to an Investment under clause (24) of the definition of “Permitted Investment”, an amount equal to the net reduction in all Investments made under clause (24) of the definition of “Permitted Investment” since the Original Issue Date resulting from (A) receipt of payments by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on, or repayments of, loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) with respect to Investments in Persons, the unconditional release of a Guarantee of any obligation of any Person provided under such clause (21) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (24) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, or (D) for any Investment in a Person, such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment” definition).

“Jointly Controlled Entity” means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Voting Stock is owned, directly or indirectly by the Company or a Restricted Subsidiary and such corporation, association or other business entity is treated as a “joint venture” in accordance with GAAP, and such Jointly Controlled Entity’s Subsidiaries.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “— The Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; provided that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“Measurement Date” means April 28, 2010.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such

Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Moody’s” means Moody’s Investors Service, Inc. and its affiliates.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
  - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
  - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
  - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
  - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Core Businesses” means any business other than the Core Businesses. For the avoidance of doubt, Non-Core Businesses shall include, but not be limited to, the Designated Businesses.

“Non-Core Entity” means any Restricted Subsidiary which is primarily engaged, directly or indirectly, in a Non-Core Business.

“Non-Guarantor Restricted Subsidiary” means any Restricted Subsidiary that is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying and Transfer Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);



- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall, upon direction by the Company, promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officers’ Certificate” means a certificate signed by two Officers; *provided, however*, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“Pari Passu Subsidiary Guarantee” means a Guarantee by any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor; *provided* that (1) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption “— Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption “— Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the caption “— Limitation on Asset Sales” or (4) any Event of Default specified in clause (4) of the definition of Events of Default.

“Permitted Holders” means any or all of the following:

- (1) the Chen Family Trust, or any trustee for the Chen Family Trust, or Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “— Limitation on Asset Sales.”

- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “— Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees, Unrestricted Subsidiary Pre-Registration Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property, land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;
- (16) any Investment (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person, *provided that*:
  - (i) the aggregate of all Investments made under this clause (16) since the Measurement Date shall not exceed in aggregate an amount equal to 30% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (16) since the Measurement Date resulting from:
    - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
    - (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date under this clause of an obligation of any such Person,
    - (C) to the extent that an Investment made after the Measurement Date under this clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or
    - (D) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment”),

not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person pursuant to this clause (16),

- (ii) none of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (16) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption “— Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Company or a Restricted Subsidiary or by reason of being the Company or a Subsidiary of the Company);
- (iii) no Default has occurred and is continuing or would occur as a result of such Investment; and
- (iv) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption “— Limitation of Indebtedness and Preferred Stock”; *provided* that, this paragraph (iv) shall not apply if such Investment would otherwise have been permitted under this clause (16) and such Investment, together with the aggregate amount of all Investments made after the Original Issue Date in reliance on this proviso, shall not exceed 5% of Total Assets (such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made in reliance on this proviso since the Measurement Date resulting from the events set forth in paragraphs (i)(A) through (i)(D) above, where references in such paragraphs to “under this clause (16)” shall be substituted with “in reliance on the proviso in paragraph (iv)”);

For the avoidance of doubt, the value of each Investment made pursuant to this clause (16) shall be valued at the time such Investment is made;

- (17) advances to government authorities or government-affiliated entities in the PRC in connection with the financing of primary land development in the ordinary course of business that are recorded as assets in the Company’s balance sheet;
- (18) Guarantees permitted under clause 2(u) of the covenant under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”; and
- (19) payments made pursuant to a Minority Interest Staged Acquisition Agreement, if, on the date that such Minority Interest Staged Acquisition Agreement was entered into, such payments would be permitted to be made under (i) clause (c) of the first paragraph under the covenant captioned “— Limitation on Restricted Payments,” no Default has occurred and is continuing or would occur as a result of such payment and the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock” after giving effect to such payment, *provided* that each payment made with respect to such Minority Interest Staged Acquisition Agreement pursuant to this clause (19)(i) after the Measurement Date shall be included in calculating whether the conditions of clause (c) of the first paragraph under the covenant captioned “— Limitation on Restricted Payments” have been met with respect to any subsequent Restricted Payments, or (ii) clause (16) of “Permitted Investments,” *provided* that each payment made with respect to such Minority Interest Staged Acquisition Agreement pursuant to this clause (19)(ii) after the Measurement Date shall be included in calculating whether the conditions of sub-clause (i) of clause (16) of “Permitted Investments” have been met with respect to any subsequent Investments made pursuant to such clause (16) of “Permitted Investments” (for the avoidance of doubt, the Company shall have discretion to determine whether such payments are to be made under sub-clause (i) or (ii) of this clause (19));

- (20) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Crown Golden Group in connection with the Crown Golden Restructuring upon designation of the Subsidiaries in the Crown Golden Group as Unrestricted Subsidiaries, *provided* that (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Crown Golden Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Crown Golden Restructuring and (ii) the members of the Restructuring Group remain Subsidiaries of the Company; and *provided further* that, at the time when (x) the Company ceases to hold, directly or indirectly, at least 30% of the Voting Stock of any entity so designated as an Unrestricted Subsidiary or (y) any Person or group of Persons other than the Company and its Subsidiaries acquires a higher percentage of the Voting Stock of such entity than the percentage held directly or indirectly by the Company, the Company will be deemed to make an Investment in such entity equal to the Fair Market Value of any Investment that the Company retains, directly or indirectly, in such entity immediately following such event;
- (21) any Investment deemed to have been made by the Company or any Restricted Subsidiary in any Non-Core Entity of a Qualified Spin-off Group upon the designation of such Non-Core Entity as an Unrestricted Subsidiary;
- (22) any Investment by the Company or any Restricted Subsidiary in any trust, fund or asset management plan primarily engaged, directly or indirectly, in the investment in any real estate project acquired, developed, managed or operated by the Company or any Restricted Subsidiary; *provided* that none of the other holders of any interest of such trust, fund or asset management plan (other than holders that beneficially own in the aggregate no more than 10% of the Capital Stock of such trust, fund or asset management plan) is a Person described in clause (x) or (y) of the first paragraph of the covenant described under “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such holder being a director or officer of the Company or a Restricted Subsidiary or by reason of being a Subsidiary, Jointly Controlled Entity or Associate of the Company);
- (23) any Investment in a subordinated tranche of interests in a Receivable Financing Incurred pursuant to clause (ii) of the definition thereof with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, is necessary or advisable to effect such Receivable Financing; and
- (24) any Investment by the Company or any Restricted Subsidiary, provided that the aggregate amount of all Investments made after the Original Issue Date under this clause (24), less the aggregate amount of all Investment Receipts received after the Original Issue Date in connection with any Investment made after the Original Issue Date under this clause (24), shall not exceed US\$450 million.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a

similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled “— Limitation on Indebtedness and Preferred Stock”; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens under the Security Documents;
- (14) Liens securing any Permitted *Pari Passu* Secured Indebtedness that complies with each of the requirements set forth under “— Security — Permitted *Pari Passu* Secured Indebtedness”;
- (15) any interest or title of a lessor in the property subject to any operating lease;
- (16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

- (18) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided* that, such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including, without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens on current assets securing Indebtedness permitted to be Incurred under clause (2)(n) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (23) Liens to secure Entrusted Loans;
- (24) Liens securing Indebtedness permitted to be Incurred under clause (2)(o) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (25) Liens on Investment Properties securing Indebtedness of the Company or any Restricted Subsidiary incorporated under the laws of the PRC permitted to be Incurred under clause (2)(q) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (26) Liens Incurred on deposits or bank accounts or other assets made to secure Bank Deposit Secured Indebtedness of the type described under clause (2)(r) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (27) Liens on the Capital Stock of a PRC Restricted Subsidiary granted by the Company or any PRC Restricted Subsidiary in favor of any Financial Company Investor in respect of, and to secure, the Indebtedness of the type described under clause (2)(s) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;

- (28) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(p) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (29) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(t) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (30) Liens securing Indebtedness Incurred under clause (2)(u) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (31) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Unrestricted Subsidiary Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (w) of the second paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”; and
- (32) Liens securing Indebtedness Incurred under clause (2)(x) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant.

“Permitted *Pari Passu* Secured Indebtedness” has the meaning set forth under “— Security — Permitted *Pari Passu* Secured Indebtedness.”

“Permitted Subsidiary Indebtedness” means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Restricted Subsidiaries, taken as a whole; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all Indebtedness of the Non-Guarantor Restricted Subsidiaries (excluding any Public Indebtedness and any Indebtedness of any Non-Guarantor Restricted Subsidiary permitted under clauses (2)(d), (f), (g) and (m) of the covenant entitled “Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 20% of the Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on November 7, 2016) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995 (as most recently amended on February 19, 2014), as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.



“Property” means the parcel or parcels of land located at Panyu District, Guangzhou City, Guangdong Province, the PRC, and any real or personal property located thereon, including any property or structure erected, constructed, fixed, attached or located thereon, as described in the land grant contract, dated December 22, 2009, between (i) the Guangzhou Land and Property Exchange Center, and (ii) Foshan Shunde Country Garden Property Development Company Limited, Gold Volcano Group Limited, Guangzhou R&F Properties Co., Ltd., Kilowell International Limited and Globe Times Investments Limited, as amended or supplemented.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Qualified Exchange” means either (1) the New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, Shanghai Stock Exchange or Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Qualified IPO” means an initial public offering, and a listing of, Capital Stock of a company on a Qualified Exchange, *provided* that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of not less than the percentage required by the applicable listing rules.

“Qualified Spin-off Group” means, collectively, (i) any Non-Core Entity the Voting Stock of which is, or is expected to be pursuant to a definitive plan, listed on a Qualified Exchange in a Qualified Spin-off IPO, and (ii) the Subsidiaries of such Non-Core Entity.

“Qualified Spin-off IPO” means any Qualified IPO of a Non-Core Entity; *provided* that the Board of Directors of the Company has determined in good faith that the designation of such Non-Core Entity and its Subsidiaries as Unrestricted Subsidiaries is desirable to obtain approval from a Qualified Exchange for such Qualified IPO.

“Rating Agencies” means (1) S&P, (2) Moody’s and (3) if S&P or Moody’s or both shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Moody’s or both, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); and (3) the equivalent of any such category of S&P or Moody’s used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P; “1”, “2” and “3” for Moody’s; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB,” as well as from “B-” to “B+”, will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption “— Consolidation, Merger and Sale of Assets”, that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in

connection with actions contemplated under the caption “— Consolidation, Merger and Sale of Assets”, the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by both Moody’s and S&P on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;
- (b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Receivable Financing” means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any of its receivables, mortgages, royalty, other revenue streams or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling by such other Person securities that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

“Receivable Financing Assets” means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. New York City time on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) of a nature or type or that are used in a Core Business or a Designated Business or the business for which the property or assets being replaced have been used.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Restructuring Group” means the company whose common shares are expected to be offered in the Crown Golden Restructuring, and its Subsidiaries.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Securitization Fees” means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Trustee and/or any Holders in any or all of the Collateral.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Significant Restricted Subsidiary” means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a “significant subsidiary” within the meaning of the definition of “significant subsidiary” in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; *provided* that in each instance in such definition in which the term “10 percent” is used, the term “5 percent” shall be substituted therefor.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China or Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China or Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, any state of the European Economic Area, shall be rated at least “A” by S&P or Moody’s;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank or financial institution organized under the laws of the PRC or Hong Kong; and
- (8) structured deposit products with a term not exceeding six months that are principal protected with any bank or financial institution organized under the laws of the PRC or Hong Kong.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that

- (1) only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness, *provided* further, that with respect to Future Subsidiary Guarantors and Future Subsidiary Guarantor Pledgors, Total Assets of any future Restricted Subsidiary shall mean, as of any date, the total assets of such Restricted Subsidiary measured as of the last day of the most recent semi-annual period for which financial statements of such Restricted Subsidiary (which the Company shall use its best efforts to compile on a timely manner) is available;
- (2) only with respect to clause (2)(v) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and
- (3) only with respect to any Person becoming a Restricted Subsidiary where the Company elects to have such Restricted Subsidiary not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee pursuant to the 10<sup>th</sup> paragraph under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees,” pro forma effect shall at such time be given to the consolidated assets of such Restricted Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a Restricted Subsidiary).

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Unrestricted Subsidiary” means (1) subject to any redesignation under the caption “Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” each of Hainan Agile Property Holdings Limited (海南雅居樂地產控股有限公司), Acemax Investment Limited (雅明投資有限公司), Advance Up Group Limited (鴻亞集團有限公司), Agile Advertising Limited (雅居樂廣告有限公司), Agile Design Limited (雅居樂設計有限公司), Agile Eco Technology (Hong Kong) Limited (雅居樂生態環保科技(香港)有限公司), Agile E-Commerce Limited (雅居樂電子商貿有限公司), Agile Education Group (Hong Kong) Limited (雅居樂教育集團(香港)有限公司), Agile Intelligent Engineering Limited (雅居樂智慧工程有限公司), Agile Landscape Engineering Limited (雅居樂綠化工程有限公司), Agile Property Agency Limited (雅居樂物業代理有限公司), Agile Property Management Group Limited (雅居樂物管集團有限公司), Agile Travel Agency Limited (雅居樂旅遊代理有限公司), A-Living Group Limited (雅生活服务集團有限公司), Asia Glory Properties Limited (嘉康置業有限公司), Asian Faith Investments Limited (昌誠投資有限公司), Big Natural Limited (敦朗有限公司), Big Well Corporation Limited (皓佳有限公司), Bright Investment Development Limited (祥明投資發展有限公司), Capital Ally Limited (聲晉有限公司), China Sharp Group Limited (堅恆集團有限公司), Concept Master Limited (銘茂有限公司), Deluxe Star International Limited (旺紀國際有限公司), Double Plus Development Limited (卓添發展有限公司), Dragon Charm International Limited (常旺國際有限公司), Era Creation Advertising Limited (創歷廣告有限公司), Eternal Luck Development Limited (永福發展有限公司), Excel Elite Investments Limited (焯華投資有限公司), Glory Faith Development Limited (錦信發展有限公司), Grace Gain International Limited (世資國際有限公司), Grand Kingdom Investments Limited (啓基投資有限公司), Hainan Agile Property Development (HK) Limited (海南雅居樂地產發展(香港)有限公司), Heronic International Limited (禦興國際有限公司), Jet Wealth Limited (捷緯有限公司), Keen

City Investments Limited (勇誠投資有限公司), Moral Place Holdings Limited (沛益控股有限公司), Prime State Investments Limited (耀泉投資有限公司), Real Benefit Investments Limited (實益投資有限公司), Union Faith Enterprises Limited (聯暉企業有限公司), Unique Metro Limited (愉美有限公司), Value Pride Limited (傲庭有限公司), Well King Investments Limited (宏瑞投資有限公司), Macau Agile Real Estate Development Co., Ltd. (澳門雅居樂物業開發有限公司), Boldham Holdings Limited (邦宏控股有限公司), Bounty Crown Limited (冠德有限公司), Build Trade (BVI) Limited (建業(BVI)有限公司), Bumper View Limited (隆景有限公司), Champ Merit Limited (利昌有限公司), Cheer Sight Limited (樂景有限公司), Crown Voice Limited (冠聲有限公司), Evertron International (BVI) Limited (恆昌國際(BVI)有限公司), Farsail International Limited (遠航國際有限公司), Festive Century Limited (紀樂有限公司), Festive Path Limited (柏悅有限公司), Festive Prosper Limited (怡昌有限公司), Genesis Global Development (BVI) Limited (創紀環球發展(BVI)有限公司), Genuine Power Limited (威誠有限公司), Genuine Trend (BVI) Limited (誠昌(BVI)有限公司), Great Example Limited (模範有限公司), Keen Main (BVI) Limited (建銘(BVI)有限公司), Keen Synergy Limited (協利有限公司), Keen Well Limited (卓建有限公司), Makel International (BVI) Limited (邁高國際(BVI)有限公司), Primeast International Limited (鵬東國際有限公司), Rong Mao Limited (榮茂有限公司), Star Ahead Limited (晉星有限公司), Talent Forever Group Limited (智永集團有限公司), The Baroque On Lamma Group Limited (博寮港集團有限公司), Wei Qin Limited (威勤有限公司), Wide Known Limited (顯揚有限公司) and Win Place Group Limited (凱域集團有限公司), (2) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (3) any Subsidiary of an Unrestricted Subsidiary.

“Unrestricted Subsidiary Pre-Registration Mortgage Guarantee” means any indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from any Unrestricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary. However, for the purposes of “— The Subsidiary Guarantees and the JV Subsidiary Guarantees” section, “Wholly Owned” means the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person.

## TAXATION

### **Cayman Islands, British Virgin Islands and Hong Kong Taxation**

The following summary of certain Cayman Islands, British Virgin Islands and Hong Kong tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of the Notes.

#### ***Cayman Islands***

In the opinion of Conyers Dill & Pearman, our Cayman Islands counsel, the following is a summary of the material Cayman Islands tax consequences relevant to the purchase, ownership and disposition of the Notes.

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.

Pursuant to the Tax Concession Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet; (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and (b) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on the shares, debentures or other obligations of the Company.

The undertaking is for a period of twenty years from August 2, 2005.

The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not a party to any double taxation treaties.

#### ***British Virgin Islands***

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the British Virgin Islands Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

#### ***Hong Kong***

##### *Withholding Tax*

No withholding tax in Hong Kong is payable on payments of principal or any other payment on or in respect of the Notes.

##### *Profits Tax*

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal, exchange or redemption of the Notes where such sale, disposal, exchange or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Payments on or in respect of the Notes will be subject to Hong Kong profits tax where such payments are derived from a Hong Kong source, and are received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and the income that arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such payments are in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

#### *Stamp Duty*

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Hong Kong, as is expected to be the case).



## PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated August 7, 2017 (the “Purchase Agreement”), Standard Chartered Bank, HSBC, ABCI Capital Limited and China Securities (International) Corporate Finance Company Limited (together the “Initial Purchasers”), have agreed, severally but not jointly, to purchase from us, and we have agreed to sell to the Initial Purchasers, the following aggregate principal amount of the Notes.

<u>Name</u>	<u>Principal Amount</u>
Standard Chartered Bank . . . . .	US\$85,000,000
HSBC . . . . .	US\$85,000,000
ABCI Capital Limited . . . . .	US\$20,000,000
China Securities (International) Corporate Finance Company Limited . . . . .	US\$10,000,000
<b>TOTAL</b> . . . . .	<b>US\$200,000,000</b>

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the Notes is several and is subject to the approval of certain legal matters by their counsel and certain other conditions. The Initial Purchasers are committed to take and pay for all of the Notes if any are taken. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers.

We and the Subsidiary Guarantors have agreed, jointly and severally, to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof.

The Notes are a new issue of securities with no established trading market. Application has been made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. However, we cannot assure you that we will ultimately obtain such listing or that we will be able to maintain such listing. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable. We have been advised by the Initial Purchasers that, in connection with the offering of the Notes, any of the Joint Lead Managers acting in its capacity as a stabilizing manager, may, on behalf of the Initial Purchasers, engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchasers may over-allot the offering, creating a syndicate short position. In addition, the Initial Purchasers may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. The Initial Purchasers are not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes. These transactions may be effected in the over-the-counter market or otherwise.

We intend to use the net proceeds from this offering to repay part of the 2014 USD Notes. See “Use of Proceeds.”

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.”

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in compliance with an available exemption from registration under the Securities Act.

We expect that delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum, which will be on or about the fifth business day following the pricing date of the Notes (this settlement cycle being referred to as “T+5”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are

required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or succeeding business days should consult their own legal advisor.

Each of the Initial Purchasers has represented and agreed that (A) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the “FSMA”) with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and (B) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to it.

The Initial Purchasers have acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, each of the Initial Purchasers has represented that this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA; (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Each of the Initial Purchasers has represented and agreed that (1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the SFO and any rules made thereunder; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and

Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (2) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO (Cap. 571) and any rules made thereunder.

Each of the Initial Purchasers has represented, warranted and undertaken that the Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “Financial Instruments and Exchange Law”) and that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other applicable laws and regulations of Japan.

Each of the Initial Purchasers has represented and agreed that: (i) it shall not make any solicitation in connection with any offering of Notes in Italy; (ii) no copies of this offering memorandum or any other documents relating to the Notes will be distributed in Italy; and (iii) no Notes may be offered, sold or delivered in Italy.

Each of the Initial Purchasers has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Cayman Islands.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

No action is being taken or is contemplated by us that would permit a public offering of the Notes or possession or distribution of any preliminary offering memorandum or offering memorandum or any amendment thereof, any supplement thereto or any other offering material relating to the Notes in any jurisdiction where, or in any other circumstance in which, action for those purposes is required.

We have been advised that the Initial Purchasers presently intend to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers and its affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory, commercial banking and investment banking services, for us and our affiliates in the ordinary course of business. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

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

## TRANSFER RESTRICTIONS

*Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of Notes.*

The Notes are subject to restrictions on transfer as summarized below. By purchasing Notes (including the Subsidiary Guarantees), you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
  - the Notes (including the Subsidiary Guarantees) have not been registered under the Securities Act or any other applicable securities laws;
  - the Notes (including the Subsidiary Guarantees) are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
  - the Notes (including the Subsidiary Guarantees) are being offered and sold only outside of the United States, to certain persons, other than U.S. persons, in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
  - unless so registered, the Notes (including the Subsidiary Guarantees) may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes (including the Subsidiary Guarantees) in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Notes (including the Subsidiary Guarantees), other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase Notes (including the Subsidiary Guarantees) including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing Notes (including the Subsidiary Guarantees) for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes (including the Subsidiary Guarantees) in violation of the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes (including the Subsidiary Guarantees) by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes (including the Subsidiary Guarantees) may be offered, sold or otherwise transferred only:
  - (a) to us;
  - (b) under a registration statement that has been declared effective under the Securities Act;
  - (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or

- (d) under any other available exemption from the registration requirements of the Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and in compliance with applicable state and other securities laws.

5. You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is 40 days after the later of the closing date and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends;
- we and the trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clause (d) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee; and
- each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Notes (including the Subsidiary Guarantees) as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

## **RATINGS**

We expect the Notes to be rated B+ by Standard & Poor's Ratings Services and B1 by Moody's Investors Service. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Notes, on other of our securities, or on us.

## **LEGAL MATTERS**

Certain legal matters with respect to the Notes will be passed upon for us by Conyers Dill & Pearman as to matters of Cayman Islands law and Conyers Dill & Pearman as to matters of British Virgin Islands law, Sidley Austin as to matters of Hong Kong, United States federal and New York law and Jingtian & Gongcheng Attorneys at Law as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchasers by Skadden, Arps, Slate, Meagher & Flom LLP as to matters of United States federal and New York law and Commerce & Finance Law Offices as to matters of PRC law.

## **INDEPENDENT AUDITOR**

Our audited consolidated financial statements as of and for the years ended December 31, 2015 and 2016 reproduced in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in the reports therein and in our annual reports for the years ended December 31, 2015 and 2016, respectively.

## GENERAL INFORMATION

### Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and offering of the Notes and Subsidiary Guarantees. The entering into of the Indenture governing the Notes and the issue and offering of the Notes have been authorized by a resolution of our board of directors dated August 5, 2017.

### Litigation

Save as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes.

### No Material Adverse Change

Except as may be otherwise disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2016 that is material in the context of the issue of the Notes.

### Documents Available

For so long as any of the Notes are outstanding, copies of the Indenture governing the Notes may be inspected free of charge during normal business hours on any weekday (except public holidays) at our office at 18/F, Three Pacific Place, 1 Queen's Road East, Hong Kong and at the specified offices of the paying agents.

For so long as any of the Notes are outstanding, copies of our consolidated audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at our office at 33rd Floor, Citibank Tower, 3 Garden Road, Central, Hong Kong and at the specified offices of the paying agents.

### Clearing System and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	<u>ISIN</u>	<u>Common Code</u>
Notes . . . . .	XS1659119629	165911962

Only Notes evidenced by a Global Certificate have been accepted for clearance through Euroclear and Clearstream.

### Listing of the Notes

Application has been made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for definitive Notes, we will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore, so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

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*Note:*

- (1) The audited consolidated financial statements set out herein have been reproduced from the Company's annual reports for the years ended December 31, 2015 and 2016, and page references are references to pages set forth in such reports. The audited consolidated financial statements have not been specifically prepared for the inclusion in this offering memorandum.



# Independent Auditor's Report



羅兵咸永道

**To the Shareholders of Agile Group Holdings Limited  
(formerly known as "Agile Property Holdings Limited")**

*(incorporated in the Cayman Islands with limited liability)*

## Opinion

### What we have audited

The consolidated financial statements of Agile Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 187, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

## Independent Auditor's Reports (Continued)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit and our audit procedures performed to address this key audit matter are set out as below:

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Estimates for provision of properties under development and completed properties held for sale</b></p> <p>Refer to notes 4, 15 and 16 to the consolidated financial statements.</p> <p>Properties under development and completed properties held for sale in aggregate amounted to approximately RMB60,193,475,000 as at 31 December 2016, accounting for approximately 46% of the Group's total assets. Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The net realisable values were assessed taking into account of costs to completion of properties under development, variable selling expenses based on past experience and selling price based on prevailing market conditions.</p> <p>Based on management's assessment, no provision for properties under development was considered necessary and a provision of RMB139,975,000 was made for completed properties held for sale as at 31 December 2016.</p> <p>We focused on this area because of the significant estimates and judgements involved in determining the selling prices, variable selling expenses and costs to completion.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <p>(i) We understood, evaluated and validated the internal control over the Group's process in determining the selling prices, variable selling expenses and costs to completion;</p> <p>(ii) We assessed the Company's estimates of the anticipated costs to completion for properties under development by reconciling the anticipated costs to completion to the approved budgets. We compared the major cost compositions contained in these budgets with the actual cost compositions of the similar type of properties in the comparable location. We performed analysis on management's material cost adjustments; and</p> <p>(iii) We challenged management's assumptions in determining the net sales value based on prevailing market conditions by:</p> <ul style="list-style-type: none"> <li>• Researching the selling prices from public available resources and comparing the estimated selling price to the most recent selling price for the properties under presales or the prevailing market price of the similar type of properties in the comparable location;</li> <li>• Analysing the historical variable selling expenses to selling price ratio range, assessing whether management's estimated selling expenses were within such range.</li> </ul> <p>We found that management's estimates for provision of properties under development and completed properties held for sale were properly supported by the available evidences.</p>

## Independent Auditor's Reports (Continued)

### Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Independent Auditor's Reports (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 15 March 2017

# Consolidated Balance Sheet

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December	
		2016	2015
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	7,309,147	6,651,965
Land use rights	7	2,029,966	1,940,762
Intangible assets	8	55,357	54,400
Investment properties	9	6,326,943	6,369,011
Properties under development	15	9,510,651	6,798,703
Interests in associates	10	114,461	3,375
Interests in joint ventures	11	4,624,663	1,133,448
Available-for-sale financial assets	12	277,500	117,500
Derivative financial instruments	14	254,497	–
Receivables from the associates and joint ventures	18	4,383,129	3,554,716
Deferred income tax assets	26	699,275	570,208
		<b>35,585,589</b>	27,194,088
<b>Current assets</b>			
Properties under development	15	36,706,691	44,523,607
Completed properties held for sale	16	13,976,133	16,888,695
Prepayments for acquisition of land use rights	17	9,614,483	5,540,880
Trade and other receivables	18	11,462,643	8,383,115
Prepaid income taxes		1,760,871	1,645,454
Derivative financial instruments	14	307,870	–
Restricted cash	19	9,878,734	5,729,642
Cash and cash equivalents	20	12,431,884	7,407,450
		<b>96,139,309</b>	90,118,843
<b>Total assets</b>		<b>131,724,898</b>	117,312,931
<b>Equity</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital and premium	21	4,290,028	5,097,967
Shares held for Share Award Scheme	22	(156,588)	(156,588)
Other reserves	23	3,092,833	3,044,577
Retained earnings		28,083,330	26,322,308
		<b>35,309,603</b>	34,308,264
<b>Perpetual Capital Securities</b>	24	<b>5,597,503</b>	4,488,659
<b>Non-controlling interests</b>	43	<b>3,248,124</b>	3,198,064
<b>Total equity</b>		<b>44,155,230</b>	41,994,987

## Consolidated Balance Sheet (Continued)

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December	
		2016	2015
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	25	<b>31,180,908</b>	23,543,043
Deferred income tax liabilities	26	<b>1,137,167</b>	1,243,798
		<b>32,318,075</b>	24,786,841
<b>Current liabilities</b>			
Borrowings	25	<b>12,815,016</b>	16,487,415
Trade and other payables	27	<b>21,101,960</b>	15,620,891
Advanced proceeds received from customers		<b>10,617,432</b>	7,110,576
Current income tax liabilities		<b>10,717,185</b>	11,312,221
		<b>55,251,593</b>	50,531,103
<b>Total liabilities</b>		<b>87,569,668</b>	75,317,944
<b>Total equity and liabilities</b>		<b>131,724,898</b>	117,312,931

The notes on pages 111 to 187 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 104 to 187 were approved by the Board of Directors on 15 March 2017 and were signed on its behalf by:

**Chen Zhuo Lin**  
Director

**Chan Cheuk Hung**  
Director

# Consolidated Income Statement

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2016	2015
<b>Operation</b>			
Revenue	5	<b>46,678,865</b>	43,004,312
Cost of sales		<b>(34,313,168)</b>	(32,191,005)
<b>Gross profit</b>			
Selling and marketing costs		<b>(2,097,973)</b>	(1,785,859)
Administrative expenses		<b>(1,458,191)</b>	(1,444,024)
Fair value gains on investment properties	9	<b>42,960</b>	62,523
Other losses, net	28	<b>(334,708)</b>	(139,387)
Other income	29	<b>278,662</b>	212,162
Other expenses	30	<b>(195,880)</b>	(82,439)
<b>Operating profit</b>			
Finance costs, net	33	<b>(1,124,531)</b>	(1,325,206)
Share of post-tax losses of associates	10	<b>(3,375)</b>	(27,190)
Share of post-tax gains/(losses) of joint ventures	11	<b>10,453</b>	(87,400)
<b>Profit before income tax</b>			
Income tax expenses	34	<b>(4,433,480)</b>	(3,894,950)
<b>Profit for the year</b>			
<b>Profit attributable to:</b>			
Shareholders of the Company		<b>2,283,640</b>	1,390,343
Holders of Perpetual Capital Securities	24	<b>415,263</b>	358,565
Non-controlling interests		<b>350,731</b>	552,629
		<b>3,049,634</b>	2,301,537
<b>Earnings per share attributable to the shareholders of the Company for the year</b> (expressed in Renminbi per share)			
— Basic	35	<b>0.588</b>	0.358
— Diluted	35	<b>0.588</b>	0.358

The notes on pages 111 to 187 form an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2016	2015
<b>Profit for the year</b>		<b>3,049,634</b>	2,301,537
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
— Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment property, net of tax		—	21,337
— Share of other comprehensive income of investments accounted for using the equity method		—	—
<i>Items that may be reclassified to profit or loss</i>			
— Currency translation differences		<b>(8,226)</b>	16,736
Other comprehensive income for the year, net of tax		<b>(8,226)</b>	38,073
<b>Total comprehensive income for the year</b>		<b>3,041,408</b>	2,339,610
<b>Attributable to:</b>			
— Shareholders of the Company		<b>2,277,882</b>	1,423,395
— Holders of Perpetual Capital Securities		<b>415,263</b>	358,565
— Non-controlling interests		<b>348,263</b>	557,650
		<b>3,041,408</b>	2,339,610

The notes on pages 111 to 187 form an integral part of these consolidated financial statements.



# Consolidated Statement of Changes in Equity

(All amounts in RMB thousands unless otherwise stated)

	Attributable to shareholders of the Company							Total equity
	Share capital and premium (note 21)	Shares held for Share Award Scheme (note 22)	Other reserves (note 23)	Retained earnings	Total	Perpetual Capital Securities (note 24)	Non-controlling interests	
<b>Balance at 1 January 2016</b>	<b>5,097,967</b>	<b>(156,588)</b>	<b>3,044,577</b>	<b>26,322,308</b>	<b>34,308,264</b>	<b>4,488,659</b>	<b>3,198,064</b>	<b>41,994,987</b>
<b>Comprehensive income</b>								
Profit for the year	-	-	-	2,283,640	2,283,640	415,263	350,731	3,049,634
<b>Other comprehensive income</b>								
— Currency translation differences	-	-	(5,758)	-	(5,758)	-	(2,468)	(8,226)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(5,758)</b>	<b>2,283,640</b>	<b>2,277,882</b>	<b>415,263</b>	<b>348,263</b>	<b>3,041,408</b>
<b>Total transactions with shareholders, recognised directly in equity</b>								
Issuance of Perpetual Capital Securities (note 24)	-	-	-	-	-	1,093,716	-	1,093,716
Transfer to statutory reserve and enterprise expansion funds (note 23)	-	-	54,014	(54,014)	-	-	-	-
Distribution to holders of Perpetual Capital Securities (note 24)	-	-	-	-	-	(379,510)	-	(379,510)
Redemption of Perpetual Capital Securities (note 24)	-	-	-	-	-	(20,625)	-	(20,625)
Dividends (note 36)	(807,939)	-	-	(468,604)	(1,276,543)	-	-	(1,276,543)
Dividends distribution to non-controlling interests	-	-	-	-	-	-	(222,807)	(222,807)
Capital injection by non-controlling interests	-	-	-	-	-	-	63,204	63,204
Acquisition of additional interests of a subsidiary	-	-	-	-	-	-	(138,600)	(138,600)
Total transactions with shareholders, recognised directly in equity	(807,939)	-	54,014	(522,618)	(1,276,543)	693,581	(298,203)	(881,165)
<b>Balance at 31 December 2016</b>	<b>4,290,028</b>	<b>(156,588)</b>	<b>3,092,833</b>	<b>28,083,330</b>	<b>35,309,603</b>	<b>5,597,503</b>	<b>3,248,124</b>	<b>44,155,230</b>

## Consolidated Statement of Changes in Equity (Continued)

(All amounts in RMB thousands unless otherwise stated)

	Attributable to shareholders of the Company						Perpetual Capital Securities (note 24)	Non- controlling interests	Total equity
	Share capital and premium (note 21)	Shares held for Share Award Scheme (note 22)	Other reserves (note 23)	Retained earnings	Total				
<b>Balance at 1 January 2015</b>	5,097,967	(156,588)	2,453,809	26,255,811	33,650,999	4,483,409	2,960,884	41,095,292	
<b>Comprehensive income</b>									
Profit for the year	–	–	–	1,390,343	1,390,343	358,565	552,629	2,301,537	
<b>Other comprehensive income</b>									
— Currency translation differences	–	–	11,715	–	11,715	–	5,021	16,736	
— Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment property, net of tax (note 9)	–	–	21,337	–	21,337	–	–	21,337	
<b>Total comprehensive income</b>	–	–	33,052	1,390,343	1,423,395	358,565	557,650	2,339,610	
<b>Total transactions with shareholders, recognised directly in equity</b>									
Transfer to statutory reserve and enterprise expansion fund (note 23)	–	–	557,716	(557,716)	–	–	–	–	
Distribution to holders of Perpetual Capital Securities (note 24)	–	–	–	–	–	(353,315)	–	(353,315)	
Dividends (note 36)	–	–	–	(766,130)	(766,130)	–	–	(766,130)	
Capital injection by non-controlling interests	–	–	–	–	–	–	118,317	118,317	
Dividends distribution to non-controlling interests (note 43)	–	–	–	–	–	–	(438,787)	(438,787)	
Total transactions with shareholders, recognised directly in equity	–	–	557,716	(1,323,846)	(766,130)	(353,315)	(320,470)	(1,439,915)	
<b>Balance at 31 December 2015</b>	5,097,967	(156,588)	3,044,577	26,322,308	34,308,264	4,488,659	3,198,064	41,994,987	

The notes on page 111 to 187 form an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2016	2015
<b>Cash flows from operating activities</b>			
Cash generated from operations	37	15,011,864	16,318,242
Interest paid		(2,745,647)	(3,160,953)
PRC Income tax paid		(5,379,631)	(6,020,805)
Net cash generated from operating activities		6,886,586	7,136,484
<b>Cash flows from investing activities</b>			
Payments of construction cost of investment properties		–	(210,886)
Prepayment of land use rights for development of own used properties		(141,984)	(8,361)
Investment in joint ventures and available-for-sale financial assets		(755,223)	–
Purchases of property, plant and equipment		(869,910)	(328,698)
Purchases of intangible assets		(12,442)	(4,752)
Proceeds received from disposal of investment properties and property, plant and equipment		72,754	301,080
Repayment of cash advances from joint ventures		1,552,905	111,501
Cash advances made to associates and joint ventures		(3,710,558)	(679,523)
Interest received		145,769	120,162
Net cash used in investing activities		(3,718,689)	(699,477)
<b>Cash flows from financing activities</b>			
Net proceeds from issuance of Perpetual Capital Securities		1,093,716	–
Redemption of Perpetual Capital Securities		(20,625)	–
Net proceeds from issuance of senior notes		–	2,998,104
Redemption of senior notes		(4,276,350)	–
Proceeds from borrowings		25,277,778	12,123,690
Repayments of borrowings		(27,956,443)	(18,631,411)
Net proceeds from issuance of corporate bonds		8,723,030	–
Net proceeds from issuance of asset-backed securities		975,200	–
Decrease/(increase) in guarantee deposit for borrowings		281,092	(31,092)
Cash advances from related parties		286,301	237,288
Repayments of cash advances to related parties		(556,236)	(138,980)
Capital injection by non-controlling interests		63,204	98,000
Repurchase of non-controlling interests		(138,600)	–
Distribution to holders of Perpetual Capital Securities		(379,510)	(353,315)
Dividends paid to shareholders of the Company		(1,276,443)	(766,105)
Dividends paid to non-controlling interests		(222,807)	(438,787)
Net cash generated from/(used in) financing activities		1,873,307	(4,902,608)
<b>Net increase in cash and cash equivalents</b>		5,041,204	1,534,399
Cash and cash equivalents at beginning of the year		7,407,450	6,067,802
Exchange losses on cash and cash equivalents		(16,770)	(194,751)
<b>Cash and cash equivalents at end of the year</b>	20	12,431,884	7,407,450

The notes on pages 111 to 187 form an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

(All amounts in RMB thousands unless otherwise stated)

## 1 General information

Agile Group Holdings Limited (the "Company", formerly known as "Agile Property Holdings Limited") is a limited liability company incorporated in the Cayman Islands on 14 July 2005 and is principally engaged in investment holding. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (the "Group") are principally engaged in property development in the People's Republic of China (the "PRC").

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 December 2005.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 15 March 2017.

## 2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the "HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, derivative financial instruments and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

#### (a) New and amended standards adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- HKFRS 14 "Regulatory deferral accounts"
- Amendments to HKFRS 11 "Accounting for acquisitions of interests in joint operations"
- Amendments to HKAS 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortisation"
- Amendment to HKAS 27 "Equity method in separate financial statements"
- Annual improvements 2014
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment entities: applying the consolidation exception"
- Amendments to HKAS 1 "Disclosure initiative"

The adoption of these new and amended standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.1 Basis of preparation (Continued)

(b) **The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2016 and have not been early adopted:**

	Effective for accounting periods beginning on or after
Amendments to HKAS 12 "Income Taxes"	1 January 2017
Amendments to HKAS 7 "Statement of Cash Flows"	1 January 2017
HKFRS 15 "Revenue from Contracts with Customers"	1 January 2018
HKFRS 9 "Financial Instruments"	1 January 2018
HKFRS 16 "Leases"	1 January 2019
Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations.

The amendments to HKAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments to HKAS 12 on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- rights of return HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.1 Basis of preparation (Continued)

**(b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2016 and have not been early adopted: (Continued)**

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.1 Basis of preparation (Continued)

**(b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2016 and have not been early adopted: (Continued)**

The amendments to HKFRS 10 and HKAS 28 address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. Management expects there will be no significant impact on the Group's financial statements when it becomes effective as the Group does not have material lease arrangements as lessee.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

#### 2.2 Subsidiaries

##### 2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

*(a) Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.2 Subsidiaries (Continued)

##### 2.2.1 Consolidation (Continued)

###### (a) *Business combinations (Continued)*

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

###### (b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.2 Subsidiaries (Continued)

##### 2.2.1 Consolidation (Continued)

###### (c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

##### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.3 Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to “share of post-tax losses of associates” in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group’s financial statements only to the extent of unrelated investor’s interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

#### 2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses and movements in other comprehensive income. The Group’s investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group’s share of the net fair value of the joint venture’s identifiable assets and liabilities is accounted for as goodwill. When the Group’s share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group’s net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group’s interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions of the Group.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.6 Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings denominated in foreign currencies are presented in the consolidated income statement within "finance costs, net". All other foreign exchange gains and losses are presented in the consolidated income statement within "other (losses)/gains, net".

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

##### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

When there is a change of use from an investment property to an owner-occupied property, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20-30 years
Hotel decorations	10 years
Office equipment	5-8 years
Transportation equipment	5-10 years
Machinery	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains, net" in the consolidated income statement.

#### 2.8 Construction in progress

Construction in progress represents property under construction and is stated at cost less accumulated impairment loss, if any. Cost includes the costs of construction of buildings and interest charges arising from borrowings used to finance these assets during the period of construction, if any. No provision for depreciation is made on construction in progress until such times as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.9 Investment property

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

When an owner-occupied property becomes an investment property carried at fair value, the Group applies HKAS 16 up to the date of change in use. The Group treats any difference at that date between the carrying amount of the property in accordance with HKAS 16 and its fair value in the same way as a revaluation in accordance with HKAS 16. In other words, any resulting increase in the carrying amount is treated as follows:

- (i) to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in profit or loss.
- (ii) any remaining part of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity.

#### 2.10 Intangible assets

##### **Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 10 years).

#### 2.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.12 Financial assets

##### 2.12.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (notes 2.16 and 2.17).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

##### 2.12.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Derivatives not designated for hedge are categorised as financial assets at fair value through profit or loss. Derivatives are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. Derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The change of fair value is recognised immediately in profit or loss within "finance costs, net".

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.12 Financial assets (Continued)

##### 2.12.2 Recognition and measurement (Continued)

When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as "other losses, net".

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary equity instruments classified as available for sale are recognised in other comprehensive income.

#### 2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

#### 2.14 Impairment of financial assets

##### (a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.14 Impairment of financial assets (Continued)

##### (b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

#### 2.15 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

#### 2.16 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

#### 2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

#### 2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### 2.19 Perpetual Capital Securities

Perpetual Capital Securities with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.20 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

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

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

#### 2.22 Borrowing costs

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

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

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Borrowing costs include interest expense, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax and land appreciation tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### (a) Current income tax

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

##### (b) Deferred income tax

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

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

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

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

##### (c) Offsetting

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

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.24 Employee benefits

##### (a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK\$1,500. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

##### (b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

##### (c) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for shares of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.24 Employee benefits (Continued)

##### (c) Equity-settled share-based payment transactions (Continued)

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, if any, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

#### 2.25 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### 2.26 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Revenue is shown net of discount and after eliminating revenue made with the Group companies.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### (a) Sales of properties

Revenue from sales of properties is recognised when a Group entity has delivered the relevant properties to the purchaser and collectability of related consideration is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets under current liabilities.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.26 Revenue recognition (Continued)

**(b) Property management**

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

**(c) Hotel operations**

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the goods are delivered or services are rendered.

**(d) Rental income**

Rental income from investment properties is recognised in the consolidated income statement on a straight-line basis over the term of lease.

**(e) Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

**(f) Dividend income**

Dividend income is recognised when the right to receive payment is established.

#### 2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

**(i) The Group is the lessee other than operating lease of land use rights**

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

**(ii) The Group is the lessee under operating lease of land use rights**

Land use rights under operating lease, which mainly comprise land use rights to be developed for hotel properties and own used buildings, are stated at cost and subsequently amortised in the consolidated income statement on a straight-line basis over the operating lease periods.

**(iii) The Group is the lessor**

Assets leased out under operating leases are included in investment properties in the consolidated balance sheet.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

#### 2.29 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers as insurance contracts.

### 3 Financial risk management

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC. The Group finances its operations from shareholders' fund, sales of properties, issuance of senior notes, bank and other borrowings. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

##### (i) Currency risk

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from sales of properties, fees of property management services, senior notes, bank borrowings and syndicated loans are in other currencies. As at 31 December 2016, major non-RMB assets and liabilities are cash and cash equivalents, senior notes, bank borrowings and syndicated loans denominated in HK dollar ("HK\$"), US dollar ("US\$") or Malaysia Ringgit ("MYR"). Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group has entered into certain forward exchange contracts to hedge its exposure to foreign exchange risk during the year ended 31 December 2016.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 3 Financial risk management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (i) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	Group	
	2016	2015
Monetary assets		
— HK\$	559,580	365,830
— US\$	464,644	49,687
— MYR	134,971	188,621
	<b>1,159,195</b>	604,138
Monetary liabilities		
— HK\$	7,420,533	3,466,500
— US\$	13,131,007	18,698,219
— MYR	917,135	823,327
	<b>21,468,675</b>	22,988,046

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	Group	
	2016	2015
5% increase in RMB against HK\$	345,058	156,419
5% decrease in RMB against HK\$	(345,058)	(156,419)
5% increase in RMB against US\$	633,337	932,442
5% decrease in RMB against US\$	(633,337)	(932,442)
5% increase in RMB against MYR	39,108	31,725
5% decrease in RMB against MYR	(39,108)	(31,725)

##### (ii) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Senior notes, and other borrowings at fixed rate expose the Group to fair value interest rate risk. Borrowings at variable rates expose the Group to cash flow interest-rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2016 and 2015, if interest rates on borrowings had been 100 basis points higher or lower with all other variables held constant, interest charges for the years ended 31 December 2016 and 2015 would increase or decrease by RMB184,207,000 and RMB150,243,000 respectively, mainly as a result of higher or lower interest expense on floating rate borrowings.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 3 Financial risk management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (iii) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables and cash deposits with banks.

The carrying amounts of trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, deposits are mainly placed with licencing banks which are all high-credit-quality financial institutions.

For credit exposures to customers, generally, the Group requires full payment from customers before delivery of properties. Credit terms are granted to customers upon obtaining approval from the Company's senior management after assessing the credit history of those customers. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 80% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding amount under the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and re-sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Detailed disclosure of these guarantees is made in the note 38.

No significant credit limits were exceeded during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 3 Financial risk management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (iv) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities and short-term and long-term borrowings to meet its construction commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing etc. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

The table below analyses the Group's financial liabilities maturity profile at the balance sheet date. The amounts disclosed thereon are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the balance sheets, as the impact of discount should not be significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b>Group</b>					
<b>At 31 December 2016</b>					
Borrowings	14,368,750	14,039,630	18,235,333	5,006,567	51,650,280
Trade and other payables(*)	20,042,372	–	–	–	20,042,372
<b>At 31 December 2015</b>					
Borrowings	19,625,857	14,551,895	11,652,300	534,847	46,364,899
Trade and other payables(*)	14,960,548	–	–	–	14,960,548

\* Excluding staff welfare benefit payable and other taxes payable.

#### 3.2 Capital risk management

The Group's objectives of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the unnecessary cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of any returns to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 3 Financial risk management (Continued)

#### 3.2 Capital risk management (Continued)

The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents and restricted cash.

	2016	2015
Total borrowings (note 25)	<b>43,995,924</b>	40,030,458
Less: cash and cash equivalents (note 20)	<b>(12,431,884)</b>	(7,407,450)
restricted cash (note 19)	<b>(9,878,734)</b>	(5,729,642)
Net Borrowings	<b>21,685,306</b>	26,893,366
Total equity	<b>44,155,230</b>	41,994,987
<b>Gearing ratio</b>	<b>49.1%</b>	64.0%

The decrease in the gearing ratio during the year ended 31 December 2016 was primarily resulted from the increase in cash and cash equivalents.

#### 3.3 Fair value estimation

The Group is not holding any financial assets and financial liabilities carried at fair value except for financial assets at fair value through profit or loss and available-for-sale financial assets. The different levels of the financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value, have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2016, the derivative financial instruments were stated at fair value. The financial assets were included in level 2 as the assets have been fair valued using forward exchange rates that are quoted in an active market.

As at 31 December 2016 and 2015, the available-for-sale financial assets were stated at fair value. The financial assets and financial liabilities were included in level 3 as the quantitative information about fair value measurements were using significant unobservable inputs.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 4 Critical accounting estimates and judgements

Estimates and judgements 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.

#### 4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### (i) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held by hotel segment are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amount, taking into account for costs to completion based on past experience and net sales value based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operation have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2016, except for provision for impairment of completed properties of RMB139,975,000 (2015: RMB123,647,000) recognised by the Group, no other impairment was provided for properties under development or long-term assets held for hotel operation.

##### (ii) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 4 Critical accounting estimates and judgements (Continued)

#### 4.1 Critical accounting estimates and assumptions (Continued)

##### (iii) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities for certain projects. Accordingly, judgement is required in determining the amount of land appreciation and its related taxes payable. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

##### (iv) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 9.

##### (v) Recoverability of trade receivables

The management assesses the recoverability of trade receivables individually with reference to the past repayment history as well as subsequent settlement status. Allowances are applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivable and the impairment charge in the period in which such estimate has been changed.

As at 31 December 2016, no impairment was provided for trade receivables (2015: nil).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 5 Segment information

The executive directors of the Company, which are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategy decision.

The Group is organised into four business segments: property development, property management, hotel operations and property investment. Associates and joint ventures of the Group are principally engaged in property development and are included in the property development segment. As the executive directors of the Company consider most of the Group's consolidated revenue and results are attributable from the market in the PRC. Most of the non-current assets are located in the PRC, and less than 10% of the Group's consolidated assets are located outside the PRC, geographical segment information is not considered necessary.

The executive directors of the Company assess the performance of the operating segments based on a measure of segment results, being profit before income tax before deducting finance costs.

The Group has a large number of customers, none of whom contributed 5% or more of the Group's revenue.

Analysis of revenue by the category for the years ended 31 December 2016 and 2015 is as follows:

	2016	2015
Sales of developed properties	<b>44,751,782</b>	41,421,174
Property management services	<b>1,068,536</b>	812,940
Hotel operations	<b>669,983</b>	673,735
Rental income from investment properties	<b>188,564</b>	96,463
	<b>46,678,865</b>	43,004,312

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 5 Segment information (Continued)

Segment information provided to the executive directors of the Company for the reporting segments for the years ended 31 December 2016 and 2015 are as follows:

#### Year ended 31 December 2016

	Property development	Property management	Hotel operations	Property investment	Elimination	Group
Gross segment sales	44,751,782	1,453,157	669,983	188,564	-	47,063,486
Inter-segment sales	-	(384,621)	-	-	-	(384,621)
Sales to external customers	44,751,782	1,068,536	669,983	188,564	-	46,678,865
Fair value gains on investment properties (note 9)	-	-	-	42,960	-	42,960
Operating result	8,633,470	303,913	(223,930)	97,740	-	8,811,193
Share of post-tax losses of associates (note 10)	(3,375)	-	-	-	-	(3,375)
Share of post-tax gains of joint ventures (note 11)	10,453	-	-	-	-	10,453
Reversal of gains on disposal of hotel assets	-	-	(210,626)	-	-	(210,626)
Segment result	8,640,548	303,913	(434,556)	97,740	-	8,607,645
Finance costs, net (note 33)						(1,124,531)
Profit before income tax						7,483,114
Income tax expenses (note 34)						(4,433,480)
Profit for the year						3,049,634
Depreciation	218,528	4,824	240,731	-		464,083
Amortisation of land use rights and intangible assets	16,089	598	51,305	-		67,992
Write-down of completed properties held for sale (note 31)	16,328	-	-	-		16,328
<b>Segment assets</b>	<b>113,775,622</b>	<b>1,827,997</b>	<b>9,286,959</b>	<b>6,326,943</b>	<b>(2,515,136)</b>	<b>128,702,385</b>
Unallocated assets						3,022,513
<b>Total assets</b>						<b>131,724,898</b>
Segment assets include:						
Interests in associates (note 10)	114,461	-	-	-		114,461
Interests in joint ventures (note 11)	4,624,663	-	-	-		4,624,663
<b>Segment liabilities</b>	<b>29,282,533</b>	<b>689,941</b>	<b>4,210,087</b>	<b>51,967</b>	<b>(2,515,136)</b>	<b>31,719,392</b>
Unallocated liabilities						55,850,276
<b>Total liabilities</b>						<b>87,569,668</b>
Capital expenditure	849,135	4,485	230,036	-		1,083,656

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 5 Segment information (Continued)

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2016 as follows:

	Assets	Liabilities
Segment assets/liabilities	<b>128,702,385</b>	<b>31,719,392</b>
Unallocated:		
Deferred income taxes	<b>699,275</b>	<b>1,137,167</b>
Prepaid income taxes	<b>1,760,871</b>	–
Derivative financial instruments	<b>562,367</b>	–
Current income tax liabilities	–	<b>10,717,185</b>
Current borrowings	–	<b>12,815,016</b>
Non-current borrowings	–	<b>31,180,908</b>
Total	<b>131,724,898</b>	<b>87,569,668</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 5 Segment information (Continued)

Year ended 31 December 2015

	Property development	Property management	Hotel operations	Property investment	Elimination	Group
Gross segment sales	41,421,174	1,118,097	673,735	96,463	-	43,309,469
Inter-segment sales	-	(305,157)	-	-	-	(305,157)
Sales to external customers	41,421,174	812,940	673,735	96,463	-	43,004,312
Fair value gains on investment properties (note 9)	-	-	-	62,523	-	62,523
Operating result	7,500,544	122,483	(291,425)	94,055	-	7,425,657
Share of post-tax loss of an associate (note 10)	(27,190)	-	-	-	-	(27,190)
Share of post-tax losses of joint ventures (note 11)	(87,400)	-	-	-	-	(87,400)
Gains on disposal of hotel assets	-	-	210,626	-	-	210,626
Segment result	7,385,954	122,483	(80,799)	94,055	-	7,521,693
Finance costs, net (note 33)						(1,325,206)
Profit before income tax						6,196,487
Income tax expenses (note 34)						(3,894,950)
Profit for the year						2,301,537
Depreciation	130,981	5,068	231,297	-		367,346
Amortisation of land use rights and intangible assets	23,610	533	56,816	-		80,959
Write-down of completed properties held for sale (note 31)	123,647	-	-	-		123,647
<b>Segment assets</b>	100,725,054	1,196,588	7,962,339	6,369,011	(1,155,723)	115,097,269
Unallocated assets						2,215,662
<b>Total assets</b>						117,312,931
Segment assets include:						
Interest in an associate (note 10)	3,375	-	-	-		3,375
Interests in joint ventures (note 11)	1,133,448	-	-	-		1,133,448
<b>Segment liabilities</b>	17,445,745	464,201	5,945,204	32,040	(1,155,723)	22,731,467
Unallocated liabilities						52,586,477
<b>Total liabilities</b>						75,317,944
Capital expenditure	130,419	3,505	219,805	210,886		564,615



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 5 Segment information (Continued)

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2015 as follows:

	Assets	Liabilities
Segment assets/liabilities	115,097,269	22,731,467
Unallocated:		
Deferred income taxes	570,208	1,243,798
Prepaid income taxes	1,645,454	–
Current income tax liabilities	–	11,312,221
Current borrowings	–	16,487,415
Non-current borrowings	–	23,543,043
<b>Total</b>	<b>117,312,931</b>	<b>75,317,944</b>

Inter-segment transfers or transactions are entered into at terms and conditions agreed upon by respective parties.

Eliminations comprise inter-segment trade and non-trade balances.

Pricing policy for inter-segment transactions is determined by reference to market price.

Segment assets consist primarily of property, plant and equipment, land use rights, properties under development, completed properties held for sale, investment properties, receivables and cash balances. Unallocated assets comprise deferred tax assets and prepaid income taxes and derivative financial instruments. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment, land use rights for self-owned properties, investment properties and intangible assets.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 6 Property, plant and equipment

	Buildings	Transportation equipment	Office equipment	Machinery	Construction in progress	Total
<b>At 1 January 2015</b>						
Cost	5,931,153	219,828	147,951	174,676	2,115,538	8,589,146
Accumulated depreciation	(582,205)	(141,044)	(86,810)	(83,066)	-	(893,125)
<b>Net book amount</b>	<b>5,348,948</b>	<b>78,784</b>	<b>61,141</b>	<b>91,610</b>	<b>2,115,538</b>	<b>7,696,021</b>
<b>Year ended 31 December 2015</b>						
Opening net book amount	5,348,948	78,784	61,141	91,610	2,115,538	7,696,021
Additions	41,889	21,423	21,510	26,692	229,101	340,615
Transfer of completed construction projects	530,759	-	-	-	(530,759)	-
Transfer to investment properties (note 9(h))	(209,586)	-	-	-	-	(209,586)
Transfer to properties under development	(50,479)	-	-	-	(393,719)	(444,198)
Transfer from properties held for sales	43,728	-	-	-	-	43,728
Disposals	(46,467)	(7,836)	(4,808)	(4,827)	(343,331)	(407,269)
Depreciation	(285,131)	(23,538)	(30,351)	(28,326)	-	(367,346)
<b>Closing net book amount</b>	<b>5,373,661</b>	<b>68,833</b>	<b>47,492</b>	<b>85,149</b>	<b>1,076,830</b>	<b>6,651,965</b>
<b>At 31 December 2015</b>						
Cost	6,239,714	195,923	168,795	193,941	1,076,830	7,875,203
Accumulated depreciation	(866,053)	(127,090)	(121,303)	(108,792)	-	(1,223,238)
<b>Net book amount</b>	<b>5,373,661</b>	<b>68,833</b>	<b>47,492</b>	<b>85,149</b>	<b>1,076,830</b>	<b>6,651,965</b>
<b>Year ended 31 December 2016</b>						
Opening net book amount	<b>5,373,661</b>	<b>68,833</b>	<b>47,492</b>	<b>85,149</b>	<b>1,076,830</b>	<b>6,651,965</b>
Additions	<b>119,096</b>	<b>13,344</b>	<b>11,694</b>	<b>25,462</b>	<b>1,164,995</b>	<b>1,334,591</b>
Transfer of completed construction projects	<b>852,751</b>	-	-	-	<b>(852,751)</b>	-
Transfer from/(to) properties under development	<b>51,874</b>	-	-	-	<b>(22,861)</b>	<b>29,013</b>
Transfer to properties held for sales (note (d))	<b>(225,963)</b>	-	-	-	-	<b>(225,963)</b>
Disposals	<b>(8,021)</b>	<b>(4,072)</b>	<b>(2,740)</b>	<b>(1,543)</b>	-	<b>(16,376)</b>
Depreciation	<b>(382,548)</b>	<b>(29,122)</b>	<b>(34,170)</b>	<b>(18,243)</b>	-	<b>(464,083)</b>
<b>Closing net book amount</b>	<b>5,780,850</b>	<b>48,983</b>	<b>22,276</b>	<b>90,825</b>	<b>1,366,213</b>	<b>7,309,147</b>
<b>At 31 December 2016</b>						
Cost	<b>7,043,062</b>	<b>183,730</b>	<b>165,541</b>	<b>214,659</b>	<b>1,366,213</b>	<b>8,973,205</b>
Accumulated depreciation	<b>(1,262,212)</b>	<b>(134,747)</b>	<b>(143,265)</b>	<b>(123,834)</b>	-	<b>(1,664,058)</b>
<b>Net book amount</b>	<b>5,780,850</b>	<b>48,983</b>	<b>22,276</b>	<b>90,825</b>	<b>1,366,213</b>	<b>7,309,147</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 6 Property, plant and equipment (Continued)

Depreciation expenses were charged to the following categories in the consolidated income statement:

	2016	2015
Cost of sales	<b>333,794</b>	244,366
Selling and marketing costs	<b>19,438</b>	8,912
Administrative expenses	<b>110,851</b>	114,068
	<b>464,083</b>	367,346

Notes:

- As at 31 December 2016, buildings of RMB2,182,158,000 (2015: RMB2,886,953,000) were pledged as collateral for the Group's borrowings (note 25).
- During the year ended 31 December 2016, the Group has capitalised borrowing costs amounting to RMB42,438,000 (2015: RMB15,436,000) on property, plant and equipment. Borrowing costs were capitalised at the weighted average rate of general borrowings of 7.64% (2015: 8.53%).
- Buildings mainly represent the office buildings and hotel buildings. Constructions in progress mainly represent construction costs and other costs incurred for the construction of hotels.
- During the year ended 31 December 2016, certain own used properties with a carrying value of RMB225,963,000 were reclassified to properties held for sale as a result of change in development plan.

### 7 Land use rights

	2016	2015
At 1 January	<b>1,940,762</b>	2,288,324
Additions	<b>141,984</b>	8,361
Transfer from/(to) properties under development (note (b))	<b>75,795</b>	(223,821)
Transfer to investment properties (note 9(h))	–	(45,609)
Transfer to properties held for sale	<b>(63,134)</b>	–
Disposal	<b>(8,934)</b>	(16,749)
Amortisation		
— Capitalised in construction in progress	<b>(3,922)</b>	(11,917)
— Recognised as cost of sales (note 31)	<b>(42,208)</b>	(42,156)
— Recognised as expenses (note 31)	<b>(10,377)</b>	(15,671)
At 31 December	<b>2,029,966</b>	1,940,762

Notes:

- Land use rights comprise cost of acquiring usage rights of certain land, which are located in the PRC, held on leases of over 40 years, and mainly for hotel properties or self-used buildings over fixed periods.
- During the year ended 31 December 2016, certain own used land use rights with carrying value of RMB75,795,000 were reclassified from properties under development as a result of change in development plan (2015: RMB223,821,000 were reclassified to properties under development).
- As at 31 December 2016, land use rights of RMB129,053,000 (2015: RMB1,404,050,000) were pledged as collateral for the Group's borrowings(note 25).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 8 Intangible assets

	Construction licence	Computer software	Total
<b>At 1 January 2015</b>			
Cost	27,274	96,716	123,990
Accumulated amortisation	(27,274)	(35,853)	(63,127)
<b>Net book amount</b>	–	60,863	60,863
<b>Year ended 31 December 2015</b>			
Opening net book amount	–	60,863	60,863
Additions	–	4,752	4,752
Amortisation	–	(11,215)	(11,215)
<b>Closing net book amount</b>	–	54,400	54,400
<b>At 31 December 2015</b>			
Cost	27,274	101,468	128,742
Accumulated amortisation	(27,274)	(47,068)	(74,342)
<b>Net book amount</b>	–	54,400	54,400
<b>Year ended 31 December 2016</b>			
Opening net book amount	–	<b>54,400</b>	<b>54,400</b>
Additions	–	<b>12,442</b>	<b>12,442</b>
Amortisation	–	<b>(11,485)</b>	<b>(11,485)</b>
<b>Closing net book amount</b>	–	<b>55,357</b>	<b>55,357</b>
<b>At 31 December 2016</b>			
Cost	<b>27,274</b>	<b>113,910</b>	<b>141,184</b>
Accumulated amortisation	<b>(27,274)</b>	<b>(58,553)</b>	<b>(85,827)</b>
<b>Net book amount</b>	–	<b>55,357</b>	<b>55,357</b>

Amortisation of RMB11,485,000(2015: RMB11,215,000) is included in the “administrative expenses” of the consolidated income statement.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 9 Investment properties

	2016	2015
Opening net book amount	<b>6,369,011</b>	5,846,317
Capitalised subsequent expenditure	–	210,886
Disposals	<b>(85,028)</b>	(34,359)
Transfer from property, plant and equipment (note (h))	–	209,586
Transfer from land use rights (note (h))	–	45,609
Revaluation gains recognised in consolidated income statement	<b>42,960</b>	62,523
Revaluation gains recognised as other comprehensive income (note (h))	–	28,449
Closing net book amount	<b>6,326,943</b>	6,369,011

Notes:

- (a) The investment properties are located in the PRC and are held on lease of between 30 to 70 years.
- (b) Amounts recognised in the consolidated income statement for investment properties:

	2016	2015
Rental income	<b>188,564</b>	96,463
Direct operating expenses of investment properties that generated rental income	<b>(105,470)</b>	(50,007)
Direct operating expenses of investment properties that did not generate rental income	<b>(28,314)</b>	(14,924)
	<b>54,780</b>	31,532

As at 31 December 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: nil).

(c) **Fair value hierarchy**

As at 31 December 2016 and 2015, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 9 Investment properties (Continued)

Notes: (Continued)

#### (d) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2016 by an independent professionally qualified valuer, Vigers Appraisal & Consulting Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the executive directors and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

#### (e) Valuation techniques

Fair values of completed commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

Fair values of car parks are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 9 Investment properties (Continued)

Notes: (Continued)

#### (e) Valuation techniques (Continued)

	Description	Location	Fair value as at 31 December 2016	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office and retail shop	PRC	6,090,203	Income capitalisation	Term yields	4%~7.25%
					Reversionary yields	4.5%~8%
					Market rents (RMB/square meter/ month)	35~1,000
	Car park	PRC	236,740	Direct comparison method	Market price (RMB/square meter)	3,161-7,987

	Description	Location	Fair value as at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office and retail shop	PRC	6,132,271	Income capitalisation	Term yields	5%~8%
					Reversionary yields	5.2%~8.5%
					Market rents (RMB/square meter/ month)	35~1,000
	Car park	PRC	236,740	Direct comparison method	Market price (RMB/square meter)	3,161-7,987

There are inter-relationships between unobservable inputs.

For office and retail, increase in term yields and reversionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

For car park, increase in market price may result in increase in fair value.

There are no changes to the valuation technique during the year ended 31 December 2016.

#### (f) Investment properties pledged as security

As at 31 December 2016, investment properties of RMB4,722,483,000 (2015: RMB5,284,391,000) and certain rights of receiving rental income were pledged as collateral for the Group's bank borrowings (note 25).

#### (g) Leasing arrangements

Certain investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are disclosed in note 40.

The period of leases whereby the Group leases out its investment properties under operating leases ranged from 1 year to 20 years.

(h) During the year ended 31 December 2015, certain floor areas of an office building previously occupied by the Group as office were transferred from property, plant and equipment and land use rights to investment properties. Revaluation gains arising from the transfer of RMB28,449,000 were recognised as other comprehensive income.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 10 Interests in associates

Amounts represent share of net assets in associates comprise of 1) Guangzhou Li He Property Development Company Limited (廣州利合房地產開發有限公司) ("Li He"), of which the Group and other four PRC real estate developers (the "Five Shareholders") evenly holds its 20% equity interests; 2) Oyster Point Development LLC., (牡蠣灣發展有限公司) ("Oyster Point"), of which the Group holds its 10% equity interests.

Li He is principally engaged in development of a real estate project in Guangzhou, the PRC, while Oyster Point is principally engaged in development of a real estate project in San Francisco, US.

Both of Li He and Oyster Point are private companies and there are no quoted market price available for their shares.

The movement of the interests in associates during the year is as follows:

	2016	2015
Balance as at 1 January	3,375	30,565
Addition	114,461	–
Share of post-tax losses of associates	(3,375)	(27,190)
Balance as at 31 December	114,461	3,375

The associates are accounted for using the equity method. The Directors consider there is no individually material associate. The aggregate amounts of the Group's shares of the associates are as follows:

	2016	2015
Loss from continuing operations	(3,375)	(27,190)
Total comprehensive income	(3,375)	(27,190)

The contingent liabilities relating to the Group's interests in associates are disclosed in note 38. There is no commitment relating to the Group's interests in the associates.

### 11 Interests in joint ventures

The movement of the interests in joint ventures is as follows:

	2016	2015
Balance as at 1 January	1,133,448	1,220,848
Additions	3,480,762	–
Share of post-tax gains/(losses) of joint ventures	10,453	(87,400)
Balance as at 31 December	4,624,663	1,133,448



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 11 Interests in joint ventures (Continued)

The joint ventures are accounted for using the equity method. The Directors consider there are no individually material joint ventures. The aggregate amounts of the Group's shares of the joint ventures are as follows:

	2016	2015
Gains/(losses) from continuing operations	10,453	(87,400)
Total comprehensive income	10,453	(87,400)

The contingent liabilities relating to the Group's interests in the joint ventures are disclosed in note 38. There is no commitment relating to the Group's interests in the joint ventures.

### 12 Available-for-sale financial assets

The amounts represent 2.5% equity interests in a non-listed real estate project company in the PRC and 2% equity interest in a non-listed network technology company in the PRC.

### 13 Financial instruments by category

Assets as per consolidated balance sheet

	2016	2015
<b>Loans and receivables</b>		
Trade and other receivables excluding prepaid business taxes and other taxes and prepayments	15,273,986	11,447,241
Restricted cash	9,878,734	5,729,642
Cash and cash equivalents	12,431,884	7,407,450
	<b>37,584,604</b>	24,584,333
<b>Available-for-sale financial assets</b>	<b>277,500</b>	117,500
<b>Assets at fair value through the profit &amp; loss</b>		
Derivative financial instruments	562,367	–
Total	<b>38,424,471</b>	24,701,833

Liabilities as per consolidated balance sheet

	2016	2015
<b>Other financial liabilities at amortised cost</b>		
Borrowings	43,995,924	40,030,458
Trade and other payables and accruals, excluding staff welfare benefit payable and other taxes payable	20,042,372	14,960,548
Total	<b>64,038,296</b>	54,991,006

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 14 Derivative financial instruments

As at 31 December 2016, the Group had the following derivative financial instruments:

	2016	2015
Non-current portion:		
— Forward foreign exchange contracts	254,497	–
Current portion:		
— Forward foreign exchange contracts	307,870	–

The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2016 were US\$1,605,000,000 and HK\$4,450,000,000, approximating to RMB15,114,455,000 in total (2015: nil).

During the year ended 31 December 2016, gains in fair value of derivative financial instruments of RMB562,367,000 have been recorded in “finance cost, net” in the consolidated income statement (note 33).

### 15 Properties under development

	2016	2015
Properties under development expected to be completed:		
— Within one operating cycle included under current assets	36,706,691	44,523,607
— Beyond one operating cycle included under non-current assets	9,510,651	6,798,703
	46,217,342	51,322,310
Properties under development comprise:		
— Construction costs and capitalised expenditures	14,873,096	21,370,750
— Capitalised interests	4,886,108	5,193,094
— Land use rights	26,458,138	24,758,466
	46,217,342	51,322,310

Most of the Group’s properties under development are located in the PRC. The relevant land use rights in the PRC are on leases of 40 to 70 years.

The capitalisation rate of borrowings is 7.64% for the year ended 31 December 2016 (2015: 8.53%).

As at 31 December 2016, land use rights included in the properties under development with net book value of RMB6,690,696,000 (2015: RMB11,423,626,000) were pledged as collateral for the Group’s borrowings (note 25).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 16 Completed properties held for sale

All completed properties held for sale are located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2016, a provision of RMB139,975,000 was made to write down the completed properties held for sale (31 December 2015: RMB123,647,000).

As at 31 December 2016, completed properties held for sale of approximately RMB323,608,000 (2015: RMB1,962,034,000) were pledged as collateral for the Group's bank borrowings (note 25).

### 17 Prepayments for acquisition of land use rights

Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

### 18 Trade and other receivables

	2016	2015
Trade receivables (note (a))	<b>3,601,167</b>	3,847,636
Other receivables due from:		
— An associate (note 41(c))	<b>3,210,646</b>	2,439,716
— Joint ventures (note 41(c))	<b>3,714,038</b>	2,327,315
— Third parties	<b>3,167,764</b>	2,046,575
Prepaid business taxes and other taxes	<b>274,432</b>	188,998
Deposits for acquisition of land use rights	<b>1,580,371</b>	786,000
Prepayments	<b>297,354</b>	301,591
Total trade and other receivables	<b>15,845,772</b>	11,937,831
Less: other receivables due from an associate and joint ventures – non-current portion	<b>(4,383,129)</b>	(3,554,716)
<b>Trade and other receivables-current portion</b>	<b>11,462,643</b>	8,383,115

As at 31 December 2016, the fair value of trade and other receivables approximated their carrying amounts. All the balances were fully performing except the balances which were past due but not impaired as described below.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 18 Trade and other receivables (Continued)

Notes:

- (a) Trade receivables mainly arose from sales of properties. Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. As at 31 December 2016 and 2015, the ageing analysis of the trade receivables is as follows:

	2016	2015
Within 90 days	<b>2,906,859</b>	2,749,274
Over 90 days and within 365 days	<b>486,534</b>	712,419
Over 365 days and within 2 years	<b>88,665</b>	267,104
Over 2 years	<b>119,109</b>	118,839
	<b>3,601,167</b>	3,847,636

As at 31 December 2016, trade receivables of RMB289,765,000 (2015: RMB425,800,000) were past due but not impaired. As the Group normally holds collateral of the properties before collection of the outstanding balances and pass the titles to the purchasers, the Directors consider that the past due trade receivables would be recovered and no provision was made against past due receivables as at 31 December 2016 (2015: nil). The ageing analysis of these trade receivables is as follows:

	2016	2015
Within 90 days	<b>76,193</b>	108,937
Over 90 days and within 365 days	<b>79,141</b>	84,898
Over 365 days	<b>134,431</b>	231,965
	<b>289,765</b>	425,800

- (b) The carrying amounts of trade and other receivables are mainly denominated in RMB.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 19 Restricted cash

As at 31 December 2016 and 2015, all of the Group's restricted cash were denominated in RMB. The conversion of the PRC Group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 31 December 2016, restricted cash is mainly comprised of guarantee deposits for construction of pre-sold properties, and deposits for accident compensation.

### 20 Cash and cash equivalents

	2016	2015
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	<b>12,411,884</b>	7,402,450
Short-term bank deposits	<b>20,000</b>	5,000
	<b>12,431,884</b>	7,407,450
Denominated in RMB(note (a))	<b>11,272,689</b>	6,990,988
Denominated in other currencies	<b>1,159,195</b>	416,462
	<b>12,431,884</b>	7,407,450

Note:

- (a) The conversion of the PRC Group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 21 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
<b>Authorised</b>					
<b>As at 31 December 2016 and 2015</b>	10,000,000,000	1,000,000			
<b>Movements of issued and fully paid share capital</b>					
<b>Year ended 31 December 2015</b>					
At 1 January 2015 and 31 December 2015	3,917,047,500	391,705	400,253	4,697,714	5,097,967
<b>Year ended 31 December 2016</b>					
At 1 January 2016	<b>3,917,047,500</b>	<b>391,705</b>	<b>400,253</b>	<b>4,697,714</b>	<b>5,097,967</b>
Dividends (note 36)	-	-	-	<b>(807,939)</b>	<b>(807,939)</b>
At 31 December 2016	<b>3,917,047,500</b>	<b>391,705</b>	<b>400,253</b>	<b>3,889,775</b>	<b>4,290,028</b>

### 22 Share Award Scheme

On 10 December 2013, the Board of Directors of the Company adopted a Share Award Scheme, under which shares may be awarded to employees of the Company in accordance with the terms and conditions of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Group has set up a trust ("Employee Share Trust"), for the purposes of administering the Share Award Scheme and holding Awarded Shares before they vest. On 10 February 2014, the Company allotted and issued 34,470,000 new shares to the trustee to hold on trust. On 3 January 2014, 32,750,000 of which has been granted to the 116 selected employees, subject to, among others, the performance conditions of both the Group and the awardees can be fulfilled and the awardees remain employed by the Group.

The award of first 30% Awarded Shares lapsed on 26 August 2015. Following the confirmation that relevant vesting conditions have not been satisfied on 20 June 2016, the Board resolved in its meeting held on 23 August 2016 that the award of second 30% Awarded Shares lapsed effective from 23 August 2016. The deadline for the satisfaction of the vesting conditions for the remaining 40% of these Awarded Shares is 20 June 2017. As at 31 December 2016, the shares under the Share Award Scheme held by the Employee Share Trustee amounted to RMB156,588,000 (31 December 2015: RMB156,588,000), which was presented within equity in the consolidated balance sheet. For the year ended at 31 December 2016, no expenses in relation to the Share Award Scheme were recognised in the consolidated income statement as the performance condition were not fulfilled and no awarded shares have been vested (2015:nil).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 23 Other reserves

	Merger reserve (note (a))	Statutory reserve and enterprise expansion fund (note (b))	Revaluation surplus	Translation reserve	Total
Balance at 1 January 2015	442,395	2,011,009	–	405	2,453,809
Transfer from retained earnings	–	557,716	–	–	557,716
Currency translation difference	–	–	–	11,715	11,715
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment property, net of tax	–	–	21,337	–	21,337
Balance at 31 December 2015	442,395	2,568,725	21,337	12,120	3,044,577
Balance at 1 January 2016	<b>442,395</b>	<b>2,568,725</b>	<b>21,337</b>	<b>12,120</b>	<b>3,044,577</b>
Transfer from retained earnings	–	54,014	–	–	54,014
Currency translation difference	–	–	–	(5,758)	(5,758)
Balance at 31 December 2016	<b>442,395</b>	<b>2,622,739</b>	<b>21,337</b>	<b>6,362</b>	<b>3,092,833</b>

Notes:

- (a) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the shares of the Company issued in exchange pursuant to the Group reorganisation undertaken for listing of Company on the Stock Exchange.
- (b) Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC subsidiaries.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 24 Perpetual Capital Securities

On 18 January 2013, the Company issued subordinated perpetual capital securities (the "Perpetual Capital Securities I") with the aggregate principal amount of US\$700,000,000. Net proceeds after deducting the issuance cost amounted to US\$687,432,500 (equivalent to approximately RMB4,321,938,000). The Perpetual Capital Securities I do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities I are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of Perpetual Capital Securities I at the distribution rate as defined in the subscription agreement.

On 27 July 2016, a subsidiary of the Company issued another PRC perpetual capital securities (the "Perpetual Capital Securities II") with the aggregate principal amount of RMB1,100,000,000. Net proceeds after deducting the issuance cost amounted to RMB1,093,716,000. The Perpetual Capital Securities II do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities II are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the subsidiary shall make distribution to the holders of Perpetual Capital Securities II at the distribution rate as defined in the subscription agreement.

Movement of the Perpetual Capital Securities is as follows:

	Principal	Distribution	Total
Balance as at 1 January 2015	4,321,938	161,471	4,483,409
Profit attributable to holders of Perpetual Capital Securities	–	358,565	358,565
Distribution made to holders of Perpetual Capital Securities	–	(353,315)	(353,315)
Balance as at 31 December 2015	4,321,938	166,721	4,488,659
Balance as at 1 January 2016	<b>4,321,938</b>	<b>166,721</b>	<b>4,488,659</b>
Issuance of perpetual capital securities	<b>1,093,716</b>	–	<b>1,093,716</b>
Profit attributable to holders of Perpetual Capital Securities	–	<b>415,263</b>	<b>415,263</b>
Distribution made to holders of Perpetual Capital Securities	–	<b>(379,510)</b>	<b>(379,510)</b>
Redemption of Perpetual Capital Securities	<b>(20,625)</b>	–	<b>(20,625)</b>
Balance as at 31 December 2016	<b>5,395,029</b>	<b>202,474</b>	<b>5,597,503</b>

Note:

- (a) On 26 October 2016, the Group has redeemed certain portion of the outstanding Perpetual Capital Securities II at a redemption price of RMB20,625,000. There is no redemption premium recognised in the consolidated income statement.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 25 Borrowings

	2016	2015
<b>Borrowings included in non-current liabilities:</b>		
Senior notes (note (a))		
— Senior notes issued in 2010 (“2010 Senior Notes”) (note (a)(i))	–	4,188,008
— Senior notes issued in 2012 (“2012 Senior Notes”) (note (a)(ii))	<b>4,847,305</b>	4,511,774
— Senior notes issued in 2014 (“2014 Senior Notes I”) (note (a)(iii))	<b>3,420,468</b>	3,183,453
— Senior notes issued in 2014 (“2014 Senior Notes II”) (note (a)(iv))	<b>1,985,130</b>	1,972,254
— Senior notes issued in 2015 (“2015 Senior Notes”) (note (a)(v))	<b>3,422,665</b>	3,192,606
PRC corporate bonds (note (b))	<b>8,739,290</b>	–
Asset-backed securities (note (c))	<b>795,386</b>	–
Long-term syndicated loans		
— secured (note (d))	<b>2,275,000</b>	650,000
— unsecured (note (e))	<b>5,869,958</b>	3,204,342
Long-term bank borrowings		
— secured (note (d))	<b>7,060,388</b>	11,196,072
— unsecured (note (e))	<b>1,950,334</b>	546,633
Other borrowings		
— secured (note (d))	<b>2,365,000</b>	4,286,100
— unsecured (note (e))	–	287,140
Less: current portion of non-current borrowings	<b>(11,550,016)</b>	(13,675,339)
	<b>31,180,908</b>	23,543,043
<b>Borrowings included in current liabilities:</b>		
Short-term bank borrowings		
— secured (note (d))	–	227,276
— unsecured (note (e))	<b>1,265,000</b>	–
Short-term other borrowings		
— secured (note (d))	–	500,000
— unsecured (note (e))	–	2,084,800
Current portion of non-current borrowings	<b>11,550,016</b>	13,675,339
	<b>12,815,016</b>	16,487,415
Total borrowings	<b>43,995,924</b>	40,030,458

Notes:

**(a) Senior notes**

The senior notes are jointly guaranteed by certain subsidiaries of the Group and are secured by pledges of the shares of these subsidiaries. The net assets of these subsidiaries are approximately RMB2,708,048,000 as at 31 December 2016 (2015: RMB4,579,295,000).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 25 Borrowings (Continued)

Notes: (Continued)

#### (a) Senior notes (Continued)

##### (i) 2010 Senior Notes

On 28 April 2010, the Company issued 8.875% senior notes with an aggregated nominal value of US\$650,000,000 (equivalent to RMB4,436,965,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US\$636,600,000 (equivalent to RMB4,343,810,000). The 2010 Senior Notes will mature in April 2017. The Company, at its option, can redeem all or a portion of the 2010 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

On 27 June 2016 (the "Redemption Date"), the Company redeemed the outstanding 2010 Senior Notes in full at a redemption price equal to 100% of the principal amount of the 2010 Senior Notes and the accrued and unpaid interest as of the Redemption Date. There is no redemption premium recognised in the consolidated income statement.

##### (ii) 2012 Senior Notes

On 20 March 2012, the Company issued 9.875% senior notes with an aggregated nominal value of US\$700,000,000 (equivalent to RMB4,406,841,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US\$686,993,000 (equivalent to RMB4,324,896,000). The 2012 Senior Notes will mature in March 2017. The Company, at its option, can redeem all or a portion of the 2012 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

##### (iii) 2014 Senior Notes I

On 18 February 2014, the Company issued 8.375% senior notes with an aggregated nominal value of US\$500,000,000 (equivalent to RMB3,055,150,000) at 99.499% of face value. The net proceeds, after deducting the issuance costs, amounted to US\$487,500,000 (equivalent to RMB2,975,572,000). The 2014 Senior Notes I will mature on 18 February 2019. The Company, at its option, can redeem all or a portion of the 2014 Senior Notes I at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

##### (iv) 2014 Senior Notes II

On 28 February 2014, the Company issued 6.50% senior notes with an aggregated nominal value of RMB2,000,000,000 at 99.33% of the face value. The net proceeds, after deducting the issuance costs, amounted to RMB1,961,000,000. The 2014 Senior Notes II will mature on 28 February 2017. The Company, at its option, can redeem all or a portion of the 2014 Senior Notes II at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

##### (v) 2015 Senior Notes

On 21 May 2015, the Company issued 9% senior notes with an aggregated nominal value of US\$500,000,000 (equivalent to approximately RMB3,056,850,000) at 99.507% of the face value. The net proceeds, after deducting the issuance costs, amounted to US\$490,391,000 (equivalent to approximately RMB2,998,104,000). The 2015 Senior Notes will mature on 21 May 2020. The Company, at its option, can redeem all or a portion of the 2015 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

#### (b) PRC Corporate Bonds

On 11 January 2016, a PRC subsidiary (the "Issuer") of the Company issued 4.7% corporate bonds with an aggregate amount of RMB1,600,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,584,080,000. The bonds will mature on 11 January 2021. The Issuer shall be entitled to adjust the coupon rate at the end of third year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 29 April 2016, the Issuer issued 5.8% non-public corporate bonds with an aggregate amount of RMB1,200,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,189,200,000. The bonds will mature on 29 April 2020. The Issuer shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 25 Borrowings (Continued)

Notes: (Continued)

#### (b) PRC Corporate Bonds (Continued)

On 29 July 2016, the Company issued 4.98% corporate bonds (the "Panda Bonds") with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,970,000,000. The bonds will mature on 29 July 2020. The Company shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 11 October 2016, the Company issued 4.6% and 5.7% corporate bonds with an aggregate amount of RMB1,800,000,000 and RMB1,200,000,000 respectively. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787,250,000 and RMB1,192,500,000 respectively. The bonds will mature on 11 October 2021 and 11 October 2023 respectively. The Company shall be entitled to adjust the coupon rate at the end of the third and the fifth year respectively whereas the investors shall be entitled to sell back in whole or in part the bonds.

#### (c) Asset-backed securities

A PRC subsidiary of the Company engaged in property management entered into asset-backed securities ("ABS") arrangement with an assets management company by pledging of the future 5 years' right of receiving management fee for certain properties under its management. On 26 February 2016, the ABS was formally established with an aggregate nominal value of RMB1,100,000,000, with a 5-year maturity, amongst which RMB100,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB975,200,000.

(d) As at 31 December 2016, the Group's borrowings were secured by its land use rights, self-used properties, properties held for sale, properties under development, investment properties and the shares of subsidiaries.

(e) As at 31 December 2016, the unsecured borrowings were guaranteed by certain subsidiaries of the Group.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2016	2015
6 months or less	12,540,711	6,086,297
6-12 months	5,879,971	8,246,496
1-5 years	25,575,242	25,697,665
	<b>43,995,924</b>	40,030,458

The carrying amounts of the borrowings with the respective effective interest rates:

	2016		2015	
	RMB'000	Effective interest rate	RMB'000	Effective interest rate
Senior notes	13,675,568	10.91%	17,048,095	10.02%
Bank borrowings, syndicated loans, other borrowings and others	30,320,356	6.41%	22,982,363	7.69%
	<b>43,995,924</b>		40,030,458	

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 25 Borrowings (Continued)

The carrying amounts and fair value of the non-current borrowings are as follows:

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Senior notes (note(i))	<b>6,843,133</b>	<b>7,331,715</b>	17,048,095	17,013,908
PRC public corporate bond (note(ii))	<b>1,588,972</b>	<b>1,590,370</b>	–	–
Bank borrowings, syndicated loans, other borrowings and others (note (iii))	<b>22,748,803</b>	<b>22,748,803</b>	6,494,948	6,494,948
	<b>31,180,908</b>	<b>31,670,888</b>	23,543,043	23,508,856

Notes:

- (i) The fair value of senior notes is determined directly by references to the price quotations published by the Singapore Exchange Limited and The Stock Exchange of Hong Kong Limited on 31 December 2016, the last dealing date of 2016 and is within level 1 of the fair value hierarchy.
- (ii) The fair value of RMB1,600,000,000 PRC corporate bond is determined directly by references to the price quotations published by the China Securities Index Co., Ltd on 31 December 2016, the last dealing date of 2016 and is within level 1 of the fair value hierarchy.
- (iii) The fair values of non-current bank borrowings, syndicated loans, other borrowings and others approximate their carrying amount as the impact of discounting is not significant. The fair values are based on cash flows discounted at the average borrowing rate of 6.1% (2015: 6.2%), and are within level 2 of the fair value hierarchy.

At 31 December 2016, the Group's borrowings were repayable as follows:

	2016	2015
Bank borrowings, syndicated loans, other borrowings, senior notes and others:		
Within 1 year	<b>12,815,016</b>	16,487,415
Between 1 and 2 years	<b>10,865,904</b>	12,793,274
Between 2 and 5 years	<b>15,620,004</b>	10,228,782
Over 5 years	<b>4,695,000</b>	520,987
	<b>43,995,924</b>	40,030,458

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2016	2015
US dollar	<b>11,690,438</b>	15,303,117
HK dollar	<b>7,228,543</b>	3,204,342
Renminbi	<b>24,482,885</b>	20,951,468
MYR	<b>594,058</b>	571,531
	<b>43,995,924</b>	40,030,458

The Group has the following undrawn borrowing facilities:

	2016	2015
Floating rate:		
— Expiring beyond one year	<b>2,399,921</b>	2,602,771

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 26 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2016	2015
Deferred income tax assets to be recovered after more than 12 months	601,639	487,814
Deferred income tax assets to be recovered within 12 months	97,636	82,394
	699,275	570,208
Deferred tax income liabilities to be settled after more than 12 months	(1,137,167)	(1,243,798)
<b>Deferred income tax liabilities, net</b>	<b>(437,892)</b>	<b>(673,590)</b>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets – tax losses	Deferred tax assets – write-down of completed properties held for sale	Deferred tax assets – unrealised profit on intra-Group transactions	Deferred tax liabilities – excess of carrying amount of investment properties and property, plant and equipment over the tax bases	Deferred tax liabilities – excess of carrying amount of land use right over the tax bases	Net
At 1 January 2015	378,074	25,077	98,639	(1,052,481)	(263,377)	(814,068)
Charged to other comprehensive income	-	-	-	(7,112)	-	(7,112)
Credited/(charged) to the consolidated income statement	184,050	5,835	(47,156)	(2,687)	7,548	147,590
At 31 December 2015	562,124	30,912	51,483	(1,062,280)	(255,829)	(673,590)
Credited/(charged) to the consolidated income statement	214,480	4,082	11,159	(1,592)	7,569	235,698
At 31 December 2016	776,604	34,994	62,642	(1,063,872)	(248,260)	(437,892)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of RMB193,337,000 (2015: RMB111,819,000) in respect of tax losses amounting to RMB773,348,000 (2015: RMB447,276,000) that can be carried forward against future taxable income. Tax losses of approximately RMB67,376,000, RMB42,256,000, RMB137,856,000 and RMB525,860,000 will expire in 2018, 2019, 2020 and 2021 respectively.

Deferred income tax liabilities of RMB1,287,315,000 (2015: RMB1,974,546,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings amounted to RMB25,746,300,000 (2015: RMB21,400,509,000) of certain subsidiaries. Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to the overseas intermediate holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 27 Trade and other payables

	2016	2015
Trade payables (note (a))	<b>12,473,834</b>	11,625,492
Other payables due to:		
— Related parties (note 41 (c))	<b>3,086,633</b>	656,568
— Third parties (note (b))	<b>3,208,254</b>	1,885,014
Staff welfare benefit payable	<b>279,262</b>	45,114
Accruals	<b>1,273,651</b>	793,474
Other taxes payable	<b>780,326</b>	615,229
	<b>21,101,960</b>	15,620,891

Notes:

- (a) The ageing analysis of the trade payables of the Group as at 31 December 2016 and 2015 is as follows:

	2016	2015
Within 90 days	<b>10,732,805</b>	9,951,225
Over 90 days and within 180 days	<b>1,402,486</b>	1,150,087
Over 180 days and within 365 days	<b>250,759</b>	415,797
Over 365 days	<b>87,784</b>	108,383
	<b>12,473,834</b>	11,625,492

- (b) The balances are cash advances and equity payables, which are unsecured, interest-free and repayable on demand.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 28 Other losses, net

	2016	2015
(Reversal of gains)/gains on disposal of property, plant and equipment	<b>(317,938)</b>	141,428
Exchange losses, net (note (a))	<b>(16,770)</b>	(194,751)
Others	-	(86,064)
	<b>(334,708)</b>	(139,387)

Note:

- (a) Amount mainly represents the gain or loss of translation of financial assets and liabilities, which are denominated in foreign currency into RMB at the prevailing period-end exchange rate. It does not include the exchange gain or loss related to borrowings which are included in the finance costs, net (note 33).

### 29 Other income

	2016	2015
Interest income	<b>145,769</b>	120,162
Forfeited deposits from customers	<b>41,968</b>	30,244
Miscellaneous	<b>90,925</b>	61,756
	<b>278,662</b>	212,162

### 30 Other expenses

	2016	2015
Charitable donations	<b>81,064</b>	34,076
Miscellaneous	<b>114,816</b>	48,363
	<b>195,880</b>	82,439

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 31 Expenses by nature

	2016	2015
Employee benefit expenses — including directors' emoluments (note 32)	<b>1,834,550</b>	1,792,370
— property development	<b>921,756</b>	978,425
— property management	<b>684,651</b>	574,107
— hotel operations	<b>228,143</b>	239,838
Auditors' remuneration	<b>12,568</b>	7,650
— Audit services	<b>7,000</b>	6,700
— Non-audit services	<b>5,568</b>	950
Advertising costs	<b>887,687</b>	1,136,822
Depreciation (note 6)	<b>464,083</b>	367,346
Amortisation of intangible assets (note 8)	<b>11,485</b>	11,215
Amortisation of land use rights (note 7)	<b>52,585</b>	57,827
— recognised as cost of sales	<b>42,208</b>	42,156
— recognised as expenses	<b>10,377</b>	15,671
Cost of properties sold — including construction cost, land cost and capitalised interests	<b>31,143,528</b>	27,766,712
Business taxes and other levies on sales of properties (note (a))	<b>1,068,609</b>	2,346,946
Cost of property management	<b>517,057</b>	334,414
Cost of hotel operations	<b>458,266</b>	500,506
Write-down of completed properties held for sale	<b>16,328</b>	123,647
Commission fee	<b>900,521</b>	419,134
Others	<b>502,065</b>	556,299
<b>Total cost of sales, selling and marketing costs and administrative expenses</b>	<b>37,869,332</b>	35,420,888

Note:

- (a) The Group was subject to business taxes of 5% and other levies on their revenues from sales of properties in the PRC by 30 April 2016. Effective from 1 May 2016, the proceeds arising from sales of properties in PRC are subject to value added taxes and other levies.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 32 Employee benefit expense

	2016	2015
Wages and salaries	1,580,285	1,505,633
Pension costs — statutory pension (note (a))	99,138	106,210
Staff welfare	33,247	33,598
Medical benefits	27,094	28,522
Other allowances and benefits	94,786	118,407
	<b>1,834,550</b>	1,792,370

Notes:

- (a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.
- (b) Five highest paid individuals  
The five individuals whose emoluments were the highest in the Group for the year include two (2015: three) directors whose emoluments are reflected in the analysis shown in note 45. The emoluments payable to the remaining three (2015: two) individuals during the year are as follows:

	2016	2015
Salaries and bonuses	15,724	9,339

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands (in HK dollar)		
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	1
HK\$9,000,001 – HK\$9,500,000	1	–

- (c) During the years ended 31 December 2016 and 2015, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 33 Finance costs, net

	2016	2015
Interest expenses:		
— Bank borrowings, syndicated loans and other borrowings	<b>(1,551,116)</b>	(2,006,481)
— Senior notes	<b>(1,440,313)</b>	(1,414,452)
— PRC Corporate Bonds and ABS	<b>(283,905)</b>	—
Less: interests capitalised	<b>2,638,341</b>	3,003,801
Exchange losses from borrowings	<b>(1,200,461)</b>	(1,132,380)
Less: exchange losses capitalised	<b>150,556</b>	224,306
Gains in fair value of derivative financial instruments (note 14)	<b>562,367</b>	—
	<b>(1,124,531)</b>	(1,325,206)

### 34 Income tax expenses

	2016	2015
Current income tax:		
— PRC corporate income tax	<b>2,207,745</b>	1,697,456
— PRC land appreciation tax	<b>2,609,851</b>	2,172,129
— PRC withholding income tax	<b>(148,418)</b>	172,955
Deferred income tax (note 26)		
— PRC corporate income tax	<b>(235,698)</b>	(147,590)
	<b>4,433,480</b>	3,894,950

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home countries or regions of the group entities as follows:

	2016	2015
Profit before income tax	<b>7,483,114</b>	6,196,487
Tax calculated at tax rates applicable to profits in the respective entities of the Group	<b>1,870,779</b>	1,549,122
Tax effects of:		
— Associates' results reported net of tax	<b>844</b>	6,798
— Joint ventures' results reported net of tax	<b>(2,613)</b>	21,850
— Income not subject to income tax (note (a))	<b>(144,729)</b>	(21,653)
— Expenses not deductible for income tax (note (b))	<b>768,764</b>	502,317
— PRC land appreciation tax deductible for calculation of income tax purposes	<b>(652,463)</b>	(543,032)
— Tax losses for which no deferred income tax asset was recognised	<b>131,465</b>	34,464
PRC corporate income tax	<b>1,972,047</b>	1,549,866
PRC withholding income tax	<b>(148,418)</b>	172,955
PRC land appreciation tax	<b>2,609,851</b>	2,172,129
	<b>4,433,480</b>	3,894,950

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 34 Income tax expenses (Continued)

Notes:

- (a) Income not subject to income tax for the years ended 31 December 2016 mainly comprise the interest income of bank deposits of the Company and fair value gains of derivative financial instrument (2015: interest income of bank deposits).
- (b) Expenses not deductible for income tax for the years ended 31 December 2016 mainly comprise administrative expense of domestic companies over deduction limits, donations made to non-official public welfare institutions, exchange loss and expenses of the Group entities in Hong Kong and Malaysia (2015: same).

#### PRC land appreciation tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land use rights and expenditures directly related to property development activities.

#### PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the Group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") effective on 1 January 2008.

#### PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower of 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

During the year ended 31 December 2016, certain immediate holding companies of the PRC subsidiaries of the Group became qualified as Hong Kong resident enterprises and fulfil the requirements under the tax treaty arrangements between the PRC and Hong Kong. Therefore 5% withholding tax rate has been applied.

#### Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Group entities in the British Virgin Islands were incorporated either under the BVI Business Companies Act or were automatically re-registered under the same act on 1 January 2007 and, accordingly, are exempted from British Virgin Islands income tax.

#### Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the Group entities in Hong Kong is mainly derived from dividend income and interest income of bank deposits, which are not subject to Hong Kong profits tax.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 35 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	2016	2015
Profit attributable to shareholders of the Company	<b>2,283,640</b>	1,390,343
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	<b>3,882,578</b>	3,882,578
Basic earnings per share (RMB per share)	<b>0.588</b>	0.358

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the years ended 31 December 2016 and 2015, there was no diluted potential ordinary share, diluted earnings per share equally to basic earnings per share.

### 36 Dividends

	2016	2015
Proposed final dividend of HK\$0.20 (2015: HK\$0.145) per ordinary share (note (b))	<b>697,313</b>	472,876
Proposed special dividend of HK\$0.25 (2015: HK\$0.25) per ordinary share (note (b))	<b>871,641</b>	815,304
Less: Dividend for shares held for Share Award Scheme	<b>(13,807)</b>	(11,637)
	<b>1,555,147</b>	1,276,543

Notes:

- (a) No interim dividend in respect of the six months ended 30 June 2016 was declared by the Board of Directors of the Company (2015: nil).
- (b) A final dividend in respect of 2015 of HK\$0.145 per ordinary share and a special dividend of HK\$0.25 per ordinary share, totalling HK\$1,547,234,000 (equivalent to RMB1,288,180,000) were declared at the Annual General Meeting of the Company on 13 May 2016, of which HK\$13,616,000 (equivalent to RMB11,637,000) was declared for shares held by Share Award Scheme. The final dividend has been distributed out of the Company's retained earnings and the special dividend has been distributed out of the Company's share premium.

A final dividend in respect of 2016 of HK\$0.20 per ordinary share and a special dividend of HK\$0.25 per ordinary share have been proposed by the Board of Directors of the Company and are subject to the approval of the shareholders at the Annual General Meeting to be held on 8 May 2017. The final dividend will be distributed out of the Company's retained earnings and the special dividend will be distributed out of the Company's share premium. These consolidated financial statements have not reflected these dividends payable.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 37 Cash generated from operations

	2016	2015
Profit for the year	<b>3,049,634</b>	2,301,537
Adjustments for:		
Taxation	<b>4,433,480</b>	3,894,950
Interest income (note 29)	<b>(145,769)</b>	(120,162)
Depreciation (note 6)	<b>464,083</b>	367,346
Amortisation of intangible assets (note 8)	<b>11,485</b>	11,215
Amortisation of land use rights (note 7)	<b>52,585</b>	57,827
Write-down of completed properties held for sale	<b>16,328</b>	123,647
Gains on disposal of investment properties and property, plant and equipment	<b>(17,557)</b>	(141,428)
Reverse of disposal gain of property, plant and equipment	<b>335,495</b>	–
Net exchange losses	<b>16,770</b>	194,751
Fair value gains on investment properties	<b>(42,960)</b>	(62,523)
Share of post-tax losses of associates	<b>3,375</b>	27,190
Share of post-tax (gains)/losses of joint ventures	<b>(10,453)</b>	87,400
Finance costs, net (note 33)	<b>1,124,531</b>	1,325,206
Changes in working capital:		
Property under development and completed properties held for sale	<b>9,032,755</b>	10,194,877
Prepayments for acquisition of land use rights	<b>(4,073,603)</b>	(3,473,821)
Restricted cash	<b>(4,430,184)</b>	(336,470)
Trade and other receivables	<b>(2,148,548)</b>	2,647,660
Trade and other payables and accruals	<b>3,833,561</b>	1,324,070
Advance proceeds received from customers	<b>3,506,856</b>	(2,105,030)
<b>Cash generated from operations</b>	<b>15,011,864</b>	16,318,242

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 38 Financial guarantee

	2016	2015
Guarantee in respect of mortgage facilities for certain purchasers (note (a))	<b>33,293,628</b>	22,449,001
Guarantee in respect of borrowings of an associate (note (b) and note 41(b))	<b>1,015,920</b>	1,781,900
Guarantee in respect of borrowings of joint ventures (note (c) and note 41(b))	<b>1,280,000</b>	650,947
	<b>35,589,548</b>	24,881,848

Notes:

- (a) The Group has cooperated with certain financial institutions to arrange mortgage loan facilities for its purchasers of properties and provide guarantees to secure obligations of such purchasers for repayments. As at 31 December 2016, the outstanding guarantees amounted to RMB33,293,628,000 (2015: RMB22,449,001,000). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year after the purchasers take possession of the relevant property; and (ii) the satisfaction of relevant mortgage loan by purchasers.

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the associate was RMB359,404,000 as at 31 December 2016 (2015: RMB439,886,000).

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the joint ventures was RMB523,884,000 as at 31 December 2016 (2015: RMB207,766,000).

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interests and penalties owed by the defaulted purchasers to the financial institutions, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee starts from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as the management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

- (b) The Company and the other four PRC real estate developers have evenly provided certain guarantees, in proportion of their shareholding in Li He (note 10), in respect of loan facilities of Li He amounting to RMB5,079,600,000 (2015: RMB8,909,500,000), the Group's share of the guarantee amounted to RMB1,015,920,000 (2015: RMB1,781,900,000).
- (c) Several subsidiaries of the Group and joint venture counter parties have provided certain guarantees in proportion of their shareholding in certain joint ventures in respect of loan facilities amounting to RMB4,810,000,000 (2015: RMB2,404,089,000). The Group's share of the guarantees amounted to RMB1,280,000,000 (2015: RMB650,947,000).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 39 Commitments

#### (a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
Property, plant and equipment:		
— Not later than one year	<b>34,998</b>	37,334
— Later than one year and not later than five years	<b>121,915</b>	61,110
	<b>156,913</b>	98,444

	2016	2015
Lease of areas adjacent to the property development projects:		
— Not later than one year	<b>750</b>	700
— Later than one year and not later than five years	<b>3,500</b>	3,300
— Later than five years	<b>31,000</b>	31,950
	<b>35,250</b>	35,950

	2016	2015
Lease of the land use right for ancillary facilities:		
— Not later than one year	<b>1,937</b>	3,430
— Later than one year and not later than five years	<b>8,452</b>	8,337
— Later than five years	<b>26,224</b>	28,337
	<b>36,613</b>	40,104

#### (b) Other commitments

	2016	2015
Contracted but not provided for		
— Property development activities	<b>21,013,061</b>	16,303,494
— Acquisition of land use rights	<b>762,214</b>	92,833
	<b>21,775,275</b>	16,396,327

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 40 Future minimum rental payments receivable

The Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	2016	2015
Not later than one year	170,295	161,011
Later than one year and not later than five years	541,436	642,404
Over five years	305,826	365,621
	<b>1,017,557</b>	1,169,036

### 41 Related party transactions

(a) Name and relationship with related parties

Name	Relationship
Top Coast Investment Limited	The ultimate holding Company of the Group
The Founding Shareholders, including Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Ms. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei, and Mr. Chan Cheuk Nam (the "Founding Shareholders")	The Founding Shareholders are also the directors of the Company
Zhongshan Changjiang Golf Course (note (i)) 中山長江高爾夫球場	Controlled by the Founding Shareholders
Zhongshan Agile Changjiang Hotel Co., Ltd. (note (i)) 中山市雅居樂長江酒店有限公司	Controlled by the Founding Shareholders
Li He	Associate of the Group
Tianjin Jinnan Xincheng Real Estate Development Company Limited ("Tianjin Jinnan") (note (i)) 天津津南新城房地產開發有限公司	Joint venture of the Group
Zhongshan Yahong Real Estate Development Co., Ltd. ("Zhongshan Yahong") (note (i)) 中山市雅鴻房地產開發有限公司	Joint venture of the Group
Guangzhou Huadu Yazhan Realty Development Co., Ltd. ("Huadu Yazhan") (note (i)) 廣州花都雅展房地產開發有限公司	Joint venture of the Group
Changsha Shangcheng Land Co., Ltd. ("Changsha Shangcheng") (note (i)) 長沙上城置業有限公司	Joint venture of the Group



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 41 Related party transactions (Continued)

#### (a) Name and relationship with related parties (Continued)

Name	Relationship
Guangxi Fuya Investments Ltd. ("Guangxi Fuya") (note (i)) 廣西富雅投資有限公司	Joint venture of the Group
Charm Talent Limited ("Charm Talent") 煌迪有限公司	Joint venture of the Group
Zhongshan Shiguang Chuangjian Real Estate Development Co., Ltd. ("Shiguang Zhiye") (note (i)) 中山市世光創建置業有限公司	Joint venture of the Group
Zhongshan Haide Real Estate Development Co., Ltd. ("Zhongshan Haide") (note (i)) 中山市海德房地產開發有限公司	Joint venture of the Group
Zhongshan Dongcheng Development Co., Ltd ("Zhongshan Dongcheng") (note (i)) 中山市東城實業發展有限公司	Joint venture of the Group
Zhongshan Mingtai Real Estate Development Co., Ltd. ("Zhongshan Mingtai") (note (i)) 中山市名泰房地產開發有限公司	Joint venture of the Group
Suzhou Agile Property Development Co., Ltd ("Suzhou Agile") (note (i)) 蘇州雅居樂置業有限公司	Joint venture of the Group
Foshan Yazhan Real Estate Development Co., Ltd ("Foshan Yazhan") (note (i)) 佛山雅展房地產開發有限公司	Joint venture of the Group
Wuhan Changkai Property Development Co., Ltd ("Wuhan Changkai") (note (i)) 武漢長凱物業發展有限公司	Joint venture of the Group
Beijing Ruri Jiahe Real Estate Development Co., Ltd ("Ruri Jiahe") (note (i)) 北京如日嘉和房地產開發有限公司	Joint venture of the Group

Note:

- (i) The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 41 Related party transactions (Continued)

#### (b) Transactions with related parties

During the years ended 31 December 2016 and 2015, the Group had the following transactions with related parties, which are carried out in the normal course of the Group's business:

	2016	2015
Restaurant and hotel service fees charged by Zhongshan Agile Changjiang Hotel Co., Ltd.	2,151	3,178
Providing guarantee for borrowings of related parties		
— Li He (note 38(b))	1,015,920	1,781,900
— Tianjin Jinnan (note 38(c))	1,125,000	551,097
— Guangxi Fuya (note 38(c))	120,000	49,900
— Changsha Shangcheng (note 38(c))	35,000	49,950
	<b>2,295,920</b>	<b>2,432,847</b>

#### Key management compensation

Key management includes executive directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	2016	2015
— Salaries and other short-term employee benefits	36,057	32,513
— Retirement scheme contributions	134	171
	<b>36,191</b>	<b>32,684</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 41 Related party transactions (Continued)

#### (c) Balances with related parties

As at 31 December 2016 and 2015, the Group had the following significant non-trade balances with related parties:

	2016	2015
Due from related parties		
— Li He (note (i))	<b>3,210,646</b>	2,439,716
— Zhongshan Yahong (note (ii))	<b>22,118</b>	214,523
— Tianjin Jinnan (note (ii))	–	1,115,000
— Changsha Shangcheng (note (ii))	<b>500,310</b>	685,310
— Huadu Yazhan (note (ii))	<b>251,982</b>	312,482
— Guangxi Fuya (note (ii))	<b>10,000</b>	–
— Shiguang Zhiye (note (iii))	<b>468,247</b>	–
— Zhongshan Haide (note (iii))	<b>644,172</b>	–
— Zhongshan Dongcheng (note (iii))	<b>28,176</b>	–
— Zhongshan Mingtai (note (iii))	<b>31,888</b>	–
— Suzhou Agile (note (ii))	<b>977,630</b>	–
— Foshan Yazhan (note (ii))	<b>240,336</b>	–
— Ruri Jiahe (note (ii))	<b>458,696</b>	–
— Charm Talent (note (ii))	<b>80,483</b>	–
	<b>6,924,684</b>	4,767,031
Due to related parties		
— Top Coast Investment Limited (note (iv))	<b>7,719</b>	7,480
— Founding shareholders (note (v))	<b>92,820</b>	92,820
— Wuhan Changkai (note (ii))	<b>2,700,000</b>	–
— Zhongshan Changjiang Golf Course (note (ii))	<b>34</b>	32
— Zhongshan Yahong (note (ii))	–	267,587
— Charm Talent (note (ii))	–	288,649
— Tianjin Jinnan (note (ii))	<b>91,825</b>	–
— Foshan Yazhan (note (ii))	<b>9,500</b>	–
— Huadu Yazhan (note (ii))	<b>184,735</b>	–
	<b>3,086,633</b>	656,568

Notes:

- (i) As at 31 December 2016, the balances due from Li He are cash advance in nature, which are unsecured, interest-free and expected to be received after 1 year.
- (ii) The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.
- (iii) The balances are loan receivables from joint ventures, which are unsecured, interest bearing and repayable after 1 year.
- (iv) Amounts due to Top Coast Investment Limited are cash advances in nature, which are unsecured, interest-free and repayable on demand.
- (v) Amounts due to Founding Shareholders represent the consideration payable for acquisition of a hotel building.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 42 Ultimate holding company

The directors of the Company consider Top Coast Investment Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company of the Group.

### 43 Subsidiaries

(a) Particulars of principal subsidiaries of the Group at 31 December 2016 are set out below:

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
<b>Directly held by the Company</b>					
Eastern Supreme Group Holdings Limited (formerly named Eastern Supreme Group Limited)	British Virgin Islands (the "BVI")/limited liability Company	Investment holding/ Hong Kong	100%	100%	-
<b>Indirectly held by the Company</b>					
雅居樂地產置業有限公司 (前稱中山市雅居樂地產置業有限公司) Agile Property Land Co., Ltd. (formerly named Zhongshan Agile Property Land Co., Ltd)	PRC/wholly foreign owned enterprise	Management consultant/ Mainland China	-	100%	-
中山雅居樂雍景園房地產有限公司 Zhongshan Agile Majestic Garden Real Estate Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
廣州番禺雅居樂房地產開發有限公司 Guangzhou Panyu Agile Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
廣州花都雅居樂房地產開發有限公司 Guangzhou Huadu Agile Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
佛山市南海區雅居樂房地產有限公司 Foshan Nanhai Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 43 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2016 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
中山市凱茵豪園房地產開發有限公司 Zhongshan Greenville Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
中山市雅建房地產發展有限公司 Zhongshan Ever Creator Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
廣州雅居樂房地產開發有限公司 Guangzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
佛山市雅居樂房地產有限公司 Foshan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
雅居樂物業管理服務有限公司 (前稱中山市雅居樂物業管理服務有限公司) Agile Property Management Services Co., Ltd. (note (i)) (formerly named Zhongshan Agile Property Management Services Co., Ltd.)	PRC/wholly foreign owned enterprise	Property management/ Mainland China	-	100%	-
南京雅居樂房地產開發有限公司 Nanjing Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
河源市雅居樂房地產開發有限公司 Heyuan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
冠金投資有限公司 Crown Golden Investments Limited (note (b))	BVI/Limited liability company	Investment holding/BVI	-	70%	30%

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 43 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2016 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
海南雅居樂房地產開發有限公司 Hainan Agile Real Estate Development Co., Ltd. ("Hainan Agile") (note (i)) (note (b))	PRC/foreign invested enterprise	Property development/ Mainland China	–	70%	30%
海南雅恒房地產開發有限公司 Hainan Yaheng Real Estate Development Co., Ltd. ("Hainan Yaheng") (note (i)) (note (b))	PRC/foreign invested enterprise	Property development/ Mainland China	–	70%	30%
廣州從化雅居樂房地產開發有限公司 Guangzhou Conghua Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
四川雅居樂房地產開發有限公司 Sichuan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
佛山市三水雅居樂房地產有限公司 Foshan Sanshui Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
惠州白鷺湖旅遊實業開發有限公司 Huizhou Bailuhu Tour Enterprise Development Co., Ltd. (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
陝西昊瑞房地產開發有限責任公司 Shanxi Haorui Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
上海靜安城投重慶置業有限公司 Shanghai Jing'an Chengtou Chongqing Land Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 43 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2016 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
上海雅恒房地產開發有限公司 (前稱上海金昌房地產開發有限公司) Shanghai Yaheng Real Estate Development Co., Ltd. (formerly named Shanghai Jinchang Real Estate Development Co., Ltd.) (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
廣州雅居樂酒店有限公司 Guangzhou Agile Hotel Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Hotel operation/Mainland China	-	100%	-
佛山雅居樂酒店有限公司 Foshan Agile Hotel Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Hotel operation/Mainland China	-	100%	-
廣州雅恒房地產開發有限公司 Guangzhou Yaheng Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
中山市雅信房地產開發有限公司 Zhongshan Yaxin Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	100%	-
中山市雅創房地產開發有限公司 Zhongshan Yachuang Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	100%	-
廣州雅生房地產開發有限公司 Guangzhou Yasheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	100%	-
中山市雅景房地產開發有限公司 Zhongshan Yajing Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	100%	-

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 43 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2016 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
廣州雅粵房地產開發有限公司 Guangzhou Yayue Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
廣州雅騰房地產開發有限公司 Guangzhou Yateng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	100%	-
佛山市三水雅居樂雍景園房地產有限公司 Foshan Sanshui Agile Majestic Garden Real Estate Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	100%	-
廣東西樵商貿廣場有限公司 Guangdong Xiqiao Commerce Plaza Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	100%	-
南京江寧雅居樂房地產開發有限公司 Nanjing Jiangning Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
遼寧雅居樂房地產開發有限公司 Liaoning Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
西安雅居樂物業投資管理有限公司 Xi'an Agile Property Investment Management Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	100%	-
佛山市順德區雅居樂房地產有限公司 Foshan Shunde Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	100%	-



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 43 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2016 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
南京雅建置業有限公司 Nanjing Yajian Land Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	100%	-
常州雅居樂房地產開發有限公司 Changzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
騰沖雅居樂旅遊置業有限公司 Tengchong Agile Resort Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
海南雅航旅遊置業有限公司 Hainan Yahang Travel Property Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
惠州市惠陽雅居樂房地產開發有限公司 Huizhou Huiyang Agile Real Estate Development Co., Ltd (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	100%	-
西雙版納雅居樂旅遊置業有限公司 (前稱：西雙版納雅居樂旅遊發展有限公司) Xishuangbanna Agile Resort Co., Ltd. (formerly named: Xishuangbanna Agile Resort Development Co., Ltd.) (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
瑞麗雅居樂旅遊置業有限公司 Ruili Agile Resort Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
西安曲江雅居樂房地產開發有限公司 Xi'an Qujiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	70%	30%

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 43 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2016 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
佛山市順德區雅新房地產開發有限公司 Foshan Shunde Yaxin Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
揚州雅居樂房地產開發有限公司 Yangzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
來安雅居樂房地產開發有限公司 Lai'an Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
無錫雅居樂房地產開發有限公司 Wuxi Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
上海松江雅居樂房地產開發有限公司 Shanghai Songjiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
昆山市富恒房地產開發有限公司 Kunshan Fuheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
中山市雅尚房地產開發有限公司 Zhongshan Yashang Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
杭州余杭雅居樂房地產開發有限公司 Hangzhou Yuhang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 43 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2016 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
南京濱江雅居樂房地產開發有限公司 Nanjing Binjiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	100%	-
鄭州雅居樂房地產開發有限公司 Zhengzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	60%	40%
佛山市南海區雅恒房地產開發有限公司 Foshan Nanhai Yaheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	-	51%	49%

Structured entity	Principal activities
The Company's Employee Share Trust	Purchases, administers and holds the Company's shares in respect of the Share Award Scheme set up for the benefit of eligible employees

As the Company's Employee Share Trust is set up solely for the purpose of purchasing, administering and holding the Company's shares in respect of the Share Award Scheme, the Company has the rights to variable returns from its involvement with the Employee Share Trust and has the ability to affect those returns through its power over the trust. The assets and liabilities of the Employee Share Trust are included in the Group's consolidated financial statements and the shares held by the Employee Share Trust are presented as a deduction in equity as "Shares held for Share Award Scheme".

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note:

- (i) The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 43 Subsidiaries (Continued)

#### (b) Material non-controlling interests

Crown Golden Investment Limited ("Crown Golden") is incorporated in the British Virgin Islands, the principle activity is investment holding. The subsidiaries of Crown Golden are certain project development companies in the PRC. As at 31 December 2016, the total non-controlling interests amounted to RMB3,248,124,000 (2015: RMB3,198,064,000), of which RMB2,310,237,000 (2015: RMB2,042,193,000) is for 30% non-controlling interests in Crown Golden. The remaining non-controlling interests are not individually material.

#### Summarised financial information on subsidiaries with material non-controlling interests

	2016	2015
Current		
— Assets	<b>16,296,306</b>	18,875,357
— Liabilities	<b>(13,385,313)</b>	(15,122,548)
Total current net assets	<b>2,910,993</b>	3,752,809
Non-current		
— Assets	<b>4,517,643</b>	4,375,499
— Liabilities	<b>(552,020)</b>	(1,320,999)
Total non-current net assets	<b>3,965,623</b>	3,054,500
Net assets	<b>6,876,616</b>	6,807,309

	2016	2015
Revenue	<b>8,211,458</b>	6,960,619
Post-tax profit from operations	<b>578,178</b>	1,244,150
Total comprehensive income	<b>578,178</b>	1,244,150
Total comprehensive income allocated to non-controlling interests	<b>173,453</b>	373,245
Dividends paid to non-controlling interests	<b>152,663</b>	438,787

	2016	2015
Net cash generated from/(used in) operating activities	<b>1,380,941</b>	(530,726)
Net cash (used in)/generated from investing activities	<b>(105,760)</b>	287,442
Net cash (used in)/generated from financing activities	<b>(866,767)</b>	474,434
Exchange gains/(losses) on cash and cash equivalents	<b>15,924</b>	(32,025)
Net increase in cash and cash equivalents	<b>424,338</b>	199,125

\* The amounts above are before inter-company eliminations.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 44 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	As at 31 December	
	2016	2015
<b>Assets</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	448,520	448,520
Investments in an associate	114,461	–
Derivative financial instruments	254,497	–
Total non-current asset	817,478	448,520
<b>Current assets</b>		
Amounts due from subsidiaries	43,466,968	34,481,196
Other receivables and prepayments	104,943	16,374
Derivative financial instruments	307,870	–
Restricted cash	–	255,576
Cash and cash equivalents	834,340	243,918
Total current asset	44,714,121	34,997,064
<b>Total assets</b>	<b>45,531,599</b>	<b>35,445,584</b>
<b>Equity</b>		
<b>Equity attributable to shareholders of the Company</b>		
Share capital and premium	4,290,028	5,097,967
Shares held for Share Award Scheme	(156,588)	(156,588)
Other reserves (note (a))	427,512	427,512
Retained earnings (note (a))	909,104	1,092,304
	5,470,056	6,461,195
<b>Perpetual Capital Securities</b>	<b>4,491,190</b>	<b>4,488,659</b>
<b>Total equity</b>	<b>9,961,246</b>	<b>10,949,854</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	19,362,083	17,679,822
<b>Current liabilities</b>		
Borrowings	8,097,435	2,799,891
Amounts due to subsidiaries	7,607,089	3,342,822
Other payables and accruals	503,746	673,195
Total current liabilities	16,208,270	6,815,908
<b>Total liabilities</b>	<b>35,570,353</b>	<b>24,495,730</b>
<b>Total equity and liabilities</b>	<b>45,531,599</b>	<b>35,445,584</b>

The balance sheet of the Company was approved by the Board of Directors on 15 March 2017 and was signed on its behalf by:

**Chen Zhuo Lin**  
Director

**Chan Cheuk Hung**  
Director

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 44 Balance sheet and reserve movement of the Company (Continued)

Note (a): Reserve movement of the Company

	Other reserves	Retained earnings
At 1 January 2015	427,512	1,402,684
Profit for the year	–	455,750
Dividends declared relating to 2014	–	(766,130)
At 31 December 2015	427,512	1,092,304
At 1 January 2016	<b>427,512</b>	<b>1,092,304</b>
Profit for the year	–	<b>285,404</b>
Dividends declared relating to 2015	–	<b>(468,604)</b>
At 31 December 2016	<b>427,512</b>	<b>909,104</b>

### 45 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2016:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking:

	Housing allowance and contribution to a retirement benefit scheme			Total
	Fees	Salary		
Mr. Chen Zhuo Lin	–	<b>3,580</b>	<b>15</b>	<b>3,595</b>
Mr. Chan Cheuk Hung	–	<b>2,557</b>	<b>15</b>	<b>2,572</b>
Mr. Huang Fengchao	–	<b>7,147</b>	<b>136</b>	<b>7,283</b>
Mr. Chen Zhongqi	–	<b>6,963</b>	<b>53</b>	<b>7,016</b>
Mr. Chan Cheuk Yin	<b>335</b>	–	–	<b>335</b>
Ms. Luk Sin Fong, Fion	<b>335</b>	–	–	<b>335</b>
Mr. Chan Cheuk Hei	<b>335</b>	–	–	<b>335</b>
Mr. Chan Cheuk Nam	<b>335</b>	–	–	<b>335</b>
Dr. Cheng Hon Kwan (note(ii))	<b>335</b>	–	–	<b>335</b>
Mr. Kwong Che Keung, Gordon (note(ii))	<b>335</b>	–	–	<b>335</b>
Mr. Cheung Wing Yui, Edward (note(ii))	<b>335</b>	–	–	<b>335</b>
Mr. Hui Chiu Chung, Stephen (note(ii))	<b>335</b>	–	–	<b>335</b>
Mr. Wong Shiu Hoi, Peter (note(ii))	<b>335</b>	–	–	<b>335</b>
	<b>3,015</b>	<b>20,247</b>	<b>219</b>	<b>23,481</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 45 Benefits and interests of directors (Continued)

#### (a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2015:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking

	Fees	Salary	Housing allowance and contribution to a retirement benefit scheme	Total
Mr. Chen Zhuo Lin	–	3,364	14	3,378
Mr. Chan Cheuk Hung	–	2,403	14	2,417
Mr. Huang Fengchao	–	6,271	29	6,300
Mr. Liang Zhengjian (note(i))	–	9,374	33	9,407
Mr. Chen Zhongqi	–	8,266	81	8,347
Mr. Chan Cheuk Yin	315	–	–	315
Ms. Luk Sin Fong, Fion	315	–	–	315
Mr. Chan Cheuk Hei	315	–	–	315
Mr. Chan Cheuk Nam	315	–	–	315
Dr. Cheng Hon Kwan (note(ii))	315	–	–	315
Mr. Kwong Che Keung, Gordon (note(ii))	315	–	–	315
Mr. Cheung Wing Yui, Edward (note(ii))	315	–	–	315
Mr. Hui Chiu Chung, Stephen (note(ii))	315	–	–	315
Mr. Wong Shiu Hoi, Peter (note(ii))	315	–	–	315
	2,835	29,678	171	32,684

Note (i): Mr. Liang Zhengjian resigned on 1 December 2015.

Note (ii): Independent non-executive directors of the Company.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 45 Benefits and interests of directors (Continued)

- (b) **Directors' retirement benefits**  
During the year ended 31 December 2016, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note(a) above (2015: same).
- (c) **Directors' termination benefits**  
During the year ended 31 December 2016, there were no termination benefits received by the directors (2015: same).
- (d) **Consideration provided to third parties for making available directors' services**  
During the year ended 31 December 2016, no consideration was paid for making available the services of the directors of the Company (2015: same).
- (e) **Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**  
During the year ended 31 December 2016, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.
- (f) **Directors' material interests in transactions, arrangements or contracts**  
No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



# Independent Auditor's Report



羅兵咸永道

## TO THE SHAREHOLDERS OF AGILE PROPERTY HOLDINGS LIMITED

*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Agile Property Holdings Limited (the "Company") and its subsidiaries set out on pages 118 to 198, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of the financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 23 March 2016

# Consolidated Balance Sheet

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December	
		2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	6,651,965	7,696,021
Land use rights	7	1,940,762	2,288,324
Properties under development	14	6,798,703	9,663,011
Intangible assets	8	54,400	60,863
Investment properties	9	6,369,011	5,846,317
Interest in an associate	10	3,375	30,565
Interests in joint ventures	11	1,133,448	1,220,848
Available-for-sale financial assets	12	117,500	117,500
Other receivables	17	3,554,716	2,039,716
Deferred income tax assets	25	570,208	501,790
		<b>27,194,088</b>	<b>29,464,955</b>
<b>Current assets</b>			
Properties under development	14	44,523,607	50,518,110
Completed properties held for sale	15	16,888,695	16,138,247
Prepayments for acquisition of land use rights	16	5,540,880	3,700,798
Trade and other receivables	17	8,383,115	11,674,857
Prepaid income taxes		1,645,454	721,307
Restricted cash	18	5,729,642	5,362,080
Cash and cash equivalents	19	7,407,450	6,067,802
		<b>90,118,843</b>	<b>94,183,201</b>
<b>Total assets</b>		<b>117,312,931</b>	<b>123,648,156</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital and premium	20	5,097,967	5,097,967
Shares held for Share Award Scheme	21	(156,588)	(156,588)
Other reserves	22	3,044,577	2,453,809
Retained earnings		26,322,308	26,255,811
		<b>34,308,264</b>	<b>33,650,999</b>
<b>Perpetual Capital Securities</b>	23	<b>4,488,659</b>	<b>4,483,409</b>
<b>Non-controlling interests</b>	42	<b>3,198,064</b>	<b>2,960,884</b>
<b>Total equity</b>		<b>41,994,987</b>	<b>41,095,292</b>

## Consolidated Balance Sheet (Continued)

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December	
		2015	2014
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	24	23,543,043	25,850,994
Deferred income tax liabilities	25	1,243,798	1,315,858
		<b>24,786,841</b>	27,166,852
<b>Current liabilities</b>			
Borrowings	24	16,487,415	16,470,701
Trade and other payables	26	15,620,891	17,333,365
Advanced proceeds received from customers		7,110,576	9,215,606
Current income tax liabilities		11,312,221	12,366,340
		<b>50,531,103</b>	55,386,012
<b>Total liabilities</b>		<b>75,317,944</b>	82,552,864
<b>Total equity and liabilities</b>		<b>117,312,931</b>	123,648,156

The notes on pages 125 to 198 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 118 to 198 were approved by the Board of Directors on 23 March 2016 and were signed on its behalf by:

**Chen Zhuo Lin**  
Director

**Chan Cheuk Hung**  
Director

# Consolidated Income Statement

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
<b>Continuing Operations</b>			
Revenue	5	43,004,312	38,317,599
Cost of sales		(32,191,005)	(25,886,775)
<b>Gross profit</b>		<b>10,813,307</b>	12,430,824
Selling and marketing costs		(1,785,859)	(1,784,164)
Administrative expenses		(1,444,024)	(1,437,438)
Fair value gains on investment properties	9	62,523	469,625
Other (losses)/gains, net	27	(139,387)	146,034
Other income	28	212,162	979,166
Other expenses	29	(82,439)	(312,950)
<b>Operating profit</b>		<b>7,636,283</b>	10,491,097
Finance costs, net	32	(1,325,206)	(292,573)
Share of post-tax loss of an associate	10	(27,190)	(27,636)
Share of post-tax losses of joint ventures	11	(87,400)	(44,997)
<b>Profit before income tax</b>		<b>6,196,487</b>	10,125,891
Income tax expenses	33	(3,894,950)	(5,034,790)
<b>Profit for the year</b>		<b>2,301,537</b>	5,091,101
<b>Profit attributable to:</b>			
Shareholders of the Company		1,390,343	4,287,245
Holder of Perpetual Capital Securities	23	358,565	354,782
Non-controlling interests		552,629	449,074
		<b>2,301,537</b>	5,091,101
<b>Earnings per share from continuing operations attributable to shareholders of the Company for the year</b>			
(expressed in RMB per share)			
— Basic	34	0.358	1.222
— Diluted	34	0.358	1.203

The notes on pages 125 to 198 form an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
<b>Profit for the year</b>		<b>2,301,537</b>	5,091,101
<b>Other comprehensive income:</b>			
Items that will not be reclassified subsequently to profit or loss			
— Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment property, net of tax	9	21,337	–
Items that may be reclassified to profit or loss			
— Currency translation differences		16,736	579
Other comprehensive income for the year, net of tax		38,073	579
<b>Total comprehensive income for the year</b>		<b>2,339,610</b>	5,091,680
<b>Attributable to:</b>			
— Shareholders of the Company		1,423,395	4,287,650
— Holders of the Perpetual Capital Securities		358,565	354,782
— Non-controlling interests		557,650	449,248
		<b>2,339,610</b>	5,091,680

The notes on pages 125 to 198 form an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

(All amounts in RMB thousands unless otherwise stated)

	Attributable to shareholders of the Company							Total equity
	Share capital and premium (note 20)	Shares held for Share Award Scheme (note 21)	Other reserves (note 22)	Retained earnings	Total	Perpetual Capital Securities (note 23)	Non-controlling interests	
<b>Balance at 1 January 2015</b>	5,097,967	(156,588)	2,453,809	26,255,811	33,650,999	4,483,409	2,960,884	41,095,292
<b>Comprehensive income</b>								
Profit for the year	–	–	–	1,390,343	1,390,343	358,565	552,629	2,301,537
<b>Other comprehensive income</b>								
— Currency translation differences	–	–	11,715	–	11,715	–	5,021	16,736
— Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment property, net of tax (note 9)	–	–	21,337	–	21,337	–	–	21,337
<b>Total comprehensive income for the year</b>	–	–	33,052	1,390,343	1,423,395	358,565	557,650	2,339,610
<b>Total transactions with shareholders, recognised directly in equity</b>								
Transfer to statutory reserve and enterprise expansion fund (note 22)	–	–	557,716	(557,716)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 23)	–	–	–	–	–	(353,315)	–	(353,315)
Dividends (note 35)	–	–	–	(766,130)	(766,130)	–	–	(766,130)
Capital injection by non-controlling interests	–	–	–	–	–	–	118,317	118,317
Dividends distribution to non-controlling interests (note 42)	–	–	–	–	–	–	(438,787)	(438,787)
Total transactions with shareholders, recognised directly in equity	–	–	557,716	(1,323,846)	(766,130)	(353,315)	(320,470)	(1,439,915)
<b>Balance at 31 December 2015</b>	5,097,967	(156,588)	3,044,577	26,322,308	34,308,264	4,488,659	3,198,064	41,994,987

## Consolidated Statement of Changes in Equity (Continued)

(All amounts in RMB thousands unless otherwise stated)

	Attributable to shareholders of the Company					Perpetual Capital Securities (note 23)	Non- controlling interests	Total equity
	Share capital and premium (note 20)	Shares held for Share Award Scheme (note 21)	Other reserves (note 22)	Retained earnings	Total			
<b>Balance at 1 January 2014</b>	3,642,725	–	1,298,093	24,425,370	29,366,188	4,486,025	2,715,083	36,567,296
<b>Comprehensive income</b>								
Profit for the year	–	–	–	4,287,245	4,287,245	354,782	449,074	5,091,101
<b>Other comprehensive income</b>								
Currency translation differences	–	–	405	–	405	–	174	579
<b>Total comprehensive income for the year</b>	–	–	405	4,287,245	4,287,650	354,782	449,248	5,091,680
<b>Total transactions with shareholders, recognised directly in equity</b>								
Issue of new shares under Share Award Scheme (note 21)	156,588	(156,588)	–	–	–	–	–	–
Issue of new shares under rights issue (note 20)	1,298,654	–	–	–	1,298,654	–	–	1,298,654
Transfer to statutory reserve and enterprise expansion funds (note 22)	–	–	1,155,311	(1,155,311)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 23)	–	–	–	–	–	(357,398)	–	(357,398)
Dividends (note 35)	–	–	–	(1,301,493)	(1,301,493)	–	–	(1,301,493)
Capital injection by non-controlling interests	–	–	–	–	–	–	139,169	139,169
Dividends distribution to non-controlling interests (note 42)	–	–	–	–	–	–	(342,616)	(342,616)
Total transactions with shareholders, recognised directly in equity	1,455,242	(156,588)	1,155,311	(2,456,804)	(2,839)	(357,398)	(203,447)	(563,684)
<b>Balance at 31 December 2014</b>	5,097,967	(156,588)	2,453,809	26,255,811	33,650,999	4,483,409	2,960,884	41,095,292

The notes on page 125 to 198 form an integral part of these consolidated financial statements.



# Consolidated Statement of Cash Flows

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
<b>Cash flows from operating activities</b>			
Cash generated from operations	36	16,318,242	4,954,138
Interest paid		(3,160,953)	(2,989,803)
PRC income tax paid		(6,020,805)	(4,366,676)
Net cash generated from/(used in) operating activities		7,136,484	(2,402,341)
<b>Cash flows from investing activities</b>			
Payments of construction cost of investment properties		(210,886)	(319,695)
Prepayment of land use rights for development of own used properties		(8,361)	(2,151)
Investment in joint ventures		-	(235,563)
Purchases of property, plant and equipment		(328,698)	(965,191)
Purchases of intangible assets		(4,752)	(22,154)
Proceed from disposal of investment properties and property, plant and equipment		301,080	77,873
Repayment of cash advances from a joint venture		111,501	301,357
Cash advances made to an associate and joint ventures		(679,523)	(534,500)
Interest received		120,162	86,067
Net cash used in investing activities		(699,477)	(1,613,957)
<b>Cash flows from financing activities</b>			
Net proceeds from rights issue		-	1,298,654
Net proceeds from issue of senior notes		2,998,104	4,936,572
Proceeds from borrowings		12,123,690	20,699,390
Repayments of borrowings		(18,631,411)	(18,757,773)
(Increase)/decrease in guarantee deposit for borrowings		(31,092)	2,536,304
Redemption of Convertible Bonds		-	(3,076,157)
Redemption of senior notes		-	(1,928,241)
Cash advances from related parties		237,288	29,360
Repayments of cash advances to related parties		(138,980)	(87,252)
Capital injection by non-controlling interests		98,000	139,169
Distribution to holders of Perpetual Capital Securities		(353,315)	(357,398)
Dividends paid to shareholders of the Company		(766,105)	(1,760,835)
Dividends paid to non-controlling interests		(438,787)	(342,616)
Net cash (used in)/generated from financing activities		(4,902,608)	3,329,177
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,534,399	(687,121)
Cash and cash equivalents at beginning of the year		6,067,802	6,783,643
Exchange losses on cash and cash equivalents		(194,751)	(28,720)
<b>Cash and cash equivalents at end of the year</b>	19	7,407,450	6,067,802

The notes on pages 125 to 198 form an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

(All amounts in RMB thousands unless otherwise stated)

## 1 General information

Agile Property Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 14 July 2005 and is principally engaged in investment holding. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (the "Group") are principally engaged in property development in the People's Republic of China (the "PRC").

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 December 2005.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 23 March 2016.

## 2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the "HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

#### (a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to HKFRS — 2010 — 2012 Cycle, on HKFRS 8, "Operating segments", HKAS 16, "Property, plant and equipment" and HKAS 38, "Intangible assets" and HKAS 24, "Related party disclosures".

Amendments from annual improvements to HKFRS — 2011 — 2013 Cycle, on HKFRS 3, "Business combinations", HKFRS 13, "Fair value measurement" and HKAS 40, "Investment property".

Impacts of other standards, amendments and interpretations, which are effective for the financial year beginning on 1 January 2015 are not material to the Group.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.1 Basis of preparation (Continued)

##### (b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

##### (c) New and amended standards and interpretations issued but are not effective for financial year commencing on 1 January 2015 and have not been early adopted by the Group

Standards/Amendments/ Interpretation	Subject of amendment	Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Effective date of this amendment was postponed indefinitely.
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	2012–2014 cycle of the annual improvements	1 January 2016
Amendment 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

The Group is in the process of making an assessment of the impact of the above standards, amendments to standards and interpretation on the financial statements of the Group in their initial applications.

There are no other standards, amendments or interpretations to HKFRS that are not yet effective that would be expected to have a material impact on the Group.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.2 Subsidiaries

##### 2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.2 Subsidiaries (Continued)

##### 2.2.1 Consolidation (Continued)

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

##### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.3 Associates (Continued)

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of post-tax loss of an associate" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

#### 2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions of the Group.

#### 2.6 Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings denominated in foreign currencies are presented in the consolidated income statement within "finance costs, net". All other foreign exchange gains and losses are presented in the consolidated income statement within "other (losses)/gains, net".

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.6 Foreign currency translation (Continued)

##### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

#### 2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

When there is a change of use from an investment property to an owner-occupied property, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings	20-30 years
— Hotel decorations	10 years
— Office equipment	5-8 years
— Transportation equipment	5-10 years
— Machinery	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains, net" in the consolidated income statement.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.8 Construction in progress

Construction in progress represents property under construction and is stated at cost less accumulated impairment loss, if any. Cost includes the costs of construction of buildings and interest charges arising from borrowings used to finance these assets during the period of construction, if any. No provision for depreciation is made on construction in progress until such times as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

#### 2.9 Investment property

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

When an owner-occupied property becomes an investment property carried at fair value, the Group applies HKAS 16 up to the date of change in use. The Group treats any difference at that date between the carrying amount of the property in accordance with HKAS 16 and its fair value in the same way as a revaluation in accordance with HKAS 16. In other words, any resulting increase in the carrying amount is treated as follows:

- (i) to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in profit or loss.
- (ii) any remaining part of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity.

#### 2.10 Intangible assets

##### Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 10 years).

#### 2.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.12 Financial assets

##### 2.12.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (notes 2.16 and 2.17).

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

##### 2.12.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as "other (losses)/gains, net".

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary equity instruments classified as available for sale are recognised in other comprehensive income.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

#### 2.14 Impairment of financial assets

##### (a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

##### (b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.15 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

#### 2.16 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

#### 2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

#### 2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### 2.19 Perpetual Capital Securities

Perpetual Capital Securities with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

#### 2.20 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

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

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

#### 2.22 Borrowing costs

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

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

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Borrowing costs include interest expense and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax and land appreciation tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### (a) Current income tax

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

##### (b) Deferred income tax

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

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

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

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

##### (c) Offsetting

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

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.24 Employee benefits

##### (a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK\$1,500. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

##### (b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

##### (c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.24 Employee benefits (Continued)

##### (d) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for shares of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, if any, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

#### 2.25 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.26 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Revenue is shown net of discount and after eliminating revenue made with the Group companies.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**(a) Sales of properties**

Revenue from sales of properties is recognised when a Group entity has delivered the relevant properties to the purchaser and collectability of related consideration is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets under current liabilities.

**(b) Property management**

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

**(c) Hotel operations**

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the goods are delivered or services are rendered.

**(d) Rental income**

Rental income from investment properties is recognised in the consolidated income statement on a straight-line basis over the term of lease.

**(e) Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

**(f) Dividend income**

Dividend income is recognised when the right to receive payment is established.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 2 Summary of significant accounting policies (Continued)

#### 2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

**(i) The Group is the lessee other than operating lease of land use rights**

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

**(ii) The Group is the lessee under operating lease of land use rights**

Land use rights under operating lease, which mainly comprise land use rights to be developed for hotel properties and own used buildings, are stated at cost and subsequently amortised in the consolidated income statement on a straight-line basis over the operating lease periods.

**(iii) The Group is the lessor**

Assets leased out under operating leases are included in investment properties in the consolidated balance sheet.

#### 2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

#### 2.29 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers as insurance contracts.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 3 Financial risk management

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC. The Group finances its operations from shareholders' fund, sales of properties, issuance of senior notes, bank and other borrowings. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

##### (i) Currency risk

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from sales of properties, fees of property management services, senior notes, bank borrowings and syndicated loans are in other currencies. As at 31 December 2015, major non-RMB assets and liabilities are cash and cash equivalents, senior notes, bank borrowings and syndicated loans denominated in HK dollar ("HK\$"), US dollar ("US\$") or Malaysia Ringgit ("MYR"). Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk during the year ended 31 December 2015.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	Group	
	2015	2014
Monetary assets		
— HK\$	365,830	303,993
— US\$	49,687	68,642
— MYR	188,621	14,091
	<b>604,138</b>	386,726
Monetary liabilities		
— HK\$	3,466,500	6,242,151
— US\$	18,698,219	16,871,955
— MYR	823,327	101,342
	<b>22,988,046</b>	23,215,448

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 3 Financial risk management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (i) Currency risk (Continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	Group	
	2015	2014
5% increase in RMB against HK\$	156,419	299,360
5% decrease in RMB against HK\$	(156,419)	(299,360)
5% increase in RMB against US\$	932,442	840,175
5% decrease in RMB against US\$	(932,442)	(840,175)
5% increase in RMB against MYR	31,725	4,365
5% decrease in RMB against MYR	(31,725)	(4,365)

##### (ii) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Senior notes and other borrowings at fixed rate expose the Group to fair value interest rate risk. Borrowings at variable rates expose the Group to cash flow interest-rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2015 and 2014, if interest rates on borrowings had been 100 basis points higher or lower with all other variables held constant, interest charges for the years ended 31 December 2015 and 2014 would increase or decrease by RMB150,243,000 and RMB196,054,000 respectively, mainly as a result of higher or lower interest expense on floating rate borrowings.

##### (iii) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables and cash deposits with banks.

The carrying amounts of trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, deposits are mainly placed with licensing banks which are all high-credit-quality financial institutions.

For credit exposures to customers, generally, the Group requires full payment from customers before delivery of properties. Credit terms are granted to customers upon obtaining approval from the Company's senior management after assessing the credit history of those customers. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 3 Financial risk management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (iii) Credit risk (Continued)

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 80% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding amount under the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and re-sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Detailed disclosure of these guarantees is made in the note 37.

No significant credit limits were exceeded during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

##### (iv) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities and short-term and long-term borrowings to meet its construction commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing etc. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

The table below analyses the Group's financial liabilities maturity profile at the balance sheet date. The amounts disclosed thereon are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the balance sheets, as the impact of discount should not be significant.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 3 Financial risk management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (iv) Liquidity risk (Continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b>Group</b>					
<b>At 31 December 2015</b>					
Borrowings	19,625,857	14,551,895	11,652,300	534,847	46,364,899
Trade and other payables(*)	14,960,548	-	-	-	14,960,548
<b>At 31 December 2014</b>					
Borrowings	19,546,033	10,565,167	19,294,252	691,353	50,096,805
Trade and other payables(*)	16,714,246	-	-	-	16,714,246

\* Excluding staff welfare benefit payable and other taxes payable.

#### 3.2 Capital risk management

The Group's objectives of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the unnecessary cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of any returns to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents and restricted cash.

	2015	2014
Total borrowings (note 24)	40,030,458	42,321,695
Less: cash and cash equivalents (note 19)	(7,407,450)	(6,067,802)
restricted cash (note 18)	(5,729,642)	(5,362,080)
Net Borrowings	26,893,366	30,891,813
Total equity	41,994,987	41,095,292
<b>Gearing ratio</b>	<b>64.0%</b>	75.2%

The decrease in the gearing ratio during the year ended 31 December 2015 was primarily resulted from the decrease in borrowings and the increase in cash and cash equivalents.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 3 Financial risk management (Continued)

#### 3.3 Fair value estimation

The Group is not holding any financial assets and financial liabilities carried at fair value except for available-for-sale financial assets. The different levels of the financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value, have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2015 and 2014, the available-for-sale financial assets were stated at fair value. The financial assets and financial liabilities were included in level 3 as the quantitative information about fair value measurements were using significant unobservable inputs.

### 4 Critical accounting estimates and judgements

Estimates and judgements 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.

#### 4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### (i) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 4 Critical accounting estimates and judgements (Continued)

#### 4.1 Critical accounting estimates and assumptions (Continued)

##### (ii) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities for certain projects. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes payable. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

##### (iii) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held by hotel segment are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amount, taking into account for costs to completion based on past experience and net sales value based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operation have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2015, except for provision for impairment of completed properties of RMB123,647,000 (2014: RMB100,310,000) recognised by the Group, no other impairment was provided for properties under development or long-term assets held for hotel operation.

##### (iv) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 9.

##### (v) Recoverability of trade receivables

The management assesses the recoverability of trade receivables individually with reference to the past repayment history as well as subsequent settlement status. Allowances are applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivable and the impairment charge in the period in which such estimate has been changed.

As at 31 December 2015, no impairment was provided for trade receivables (2014: nil).



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 5 Segment information

The executive directors of the Company, which are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategy decision.

The Group is organised into four business segments: property development, property management, hotel operations and property investment. The associate and joint ventures of the Group are principally engaged in property development and are included in the property development segment. As the executive directors of the Company consider most of the Group's consolidated revenue and results are attributable from the market in the PRC. Most of the non-current assets are located in the PRC, and less than 10% of the Group's consolidated assets are located outside the PRC, geographical segment information is not considered necessary.

The executive directors of the Company assess the performance of the operating segments based on a measure of segment results, being profit before income tax before deducting finance costs.

The Group has a large number of customers, none of whom contributed 5% or more of the Group's revenue.

Analysis of revenue by the category for the years ended 31 December 2015 and 2014 is as follows:

	2015	2014
Sales of developed properties	41,421,174	37,036,636
Property management services	812,940	683,147
Hotel operations	673,735	527,362
Rental income from investment properties	96,463	70,454
	<b>43,004,312</b>	<b>38,317,599</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 5 Segment information (Continued)

Segment information provided to the executive directors of the Company for the reporting segments for the years ended 31 December 2015 and 2014 are as follows:

#### Year ended 31 December 2015

	Property development	Property management	Hotel operations	Property investment	Elimination	Group
Gross segment sales	41,421,174	1,118,097	673,735	96,463	–	43,309,469
Inter-segment sales	–	(305,157)	–	–	–	(305,157)
Sales to external customers	41,421,174	812,940	673,735	96,463	–	43,004,312
Fair value gains on investment properties (note 9)	–	–	–	62,523	–	62,523
Operating profit/(loss)	7,500,544	122,483	(80,799)	94,055	–	7,636,283
Share of post-tax loss of an associate (note 10)	(27,190)	–	–	–	–	(27,190)
Share of post-tax losses of joint ventures (note 11)	(87,400)	–	–	–	–	(87,400)
Segment result	7,385,954	122,483	(80,799)	94,055	–	7,521,693
Finance costs, net (note 32)						(1,325,206)
Profit before income tax						6,196,487
Income tax expenses (note 33)						(3,894,950)
Profit for the year						2,301,537
Depreciation	130,981	5,068	231,297	–		367,346
Amortisation of land use rights and intangible assets	23,610	533	56,816	–		80,959
Write-down of completed properties held for sale (note 15)	123,647	–	–	–		123,647
<b>Segment assets</b>	<b>100,725,054</b>	<b>1,196,588</b>	<b>7,962,339</b>	<b>6,369,011</b>	<b>(1,155,723)</b>	<b>115,097,269</b>
Unallocated assets						2,215,662
<b>Total assets</b>						<b>117,312,931</b>
Segment assets include:						
Interest in an associate (note 10)	3,375	–	–	–		3,375
Interests in joint ventures (note 11)	1,133,448	–	–	–		1,133,448
<b>Segment liabilities</b>	<b>17,445,745</b>	<b>464,201</b>	<b>5,945,204</b>	<b>32,040</b>	<b>(1,155,723)</b>	<b>22,731,467</b>
Unallocated liabilities						52,586,477
<b>Total liabilities</b>						<b>75,317,944</b>
Capital expenditure	130,419	3,505	219,805	210,886		564,615

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 5 Segment information (Continued)

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2015 as follows:

	Assets	Liabilities
Segment assets/liabilities	115,097,269	22,731,467
Unallocated:		
Deferred income taxes	570,208	1,243,798
Prepaid income taxes	1,645,454	–
Current income tax liabilities	–	11,312,221
Current borrowings	–	16,487,415
Non-current borrowings	–	23,543,043
Total	117,312,931	75,317,944

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 5 Segment information (Continued)

#### Year ended 31 December 2014

	Property development	Property management	Hotel operations	Property investment	Elimination	Group
Gross segment sales	37,081,756	951,900	527,362	70,454	–	38,631,472
Inter-segment sales	(45,120)	(268,753)	–	–	–	(313,873)
Sales to external customers	37,036,636	683,147	527,362	70,454	–	38,317,599
Fair value gains on investment properties (note 9)	–	–	–	469,625	–	469,625
Operating profit/(loss)	10,191,932	65,997	(256,475)	489,643	–	10,491,097
Share of post-tax loss of an associate (note 10)	(27,636)	–	–	–	–	(27,636)
Share of post-tax losses of joint ventures (note 11)	(44,997)	–	–	–	–	(44,997)
Segment result	10,119,299	65,997	(256,475)	489,643	–	10,418,464
Finance costs, net (note 32)						(292,573)
Profit before income tax						10,125,891
Income tax expenses (note 33)						(5,034,790)
Profit for the year						5,091,101
Depreciation	98,445	4,868	238,807	–		342,120
Amortisation of land use rights and intangible assets	26,102	439	58,675	–		85,216
Write-down of completed properties held for sale (note 15)	100,310	–	–	–		100,310
<b>Segment assets</b>	107,743,799	1,423,822	8,433,235	5,846,317	(1,022,114)	122,425,059
Unallocated assets						1,223,097
<b>Total assets</b>						123,648,156
Segment assets include:						
Interest in an associate (note 10)	30,565	–	–	–		30,565
Interests in joint ventures (note 11)	1,220,848	–	–	–		1,220,848
<b>Segment liabilities</b>	21,318,055	387,579	5,813,666	51,785	(1,022,114)	26,548,971
Unallocated liabilities						56,003,893
<b>Total liabilities</b>						82,552,864
Capital expenditure	375,956	5,161	614,099	341,666		1,336,882

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 5 Segment information (Continued)

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2014 as follows:

	Assets	Liabilities
Segment assets/liabilities	122,425,059	26,548,971
Unallocated:		
Deferred income taxes	501,790	1,315,858
Prepaid income taxes	721,307	–
Current income tax liabilities	–	12,366,340
Current borrowings	–	16,470,701
Non-current borrowings	–	25,850,994
Total	123,648,156	82,552,864

Inter-segment transfers or transactions are entered into at terms and conditions agreed upon by respective parties.

Eliminations comprise inter-segment trade and non-trade balances.

Pricing policy for inter-segment transactions is determined by reference to market price.

Segment assets consist primarily of property, plant and equipment, land use rights, properties under development, completed properties held for sale, investment properties, receivables and cash balances. Unallocated assets comprise deferred tax assets and prepaid income taxes. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment, land use rights for self-owned properties, investment properties and intangible assets.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 6 Property, plant and equipment

	Buildings	Transportation equipment	Office equipment	Machinery	Construction in progress	Total
<b>At 1 January 2014</b>						
Cost	3,747,951	187,988	123,585	144,864	2,837,296	7,041,684
Accumulated depreciation	(316,828)	(113,327)	(70,266)	(64,831)	–	(565,252)
<b>Net book amount</b>	<b>3,431,123</b>	<b>74,661</b>	<b>53,319</b>	<b>80,033</b>	<b>2,837,296</b>	<b>6,476,432</b>
<b>Year ended 31 December 2014</b>						
Opening net book amount	3,431,123	74,661	53,319	80,033	2,837,296	6,476,432
Additions	63,427	38,613	28,125	33,909	806,837	970,911
Transfer of completed construction projects	1,488,396	–	–	–	(1,488,396)	–
Transfer from investment properties	712,734	–	–	–	–	712,734
Transfer from/(to) properties under development	15,002	–	–	–	(40,199)	(25,197)
Disposals	(91,903)	(1,860)	(1,208)	(1,768)	–	(96,739)
Depreciation	(269,831)	(32,630)	(19,095)	(20,564)	–	(342,120)
<b>Closing net book amount</b>	<b>5,348,948</b>	<b>78,784</b>	<b>61,141</b>	<b>91,610</b>	<b>2,115,538</b>	<b>7,696,021</b>
<b>At 31 December 2014</b>						
Cost	5,931,153	219,828	147,951	174,676	2,115,538	8,589,146
Accumulated depreciation	(582,205)	(141,044)	(86,810)	(83,066)	–	(893,125)
<b>Net book amount</b>	<b>5,348,948</b>	<b>78,784</b>	<b>61,141</b>	<b>91,610</b>	<b>2,115,538</b>	<b>7,696,021</b>
<b>Year ended 31 December 2015</b>						
Opening net book amount	5,348,948	78,784	61,141	91,610	2,115,538	7,696,021
Additions	41,889	21,423	21,510	26,692	229,101	340,615
Transfer of completed construction projects	530,759	–	–	–	(530,759)	–
Transfer to investment properties (note 9(h))	(209,586)	–	–	–	–	(209,586)
Transfer to properties under development (note (d))	(50,479)	–	–	–	(393,719)	(444,198)
Transfer from properties held for sales	43,728	–	–	–	–	43,728
Disposals	(46,467)	(7,836)	(4,808)	(4,827)	(343,331)	(407,269)
Depreciation	(285,131)	(23,538)	(30,351)	(28,326)	–	(367,346)
<b>Closing net book amount</b>	<b>5,373,661</b>	<b>68,833</b>	<b>47,492</b>	<b>85,149</b>	<b>1,076,830</b>	<b>6,651,965</b>
<b>At 31 December 2015</b>						
Cost	6,239,714	195,923	168,795	193,941	1,076,830	7,875,203
Accumulated depreciation	(866,053)	(127,090)	(121,303)	(108,792)	–	(1,223,238)
<b>Net book amount</b>	<b>5,373,661</b>	<b>68,833</b>	<b>47,492</b>	<b>85,149</b>	<b>1,076,830</b>	<b>6,651,965</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 6 Property, plant and equipment (Continued)

Depreciation expenses were charged to the following categories in the consolidated income statement:

	2015	2014
Cost of sales	244,366	265,541
Selling and marketing costs	8,912	9,541
Administrative expenses	114,068	67,038
	<b>367,346</b>	<b>342,120</b>

Notes:

- As at 31 December 2015, buildings of RMB2,886,953,000 (2014: RMB2,529,155,000) were pledged as collateral for the Group's borrowings (note 24).
- During the year ended 31 December 2015, the Group has capitalised borrowing costs amounting to RMB15,436,000 (2014: RMB91,432,000) on property, plant and equipment. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 8.53% (2014: 7.87%).
- Buildings mainly represent the office buildings and hotel buildings. Constructions in progress mainly represent construction costs and other costs incurred for the construction of hotels.
- During the year ended 31 December 2015, certain own used properties with a carrying value of RMB444,198,000 (2014: RMB40,199,000) were reclassified to properties under development as a result of change in development plan.

### 7 Land use rights

	2015	2014
At 1 January	2,288,324	2,554,162
Additions	8,361	2,151
Transfer to properties under development (note (b))	(223,821)	(123,227)
Transfer to investment properties (note 9(h))	(45,609)	–
Disposal	(16,749)	(78,265)
Amortisation		
— Capitalised in construction in progress	(11,917)	(5,720)
— Recognised as cost of sales (note 30)	(42,156)	(40,197)
— Recognised as expenses (note 30)	(15,671)	(20,580)
At 31 December	<b>1,940,762</b>	<b>2,288,324</b>

Notes:

- Land use rights comprise cost of acquiring usage rights of certain land, which are located in the PRC, held on leases of over 40 years, and mainly for hotel properties or self-used buildings over fixed periods.
- During the year ended 31 December 2015, certain own used land use rights with a carrying value of RMB223,821,000 (2014: RMB123,227,000) were reclassified to properties under development as a result of change in development plan.
- As at 31 December 2015, land use rights of RMB1,404,050,000 (2014: RMB1,379,941,000) were pledged as collateral for the Group's borrowings (note 24).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 8 Intangible assets

	Construction license	Computer software	Total
<b>At 1 January 2014</b>			
Cost	27,274	74,562	101,836
Accumulated amortisation	(18,182)	(26,226)	(44,408)
<b>Net book amount</b>	9,092	48,336	57,428
<b>Year ended 31 December 2014</b>			
Opening net book amount	9,092	48,336	57,428
Additions	–	22,154	22,154
Amortisation	(9,092)	(9,627)	(18,719)
<b>Closing net book amount</b>	–	60,863	60,863
<b>At 31 December 2014</b>			
Cost	27,274	96,716	123,990
Accumulated amortisation	(27,274)	(35,853)	(63,127)
<b>Net book amount</b>	–	60,863	60,863
<b>Year ended 31 December 2015</b>			
Opening net book amount	–	60,863	60,863
Additions	–	4,752	4,752
Amortisation	–	(11,215)	(11,215)
<b>Closing net book amount</b>	–	54,400	54,400
<b>At 31 December 2015</b>			
Cost	–	101,468	101,468
Accumulated amortisation	–	(47,068)	(47,068)
<b>Net book amount</b>	–	54,400	54,400

Amortisation of RMB11,215,000 (2014: RMB18,719,000) is included in the “administrative expenses” of the consolidated income statement.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 9 Investment properties

	2015	2014
Opening net book amount	5,846,317	5,793,800
Capitalised subsequent expenditure	210,886	341,666
Disposals	(34,359)	(62,906)
Transfer from/(to) property, plant and equipment (note (h))	209,586	(712,734)
Transfer from completed properties held for sale	–	16,866
Transfer from land use rights (note (h))	45,609	–
Revaluation gains recognised in consolidated income statement	62,523	469,625
Revaluation gains recognised as other comprehensive income (note (h))	28,449	–
Closing net book amount	6,369,011	5,846,317

Notes:

- (a) The investment properties are located in the PRC and are held on lease of between 30 to 70 years.
- (b) Amounts recognised in the consolidated income statement for investment properties:

	2015	2014
Rental income	96,463	70,454
Direct operating expenses of investment properties that generated rental income	(50,007)	(30,763)
Direct operating expenses of investment properties that did not generate rental income	(14,924)	(19,673)
	31,532	20,018

As at 31 December 2015, the Group had no unprovided contractual obligations for future repairs and maintenance (2014: nil).

- (c) **Fair value hierarchy**  
As at 31 December 2015 and 2014, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 9 Investment properties (Continued)

Notes: (Continued)

#### (d) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2015 by independent professionally qualified valuers, Vigers Appraisal & Consulting Limited, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the executive directors and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

#### (e) Valuation techniques

Fair values of completed commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

Fair values of car parks are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 9 Investment properties (Continued)

Notes: (Continued)

#### (e) Valuation techniques (Continued)

	Description	Location	Fair value as at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office and retail shop	PRC	6,132,271	Income capitalisation	Term yields Reversionary yields Market rents (RMB/square meter/ month)	5%~8% 5.2%~8.5% 35~1,000
	Car park	PRC	236,740	Direct comparison method	Market price (RMB/square meter)	3,161-7,987

	Description	Location	Fair value as at 31 December 2014	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office and retail shop	PRC	5,609,577	Income capitalisation	Term yields Reversionary yields Market rents (RMB/square meter/ month)	5%~8% 5.2%~8.5% 40~1,000
	Car park	PRC	236,740	Direct comparison method	Market price (RMB/square meter)	3,161-7,987

There are inter-relationships between unobservable inputs.

For office and retail, increase in term yields and revisionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

For car park, increase in market price may result in increase in fair value.

There are no changes to the valuation technique during the year ended 31 December 2015.

#### (f) Investment properties pledged as security

As at 31 December 2015, investment properties of RMB5,284,391,000 (2014: RMB4,746,101,000) and certain rights of receiving rental income were pledged as collateral for the Group's bank borrowings (note 24).

#### (g) Leasing arrangements

Certain investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are disclosed in note 39.

The period of leases whereby the Group leases out its investment properties under operating leases ranged from 1 year to 20 years.

#### (h) During the year ended 31 December 2015, certain floor areas of an office building previously occupied by the Group as office were transferred from property, plant and equipment and land use rights to investment properties. Revaluation gains arising from the transfer of RMB28,449,000 were recognised as other comprehensive income.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 10 Interest in an associate

Amounts represent share of net assets in Guangzhou Li He Property Development Company Limited (廣州利合房地產開發有限公司) ("Li He"), of which the Group and other four PRC real estate developers (the "Five Shareholders") evenly holds its 20% equity interests. Li He is principally engaged in development of a real estate project in Guangzhou, the PRC.

Li He is a private company and there is no quoted market price available for its shares.

The movement of the interest in an associate during the year is as follows:

	2015	2014
Balance as at 1 January	30,565	58,201
Share of post-tax loss of an associate	(27,190)	(27,636)
Balance as at 31 December	3,375	30,565

The associate is accounted for using the equity method. The Directors consider there is no individually material associate. The aggregate amounts of the Group's shares of the associate are as follows:

	2015	2014
Loss from continuing operations	(27,190)	(27,636)
Total comprehensive income	(27,190)	(27,636)

The contingent liabilities relating to the Group's interest in the associate are disclosed in note 37. There is no commitment relating to the Group's interest in the associate.

### 11 Interests in joint ventures

The movement of the interest in joint ventures is as follows:

	2015	2014
Balance as at 1 January	1,220,848	1,030,282
Additions	–	235,563
Share of post-tax losses of joint ventures	(87,400)	(44,997)
Balance as at 31 December	1,133,448	1,220,848

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 11 Interests in joint ventures (Continued)

The joint ventures are accounted for using the equity method. The Directors consider there are no individually material joint ventures. The aggregate amounts of the Group's shares of the joint ventures are as follows:

	2015	2014
Loss from continuing operations	(87,400)	(44,997)
Total comprehensive income	(87,400)	(44,997)

The contingent liabilities relating to the Group's interests in the joint ventures are disclosed in note 37. There is no commitment relating to the Group's interest in the joint ventures.

### 12 Available-for-sale financial assets

The amounts represent 2.5% equity interests in a non-listed real estate project company in the PRC.

### 13 Financial instruments by category

#### Assets as per consolidated balance sheet

	2015	2014
<b>Loans and receivables</b>		
Trade and other receivables excluding prepaid business taxes and other taxes and prepayments	11,447,241	13,239,341
Restricted cash	5,729,642	5,362,080
Cash and cash equivalents	7,407,450	6,067,802
	<b>24,584,333</b>	<b>24,669,223</b>
<b>Available-for-sale financial assets</b>	<b>117,500</b>	<b>117,500</b>
Total	<b>24,701,833</b>	<b>24,786,723</b>

#### Liabilities as per consolidated balance sheet

	2015	2014
<b>Other financial liabilities at amortised cost</b>		
Borrowings	40,030,458	42,321,695
Trade and other payables and accruals, excluding staff welfare benefit payable and other taxes payable	14,960,548	16,714,246
Total	<b>54,991,006</b>	<b>59,035,941</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 14 Properties under development

	2015	2014
Properties under development expected to be completed:		
— Within one operating cycle included under current assets	44,523,607	50,518,110
— Beyond one operating cycle included under non-current assets	6,798,703	9,663,011
	51,322,310	60,181,121
Properties under development comprise:		
— Construction costs and capitalised expenditures	21,370,750	23,895,151
— Capitalised interests	5,193,094	4,462,332
— Land use rights	24,758,466	31,823,638
	51,322,310	60,181,121

Most of the Group's properties under development are located in the PRC. The relevant land use rights in the PRC are on leases of 40 to 70 years.

The capitalisation rate of borrowings is 8.53% for the year ended 31 December 2015 (2014: 7.87%).

As at 31 December 2015, land use rights included in the properties under development with net book value of RMB11,423,626,000 (2014: RMB18,868,343,000) were pledged as collateral for the Group's borrowings (note 24).

### 15 Completed properties held for sale

All completed properties held for sale are located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2015, a provision of RMB123,647,000 were made to write down the completed properties held for sale (31 December 2014: RMB100,310,000).

As at 31 December 2015, completed properties held for sale of approximately RMB1,962,034,000 (2014: RMB1,482,549,000) were pledged as collateral for the Group's bank borrowings (note 24).

### 16 Prepayments for acquisition of land use rights

Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 17 Trade and other receivables

	2015	2014
Trade receivables (note (a))	3,847,636	5,247,731
Other receivables due from:		
— An associate (note 40(c))	2,439,716	2,039,716
— Joint ventures (note 40(c))	2,327,315	2,159,293
— Third parties	2,046,575	1,832,928
Prepaid business taxes and other taxes	188,998	156,589
Deposits for acquisition of land use rights	786,000	1,959,673
Prepayments	301,591	318,643
Total trade and other receivables	11,937,831	13,714,573
Less: other receivables due from an associate and a joint venture — non-current portion	(3,554,716)	(2,039,716)
<b>Trade and other receivables-current portion</b>	<b>8,383,115</b>	<b>11,674,857</b>

As at 31 December 2015, the fair value of trade and other receivables approximated their carrying amounts. All the balances were fully performing except the balances which were past due but not impaired as described below.

Notes:

- (a) Trade receivables mainly arose from sales of properties. Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. As at 31 December 2015 and 2014, the ageing analysis of the trade receivables is as follows:

	2015	2014
Within 90 days	2,749,274	3,505,485
Over 90 days and within 365 days	712,419	1,352,159
Over 365 days and within 2 years	267,104	341,284
Over 2 years	118,839	48,803
	3,847,636	5,247,731

As at 31 December 2015, trade receivables of RMB425,800,000 (2014: RMB1,025,942,000) were past due but not impaired. As the Group normally holds collateral of the properties before collection of the outstanding balances and pass the titles to the purchasers, the Directors consider that the past due trade receivables would be recovered and no provision was made against past due receivables as at 31 December 2015 (2014: nil). The ageing analysis of these trade receivables is as follows:

	2015	2014
Within 90 days	108,937	483,116
Over 90 days and within 365 days	84,898	456,006
Over 365 days and within 2 years	231,965	86,820
	425,800	1,025,942

- (b) The carrying amounts of trade and other receivables are mainly denominated in RMB.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 18 Restricted cash

As at 31 December 2015 and 2014, all of the Group's restricted cash were denominated in RMB. The conversion of the PRC Group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 31 December 2015, restricted cash is mainly comprised of deposit collateral for borrowings, guarantee deposits for construction of pre-sold properties, and deposits for accident compensation.

### 19 Cash and cash equivalents

	2015	2014
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	7,402,450	6,066,087
Short-term bank deposits	5,000	1,715
	<b>7,407,450</b>	<b>6,067,802</b>
Denominated in RMB (note (a))	<b>6,990,988</b>	5,695,167
Denominated in other currencies	<b>416,462</b>	372,635
	<b>7,407,450</b>	<b>6,067,802</b>

Note:

- (a) The conversion of the PRC Group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 20 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
<b>Authorised</b>					
<b>As at 31 December 2015 and 2014</b>	10,000,000,000	1,000,000			
<b>Movements of issued and fully paid share capital</b>					
<b>Year ended 31 December 2014</b>					
At 1 January 2014	3,447,350,000	344,735	363,047	3,279,678	3,642,725
Shares allotted for Share Award Scheme (note 21)	34,470,000	3,447	2,714	153,874	156,588
Rights issue	435,227,500	43,523	34,492	1,264,162	1,298,654
At 31 December 2014	3,917,047,500	391,705	400,253	4,697,714	5,097,967
<b>Year ended 31 December 2015</b>					
At 1 January 2015 and at 31 December 2015	3,917,047,500	391,705	400,253	4,697,714	5,097,967

### 21 Share Award Scheme

On 10 December 2013, the Board of Directors of the Company adopted a Share Award Scheme, under which shares may be awarded to employees of the Company in accordance with the terms and conditions of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Group has set up a trust ("Employee Share Trust"), for the purposes of administering the Share Award Scheme and holding Awarded Shares before they vest. On 10 February 2014, the Company allotted and issued 34,470,000 new shares to the trustee to hold on trust. On 3 January 2014, 32,750,000 of which has been granted to the 116 selected employees, subject to, among others, the performance conditions of both the Group and the awardees can be fulfilled and the awardees remain employed by the Group.

Following the confirmation that relevant vesting conditions have not been satisfied on 20 June 2015, the Board resolved in its meeting held on 26 August 2015 that the award of first 30% Awarded Shares lapsed effective from 26 August 2015. The other 30% of these Awarded Shares vest on 20 June 2016 and the remaining 40% of these Awarded Shares vest on 20 June 2017. As at 31 December 2015, the shares under the Share Award Scheme held by the Employee Share Trustee amounted to RMB156,588,000 (31 December 2014: RMB156,588,000), which was presented within equity in the consolidated balance sheet. For the year ended 31 December 2015, no expenses in relation to the Share Award Scheme were recognised in the consolidated income statement as the performance condition were not fulfilled and no Awarded Shares have been vested (2014: nil).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 22 Other reserves

	Merger reserve (note (a))	Statutory reserve and enterprise expansion fund (note (b))	Revaluation surplus	Translation reserve	Total
Balance at 1 January 2014	442,395	855,698	–	–	1,298,093
Transfer from retained earnings	–	1,155,311	–	–	1,155,311
Currency translation difference	–	–	–	405	405
Balance at 31 December 2014	442,395	2,011,009	–	405	2,453,809
Balance at 1 January 2015	442,395	2,011,009	–	405	2,453,809
Transfer from retained earnings	–	557,716	–	–	557,716
Currency translation difference	–	–	–	11,715	11,715
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment property, net of tax	–	–	21,337	–	21,337
<b>Balance at 31 December 2015</b>	<b>442,395</b>	<b>2,568,725</b>	<b>21,337</b>	<b>12,120</b>	<b>3,044,577</b>

Notes:

- (a) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the shares of the Company issued in exchange pursuant to the Group reorganisation undertaken for listing of Company on the Stock Exchange.
- (b) Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC subsidiaries.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 23 Perpetual Capital Securities

On 18 January 2013, the Company issued subordinated perpetual capital securities (the "Perpetual Capital Securities") with the aggregate principal amount of US\$700,000,000. Net proceeds after deducting the issuance cost amounted to US\$687,432,500 (equivalent to approximately RMB4,321,938,000). The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of Perpetual Capital Securities at the distribution rate as defined in the subscription agreement. Movement of the Perpetual Capital Securities is as follows:

	Principal	Distribution	Total
Balance as at 1 January 2014	4,321,938	164,087	4,486,025
Profit attributable to holders of Perpetual Capital Securities	–	354,782	354,782
Distribution made to holders of Perpetual Capital Securities	–	(357,398)	(357,398)
Balance as at 31 December 2014	4,321,938	161,471	4,483,409
Balance as at 1 January 2015	4,321,938	161,471	4,483,409
Profit attributable to holders of Perpetual Capital Securities	–	358,565	358,565
Distribution made to holders of Perpetual Capital Securities	–	(353,315)	(353,315)
Balance as at 31 December 2015	4,321,938	166,721	4,488,659

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 24 Borrowings

	2015	2014
<b>Borrowings included in non-current liabilities:</b>		
Senior notes (note (a))		
— Senior notes issued in 2010 (“2010 Senior Notes”) (note (a)(i))	4,188,008	3,943,616
— Senior notes issued in 2012 (“2012 Senior Notes”) (note (a)(ii))	4,511,774	4,245,417
— Senior notes issued in 2014 (“2014 Senior Notes I”) (note (a)(iii))	3,183,453	2,996,457
— Senior notes issued in 2014 (“2014 Senior Notes II”) (note (a)(iv))	1,972,254	1,969,703
— Senior notes issued in 2015 (“2015 Senior Notes”) (note (a)(v))	3,192,606	–
Long-term syndicated loans		
— secured (note (b))	650,000	750,000
— unsecured (note (c))	3,204,342	5,803,257
Long-term bank borrowings		
— secured (note (d))	11,196,072	9,510,871
— unsecured (note (e))	546,633	1,760,578
Other borrowings (note (f))		
— secured	4,286,100	4,880,110
— unsecured	287,140	2,690,000
Less: current portion of non-current borrowings	(13,675,339)	(12,699,015)
	<b>23,543,043</b>	<b>25,850,994</b>
<b>Borrowings included in current liabilities:</b>		
Short-term bank borrowings		
— secured (note (d))	227,276	214,284
— unsecured (note (e))	–	1,986,402
Short-term other borrowings (note (f))		
— secured	500,000	700,000
— unsecured	2,084,800	871,000
Current portion of non-current borrowings	13,675,339	12,699,015
	<b>16,487,415</b>	<b>16,470,701</b>
<b>Total borrowings</b>	<b>40,030,458</b>	<b>42,321,695</b>

Notes:

**(a) Senior notes**

The senior notes are jointly guaranteed by certain subsidiaries of the Group and are secured by pledges of the shares of these subsidiaries. The net assets of these subsidiaries are approximately RMB4,579,295,000 as at 31 December 2015 (2014: RMB5,250,116,000).

**(i) 2010 Senior Notes**

On 28 April 2010, the Company issued 8.875% senior notes with an aggregated nominal value of US\$650,000,000 (equivalent to RMB4,436,965,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US\$636,600,000 (equivalent to RMB4,343,810,000). The 2010 Senior Notes will mature in April 2017. The Company, at its option, can redeem all or a portion of the 2010 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 24 Borrowings (Continued)

Notes: (Continued)

**(a) Senior notes (Continued)**

**(ii) 2012 Senior Notes**

On 20 March 2012, the Company issued 9.875% senior notes with an aggregated nominal value of US\$700,000,000 (equivalent to RMB4,406,841,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US\$686,993,000 (equivalent to RMB4,324,896,000). The 2012 Senior Notes will mature in March 2017. The Company, at its option, can redeem all or a portion of the 2012 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

**(iii) 2014 Senior Notes I**

On 18 February 2014, the Company issued 8.375% senior notes with an aggregated nominal value of US\$500,000,000 (equivalent to RMB3,055,150,000) at 99.499% of face value. The net proceeds, after deducting the issuance costs, amounted to US\$487,500,000 (equivalent to RMB2,975,572,000). The 2014 Senior Notes I will mature on 18 February 2019. The Company, at its option, can redeem all or a portion of the 2014 Senior Notes I at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

**(iv) 2014 Senior Notes II**

On 28 February 2014, the Company issued 6.50% senior notes with an aggregated nominal value of RMB2,000,000,000 at 99.33% of the face value. The net proceeds, after deducting the issuance costs, amounted to RMB1,961,000,000. The 2014 Senior Notes II will mature on 28 February 2017. The Company, at its option, can redeem all or a portion of the 2014 Senior Notes II at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

**(v) 2015 Senior Notes**

On 21 May 2015, the Company issued 9% senior notes with an aggregated nominal value of USD500,000,000 (equivalent to approximately RMB3,056,850,000) at 99.507% of the face value. The net proceeds, after deducting the issuance costs, amounted to US\$490,391,000 (equivalent to approximately RMB2,998,104,000). The 2015 Senior Notes will mature on 21 May 2020. The Company, at its option, can redeem all or a portion of the 2015 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

- (b)** A subsidiary of the Group has entered into a bank loan agreement with a group of banks pursuant to which a loan facility of RMB1,000,000,000 has been granted to the subsidiary which will be expired on 3 January 2019. The facility is secured by investment properties of the subsidiary. As at 31 December 2015, the carrying value of the loans outstanding amounted to RMB650,000,000 (2014: RMB750,000,000).
- (c)** The Company has entered into several bank loan agreements with groups of banks pursuant to which the Company has been granted facilities of HK\$5,628,000,000 and HK\$2,895,000,000 expiring on 23 May 2016 and 24 June 2017 respectively. The facilities are jointly guaranteed by certain subsidiaries of the Group by pledges of the shares of these subsidiaries. As at 31 December 2015, the total carrying value of the loans outstanding amounted to HK\$3,822,702,334 (equivalent to approximately RMB3,204,342,000) (2014: HK\$7,354,315,000, equivalent to approximately RMB5,803,257,000).
- (d)** As at 31 December 2015, the Group's bank borrowings of RMB11,423,348,000 are secured by its land use rights, properties and bank deposits (2014: RMB9,725,155,000).
- (e)** As at 31 December 2015, the unsecured bank borrowings of RMB546,633,000 (2014: RMB3,746,980,000) are guaranteed by certain subsidiaries of the Group.
- (f)** As at 31 December 2015, the Group's other borrowings of RMB4,786,100,000 (2014: RMB5,580,110,000) are secured by its land use rights, property, plant and equipment, bank deposits and investment properties. The unsecured other borrowings of RMB2,371,940,000 (2014: RMB3,561,000,000) are guaranteed by certain subsidiaries of the Group.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 24 Borrowings (Continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2015	2014
6 months or less	6,086,297	12,375,653
6-12 months	8,246,496	6,939,738
1-5 years	25,697,665	23,006,304
	<b>40,030,458</b>	42,321,695

The carrying amounts of the borrowings with the respective effective interest rates:

	2015		2014	
	RMB'000	Effective interest rate	RMB'000	Effective interest rate
Senior notes	17,048,095	10.02%	13,155,193	9.28%
Bank borrowings, syndicated loans and other borrowings	22,982,363	7.69%	29,166,502	7.21%
	<b>40,030,458</b>		42,321,695	

The carrying amounts and fair value of the non-current borrowings are as follows:

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Senior notes (note (i))	17,048,095	17,013,908	13,155,193	12,733,559
Bank borrowings, syndicated loans and other borrowings (note (ii))	6,494,948	6,494,948	12,695,801	12,695,801
	<b>23,543,043</b>	<b>23,508,856</b>	25,850,994	25,429,360

Notes:

- (i) The fair value of senior notes is determined directly by references to the price quotations published by the Singapore Exchange Limited and The Stock Exchange of Hong Kong Limited on 31 December 2015, the last dealing date of 2015 and is within level 1 of the fair value hierarchy.
- (ii) The fair values of non-current bank borrowings, syndicated loans and other borrowings approximate their carrying amount as the impact of discounting is not significant. The fair values are based on cash flows discounted at the average borrowing rate of 6.2% (2014: 6.6%), and are within level 2 of the fair value hierarchy.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 24 Borrowings (Continued)

At 31 December 2015, the Group's borrowings were repayable as follows:

	2015	2014
Bank borrowings, syndicated loans and other borrowings and senior notes:		
Within 1 year	16,487,415	16,470,701
Between 1 and 2 years	12,793,274	8,054,777
Between 2 and 5 years	10,228,782	17,165,476
Over 5 years	520,987	630,741
	<b>40,030,458</b>	<b>42,321,695</b>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2015	2014
US dollar	15,303,117	13,499,754
HK dollar	3,204,342	5,803,256
Renminbi	20,951,468	23,018,685
MYR	571,531	–
	<b>40,030,458</b>	<b>42,321,695</b>

The Group has the following undrawn borrowing facilities:

	2015	2014
Floating rate:		
— Expiring beyond one year	2,602,771	3,501,052

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 25 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2015	2014
Deferred income tax assets to be recovered after more than 12 months	487,814	378,074
Deferred income tax assets to be recovered within 12 months	82,394	123,716
	570,208	501,790
Deferred tax income liabilities to be settled after more than 12 months	(1,243,798)	(1,315,858)
<b>Deferred income tax liabilities, net</b>	<b>(673,590)</b>	<b>(814,068)</b>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets – tax losses	Deferred tax assets – write-down of completed held for sale properties	Deferred tax assets – unrealised profit on intra-group transactions	Deferred tax liabilities – temporary difference on recognition of sales and related cost of sales	Deferred tax liabilities – excess of carrying amount of investment properties and property, plant and equipment over the tax bases	Deferred tax liabilities – excess of carrying amount of land use right over the tax bases	Net
At 1 January 2014	246,433	–	69,776	(400,101)	(978,234)	(270,926)	(1,333,052)
Credited/(charged) to the consolidated income statement	131,641	25,077	28,863	400,101	(74,247)	7,549	518,984
At 31 December 2014	378,074	25,077	98,639	–	(1,052,481)	(263,377)	(814,068)
Charged to other comprehensive income	–	–	–	–	(7,112)	–	(7,112)
Credited/(charged) to the consolidated income statement	184,050	5,835	(47,156)	–	(2,687)	7,548	147,590
At 31 December 2015	562,124	30,912	51,483	–	(1,062,280)	(255,829)	(673,590)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of RMB111,819,000 (2014: RMB77,355,000) in respect of tax losses amounting to RMB447,276,000 (2014: RMB309,420,000) that can be carried forward against future taxable income. Tax losses of approximately RMB199,788,000, RMB67,376,000, RMB42,256,000 and RMB137,856,000 will expire in 2017, 2018, 2019 and 2020 respectively.

Deferred income tax liabilities of RMB1,974,546,000 (2014: RMB2,117,043,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings amounted to RMB21,400,509,000 (2014: RMB21,170,434,000) of certain subsidiaries. Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to the overseas intermediate holding companies in the foreseeable future based on management's estimation of overseas funding requirements.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 26 Trade and other payables

	2015	2014
Trade payables (note (a))	11,625,492	13,489,633
Other payables due to:		
— Related parties (note 40 (c))	656,568	558,009
— Third parties (note (b))	1,885,014	1,700,255
Staff welfare benefit payable	45,114	41,665
Accruals	793,474	966,349
Other taxes payable	615,229	577,454
	<b>15,620,891</b>	<b>17,333,365</b>

Notes:

- (a) The ageing analysis of trade payables of the Group as at 31 December 2015 and 2014 is as follows:

	2015	2014
Within 90 days	9,951,225	11,026,173
Over 90 days and within 180 days	1,150,087	1,303,306
Over 180 days and within 365 days	415,797	663,625
Over 365 days	108,383	496,529
	<b>11,625,492</b>	<b>13,489,633</b>

- (b) The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 27 Other (losses)/gains, net

	2015	2014
Gains on disposal of property, plant and equipment	141,428	174,754
Exchange losses, net (note (a))	(194,751)	(28,720)
Others	(86,064)	–
	<b>(139,387)</b>	146,034

Note:

- (a) Amount mainly represents the gain or loss of translation of financial assets and liabilities, which are denominated in foreign currency into RMB at the prevailing period-end exchange rate. It does not include the exchange gain or loss related to borrowings which are included in the finance costs, net (note 32).

### 28 Other income

	2015	2014
Interest income	120,162	86,067
Forfeited deposits from customers	30,244	43,496
Gains on disposal of investment properties	–	13,574
Net income from a project of initial land development	–	799,834
Miscellaneous	61,756	36,195
	<b>212,162</b>	979,166

### 29 Other expenses

	2015	2014
Charitable donations	34,076	61,019
Redemption cost of Convertible Bonds	–	127,018
Early redemption premium of 2009 Senior Notes	–	91,821
Miscellaneous	48,363	33,092
	<b>82,439</b>	312,950

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 30 Expenses by nature

	2015	2014
Employee benefit expenses — including directors' emoluments (note 31)	1,792,370	1,675,560
— property development	978,425	995,679
— property management	574,107	521,394
— hotel operations	239,838	158,487
Auditors' remuneration	7,650	8,800
— Audit services	6,700	6,500
— Non-audit services	950	2,300
Advertising costs	1,136,822	1,200,570
Depreciation (note 6)	367,346	342,120
Amortisation of intangible assets (note 8)	11,215	18,719
Amortisation of land use rights (note 7)	57,827	60,777
— recognised as cost of sales	42,156	40,197
— recognised as expenses	15,671	20,580
Cost of properties sold — including construction cost, land cost and capitalised interests	27,766,712	21,831,778
Business taxes and other levies on sales of properties (note (a))	2,346,946	2,161,133
Cost of property management	334,414	349,799
Cost of hotel operations	500,506	428,727
Write-down of completed properties held for sale	123,647	100,310
Commission fee	166,377	171,624
Others	809,056	758,460
<b>Total cost of sales, selling and marketing costs and administrative expenses</b>	<b>35,420,888</b>	<b>29,108,377</b>

Note:

(a) The Group is subject to business taxes of 5% and other levies on their revenues from sales of properties in the PRC.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 31 Employee benefit expense

	2015	2014
Wages and salaries	1,505,633	1,412,840
Pension costs — statutory pension (note (a))	106,210	86,818
Staff welfare	33,598	31,615
Medical benefits	28,522	26,669
Other allowances and benefits	118,407	117,618
	<b>1,792,370</b>	<b>1,675,560</b>

Notes:

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

(b) Five highest paid individuals  
The five individuals whose emoluments were the highest in the Group for the year include three (2014: three) directors whose emoluments are reflected in the analysis shown in note 45. The emoluments payable to the remaining two (2014: two) individuals during the year are as follows:

	2015	2014
Salaries and bonuses	9,339	12,891

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands (in HK dollar)		
HK\$5,000,001 — HK\$ 5,500,000	1	—
HK\$5,500,001 — HK\$ 6,000,000	1	—
HK\$7,500,001 — HK\$ 8,000,000	—	1
HK\$8,000,001 — HK\$ 8,500,000	—	1

(c) During the years ended 31 December 2015 and 2014, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 32 Finance costs, net

	2015	2014
Interest expenses:		
— Bank borrowings, syndicated loans and other borrowings	(2,006,481)	(2,337,392)
— Senior notes	(1,414,452)	(1,207,992)
— Convertible Bonds	–	(108,410)
Less: interest capitalised	3,003,801	3,444,325
Exchange losses from borrowings and Convertible Bonds	(1,132,380)	(83,104)
Less: exchange losses capitalised	224,306	–
	(1,325,206)	(292,573)

### 33 Income tax expenses

	2015	2014
Current income tax		
— PRC corporate income tax	1,697,456	2,777,876
— PRC land appreciation tax	2,172,129	2,447,623
— PRC withholding income tax	172,955	328,275
Deferred income tax (note 25)		
— PRC corporate income tax	(147,590)	(518,984)
	3,894,950	5,034,790

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home countries or regions of the Group entities as follows:

	2015	2014
Profit before income tax	6,196,487	10,125,891
Tax calculated at tax rates applicable to profits in the respective entities of the Group	1,549,122	2,531,473
Tax effects of:		
— An associate's results reported net of tax	6,798	6,909
— Joint ventures' results reported net of tax	21,850	11,249
— Income not subject to income tax (note (a))	(21,653)	(2,322)
— Expenses not deductible for income tax (note (b))	502,317	312,925
— PRC land appreciation tax deductible for calculation of income tax purposes	(543,032)	(611,906)
— Tax losses for which no deferred income tax asset was recognised	34,464	10,564
PRC corporate income tax	1,549,866	2,258,892
PRC withholding income tax	172,955	328,275
PRC land appreciation tax	2,172,129	2,447,623
	3,894,950	5,034,790

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 33 Income tax expenses (Continued)

Notes:

- (a) Income not subject to income tax for the years ended 31 December 2015 mainly comprise the interest income of bank deposits of the Company (2014: same).
- (b) Expenses not deductible for income tax for the years ended 31 December 2015 mainly comprise administrative expense of domestic companies over deduction limits, donations made to non-official public welfare institutions, exchange loss and expenses of the Group entities in Hong Kong and Malaysia (2014: redemption costs incurred by the Company, administrative expenses of domestic companies over deduction limits, donations made to non-official public welfare institutions and expenses of the Group entities in Hong Kong).

#### PRC land appreciation tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land use rights and expenditures directly related to property development activities.

#### PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the Group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") effective on 1 January 2008.

#### PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower of 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfill requirements under the tax treaty arrangements between the PRC and Hong Kong.

#### Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Group entities in the British Virgin Islands were incorporated either under the BVI Business Companies Act or were automatically re-registered under the same act on 1 January 2007 and, accordingly, are exempted from British Virgin Islands income tax.

#### Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the Group entities in Hong Kong is mainly derived from dividend income and interest income of bank deposits, which are not subject to Hong Kong profits tax.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 34 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	2015	2014
Profit attributable to shareholders of the Company	1,390,343	4,287,245
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	3,882,578	3,508,170
Basic earnings per share (RMB per share)	0.358	1.222

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2015, there is no diluted potential ordinary share. As at 31 December 2014, the Company has a dilutive potential ordinary share — convertible debt. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

	2015	2014
Earnings		
Profit attributable to shareholders of the Company	1,390,343	4,287,245
Exchange gains on debt component	–	24,047
Profit used to determine diluted earnings per share	1,390,343	4,311,292
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	3,882,578	3,508,170
Assumed conversion of Convertible Bonds (thousands)	–	76,590
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,882,578	3,584,760
Diluted earnings per share (RMB per share)	0.358	1.203

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 35 Dividends

	2015	2014
Interim dividend paid of nil (2014: HK\$0.145) per ordinary share (note (a))	–	400,104
Less: Dividend for shares held for Share Award Scheme	–	(3,961)
	–	396,143
Proposed final dividend of HK\$0.145 (2014: HK\$0.25) per ordinary share (note (b))	473,963	772,931
Proposed special dividend of HK\$0.25 (2014: nil) per ordinary share (note (b))	818,663	–
Less: Dividend for shares held for Share Award Scheme	(11,375)	(6,801)
	1,281,251	766,130
	1,281,251	1,162,273

Notes:

- (a) No interim dividend in respect of six months ended 30 June 2015 was declared by the Board of Directors of the Company (2014: RMB400,104,000).
- (b) A final dividend in respect of 2014 of HK\$0.25 per ordinary share per ordinary share totalling HK\$979,262,000 (equivalent of RMB772,931,000) was declared of Annual General Meeting of the Company on 12 June 2015, of which HK\$8,617,000 (equivalent to RMB6,801,000) was declared for shares held by Share Award Scheme.

A final dividend in respect of 2015 of HK\$0.145 per ordinary share and a special dividend of HK\$0.25 per ordinary share have been proposed by the Board of Directors of the Company and are subject to the approval of the shareholders at the Annual General Meeting to be held on 13 May 2016. The final dividend will be distributed out of the Company's retained earnings and the special dividend will be distributed out of the Company's share premium. These consolidated financial statements have not reflected these dividends payable.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 36 Cash generated from operations

	2015	2014
Profit for the year	2,301,537	5,091,101
Adjustments for:		
Taxation	3,894,950	5,034,790
Interest income (note 28)	(120,162)	(86,067)
Depreciation (note 6)	367,346	342,120
Amortisation of intangible assets (note 8)	11,215	18,719
Amortisation of land use rights (note 7)	57,827	60,777
Write-down of completed properties held for sale	123,647	100,310
Gains on disposal of investment properties and property, plant and equipment	(141,428)	(188,328)
Net exchange losses	194,751	28,720
Fair value gains on investment properties	(62,523)	(469,625)
Share of post-tax loss of an associate	27,190	27,636
Share of post-tax losses of joint ventures	87,400	44,997
Finance costs, net (note 32)	1,325,206	292,573
Redemption cost of Convertible Bonds (note 29)	–	127,018
Early redemption premium of 2009 Senior Notes (note 29)	–	91,821
Changes in working capital:		
Property under development and completed properties held for sale	10,194,877	(13,567,476)
Prepayments for acquisition of land use rights	(3,473,821)	6,209,871
Restricted cash	(336,470)	(1,648,644)
Trade and other receivables	2,647,660	(706,095)
Trade and other payables and accruals	1,324,070	1,362,592
Advance proceeds received from customers	(2,105,030)	2,787,328
<b>Cash generated from operations</b>	<b>16,318,242</b>	<b>4,954,138</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 37 Financial guarantee

	2015	2014
Guarantee in respect of mortgage facilities for certain purchasers (note (a))	22,449,001	14,658,120
Guarantee in respect of borrowings of an associate (note (b) and note 40(b))	1,781,900	2,233,980
Guarantee in respect of borrowings of joint ventures (note (c) and note 40(b))	650,947	799,346
	<b>24,881,848</b>	<b>17,691,446</b>

Notes:

- (a) The Group has cooperated with certain financial institutions to arrange mortgage loan facilities for its purchasers of properties and provide guarantees to secure obligations of such purchasers for repayments. As at 31 December 2015, the outstanding guarantees amounted to RMB22,449,001,000 (2014: RMB14,658,120,000). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year after the purchasers take possession of the relevant property; and (ii) the satisfaction of relevant mortgage loan by purchasers.

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the associate was RMB439,886,000 as at 31 December 2015 (2014: RMB271,960,000).

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the joint ventures was RMB207,766,000 as at 31 December 2015 (2014: RMB142,383,000).

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interests and penalties owed by the defaulted purchasers to the financial institutions, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee starts from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as the management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

- (b) The Company and the other four PRC real estate developers have evenly provided certain guarantees, in proportion of their shareholding in Li He (note 10), in respect of loan facilities of Li He amounting to RMB8,909,500,000 (2014: RMB11,169,900,000), the Group's share of the guarantee amounted to RMB1,781,900,000 (2014: RMB2,233,980,000).
- (c) Several subsidiaries of the Group and joint venture counter parties have provided certain guarantees in proportion of their shareholding in certain joint ventures in respect of loan facilities amounting to RMB2,404,089,000 (2014: RMB3,067,385,000). The Group's share of the guarantees amounted to RMB650,947,000 (2014: RMB799,346,000).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 38 Commitments

#### (a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
Property, plant and equipment:		
— Not later than one year	37,334	37,268
— Later than one year and not later than five years	61,110	66,604
	<b>98,444</b>	103,872

	2015	2014
Lease of areas adjacent to the property development projects:		
— Not later than one year	700	650
— Later than one year and not later than five years	3,300	3,100
— Later than five years	31,950	32,850
	<b>35,950</b>	36,600

	2015	2014
Lease of the land use right for ancillary facilities:		
— Not later than one year	3,430	3,401
— Later than one year and not later than five years	8,337	9,593
— Later than five years	28,337	30,450
	<b>40,104</b>	43,444

#### (b) Other commitments

	2015	2014
Contracted but not provided for		
— Property development activities	16,303,494	21,804,306
— Acquisition of land use rights	92,833	951,028
	<b>16,396,327</b>	22,755,334

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 39 Future minimum rental payments receivable

The Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	2015	2014
Not later than one year	161,011	66,267
Later than one year and not later than five years	642,404	445,891
Over five years	365,621	284,606
	<b>1,169,036</b>	<b>796,764</b>

### 40 Related party transactions

#### (a) Name and relationship with related parties

Name	Relationship
Top Coast Investment Limited	The ultimate holding company of the Group
The Founding Shareholders, including Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Ms. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei, and Mr. Chan Cheuk Nam (the "Founding Shareholders")	The Founding Shareholders are also the directors of the Company
Zhongshan Changjiang Golf Course (note (i)) 中山長江高爾夫球場	Controlled by the Founding Shareholders
Zhongshan Agile Changjiang Hotel Co., Ltd. (note (i)) 中山市雅居樂長江酒店有限公司	Controlled by the Founding Shareholders
Li He	Associate of the Group
Tianjin Jinnan Xincheng Real Estate Development Company Limited (Tianjin Jinnan) (note (i)) 天津津南新城房地產開發有限公司	Joint venture of the Group
Tianjin He An Investment Company Limited (He An) (note (i)) 天津和安投資有限公司	Joint venture of the Group
Zhongshan Yahong Real Estate Development Co., Ltd. (Zhongshan Yahong) (note (i)) 中山市雅鴻房地產開發有限公司	Joint venture of the Group
Guangzhou Huadu Yazhan Realty Development Co., Ltd. (Huadu Yazhan) (note (i)) 廣州花都雅展房地產開發有限公司	Joint venture of the Group

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 40 Related party transactions (Continued)

#### (a) Name and relationship with related parties (Continued)

Name	Relationship
Changsha Shangcheng Land Co., Ltd. (Changsha Shangcheng) (note (i)) 長沙上城置業有限公司	Joint venture of the Group
Guangzhou Zhongyu Real Estate Development Co., Ltd. (Guangzhou Zhongyu) (note (i)) 廣州市眾譽房地產開發有限公司	Joint venture of the Group
Guangxi Fuya Investments Ltd. (Guangxi Fuya) (note (i)) 廣西富雅投資有限公司	Joint venture of the Group
Accord Wing Limited (Accord Wing) 和榮有限公司	Joint venture of the Group
Charm Talent Limited (Charm Talent) 煌迪有限公司	Joint venture of the Group

Note:

- (i) The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

#### (b) Transactions with related parties

During the years ended 31 December 2015 and 2014, the Group had the following transactions with related parties, which are carried out in the normal course of the Group's business:

	2015	2014
Golf facilities service fees charged by Zhongshan Changjiang Golf Course (note (i))	32	30
Restaurant and hotel service fees charged by Zhongshan Agile Changjiang Hotel Co., Ltd. (note (i))	3,178	4,218
Underwriting fees charged by Top Coast Investment Limited	–	8,572
	2015	2014
Providing guarantee for borrowings of related parties		
— Li He (note 37(b))	1,781,900	2,233,980
— Tianjin Jinnan (note 37(c))	551,097	734,346
— Zhongshan Yahong (note 37(c))	–	65,000
— Guangxi Fuya (note 37(c))	49,900	–
— Changsha Shangcheng (note 37(c))	49,950	–
	2,432,847	3,033,326

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 40 Related party transactions (Continued)

#### (b) Transactions with related parties (Continued)

##### Key management compensation

Key management includes executive directors. The compensation paid or payable to key management for employee services is shown below:

	2015	2014
— Salaries and other short-term employee benefits	32,513	28,786
— Retirement scheme contributions	171	165
	<b>32,684</b>	<b>28,951</b>

Note:

- (i) Golf facilities service fees and restaurant and hotel service fees were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors of the Company, were determined with reference to the market price of the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

#### (c) Balances with related parties

As at 31 December 2015 and 2014, the Group had the following significant non-trade balances with related parties:

	2015	2014
Due from related parties		
— Li He (note (i))	2,439,716	2,039,716
— Zhongshan Yahong (note (ii))	214,523	—
— Tianjin Jinnan (note (ii))	1,115,000	1,075,000
— Changsha Shangcheng (note (ii))	685,310	660,310
— Huadu Yazhan (note (ii))	312,482	423,983
	<b>4,767,031</b>	<b>4,199,009</b>
Due to related parties		
— Top Coast Investment Limited (note (iii))	7,480	6,884
— Founding shareholders (note (iv))	92,820	92,820
— Zhongshan Changjiang Golf Course (note (ii))	32	30
— Zhongshan Yahong (note (ii))	267,587	30,646
— Charm Talent (note (ii))	288,649	427,629
	<b>656,568</b>	<b>558,009</b>

Notes:

- (i) As at 31 December 2015, the balances due from Li He are cash advance in nature, which are unsecured, interest free and expected to be received after 1 year.
- (ii) The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.
- (iii) Amounts due to Top Coast Investment Limited as at 31 December 2015 comprised dividend payable of RMB251,000 (2014: nil) and cash advances of RMB7,229,000 (2014: RMB6,884,000), which are unsecured, interest-free and repayable on demand.
- (iv) Amounts due to Founding Shareholders represent the consideration payable for acquisition of a hotel building.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 41 Ultimate holding company

The directors of the Company consider Top Coast Investment Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company of the Group.

### 42 Subsidiaries

(a) Particulars of principal subsidiaries of the Group at 31 December 2015 are set out below:

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent(%)	Proportion of ordinary shares held by the Group(%)	Proportion of ordinary shares held by non-controlling interests(%)
<b>Directly held by the Company</b>					
Eastern Supreme Group Holdings Limited (formerly named Eastern Supreme Group Limited)	British Virgin Islands (the "BVI")/limited liability company	Investment holding/ Hong Kong	100%	100%	–
<b>Indirectly held by the Company</b>					
雅居樂地產置業有限公司 (前稱中山市雅居樂地產置業有限公司) Agile Property Land Co., Ltd. (formerly named Zhongshan Agile Property Land Co., Ltd)	PRC/wholly foreign owned enterprise	Management consultant/ Mainland China	–	100%	–
中山雅居樂雍景園房地產有限公司 Zhongshan Agile Majestic Garden Real Estate Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州番禺雅居樂房地產開發有限公司 Guangzhou Panyu Agile Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州花都雅居樂房地產開發有限公司 Guangzhou Huadu Agile Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
佛山市南海區雅居樂房地產有限公司 Foshan Nanhai Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
中山市凱茵園房地產開發有限公司 Zhongshan Greenville Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
中山市雅建房地產發展有限公司 Zhongshan Ever Creator Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 42 Subsidiaries (Continued)

#### (a) Particulars of principal subsidiaries of the Group at 31 December 2015 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent(%)	Proportion of ordinary shares held by the Group(%)	Proportion of ordinary shares held by non-controlling interests(%)
廣州雅居樂房地產開發有限公司 Guangzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
佛山市雅居樂房地產有限公司 Foshan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
雅居樂物業管理服務有限公司 (前稱中山市雅居樂物業管理服務有限公司) Agile Property Management Services Co., Ltd. (note (i)) (formerly named Zhongshan Agile Property Management Services Co., Ltd.)	PRC/wholly foreign owned enterprise	Property management/ Mainland China	–	100%	–
南京雅居樂房地產開發有限公司 Nanjing Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
河源市雅居樂房地產開發有限公司 Heyuan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
冠金投資有限公司 Crown Golden Investments Limited (note (b))	BVI/Limited liability company	Investment holding/BVI	–	70%	30%
海南雅居樂房地產開發有限公司 Hainan Agile Real Estate Development Co., Ltd. ("Hainan Agile") (note (i)) (note (b))	PRC/foreign invested enterprise	Property development/ Mainland China	–	70%	30%
海南雅恒房地產開發有限公司 Hainan Yaheng Real Estate Development Co., Ltd. ("Hainan Yaheng") (note (i)) (note (b))	PRC/foreign invested enterprise	Property development/ Mainland China	–	70%	30%
廣州從化雅居樂房地產開發有限公司 Guangzhou Conghua Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
四川雅居樂房地產開發有限公司 Sichuan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 42 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2015 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent(%)	Proportion of ordinary shares held by the Group(%)	Proportion of ordinary shares held by non-controlling interests(%)
佛山市三水雅居樂房地產有限公司 Foshan Sanshui Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
惠州白鷺湖旅遊實業開發有限公司 Huizhou Bailuhu Tour Enterprise Development Co., Ltd. (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
陝西昊瑞房地產開發有限責任公司 Shanxi Haorui Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	–	100%	–
上海靜安城投重慶置業有限公司 Shanghai Jing'an Chengtou Chongqing Land Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
上海雅恒房地產開發有限公司 (前稱上海金昌房地產開發有限公司) Shanghai Yaheng Real Estate Development Co., Ltd. (formerly named Shanghai Jinchang Real Estate Development Co., Ltd.) (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州雅居樂酒店有限公司 Guangzhou Agile Hotel Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Hotel operation/ Mainland China	–	100%	–
佛山雅居樂酒店有限公司 Foshan Agile Hotel Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Hotel operation/ Mainland China	–	100%	–
廣州雅恒房地產開發有限公司 Guangzhou Yaheng Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
中山市雅信房地產開發有限公司 Zhongshan Yaxin Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	–	100%	–
中山市雅創房地產開發有限公司 Zhongshan Yachuang Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	–	100%	–
廣州雅生房地產開發有限公司 Guangzhou Yasheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	–	100%	–

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 42 Subsidiaries (Continued)

#### (a) Particulars of principal subsidiaries of the Group at 31 December 2015 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent(%)	Proportion of ordinary shares held by the Group(%)	Proportion of ordinary shares held by non-controlling interests(%)
中山市雅景房地產開發有限公司 Zhongshan Yajing Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	-	100%	-
廣州雅粵房地產開發有限公司 Guangzhou Yayue Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
廣州雅騰房地產開發有限公司 Guangzhou Yateng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	-	100%	-
佛山市三水雅居樂雍景園房地產有限公司 Foshan Sanshui Agile Majestic Garden Real Estate Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	-	100%	-
廣東西樵商貿廣場有限公司 Guangdong Xiqiao Commerce Plaza Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	-	100%	-
南京江寧雅居樂房地產開發有限公司 Nanjing Jiangning Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
遼寧雅居樂房地產開發有限公司 Liaoning Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-
西安雅居樂物業投資管理有限公司 Xi'an Agile Property Investment Management Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	-	100%	-
佛山市順德區雅居樂房地產有限公司 Foshan Shunde Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	-	100%	-
南京雅建置業有限公司 Nanjing Yajian Land Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	-	100%	-
常州雅居樂房地產開發有限公司 Changzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	-	100%	-

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 42 Subsidiaries (Continued)

#### (a) Particulars of principal subsidiaries of the Group at 31 December 2015 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent(%)	Proportion of ordinary shares held by the Group(%)	Proportion of ordinary shares held by non-controlling interests(%)
騰冲雅居樂旅遊置業有限公司 Tengchong Agile Resort Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
海南雅航旅遊置業有限公司 Hainan Yahang Travel Property Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
惠州市惠陽雅居樂房地產開發有限公司 Huizhou Huiyang Agile Real Estate Development Co., Ltd (note (i))	PRC/limited liability company	Property development/ Mainland China	–	100%	–
西雙版納雅居樂旅遊置業有限公司 (前稱西雙版納雅居樂旅遊發展有限公司) Xishuangbanna Agile Resort Co., Ltd. (formerly named Xishuangbanna Agile Resort Development Co., Ltd) (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
瑞麗雅居樂旅遊置業有限公司 Ruili Agile Resort Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
西安曲江雅居樂房地產開發有限公司 Xi'an Qujiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	–	70%	30%
佛山市順德區雅新房地產開發有限公司 Foshan Shunde Yaxin Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	–	100%	–
揚州雅居樂房地產開發有限公司 Yangzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
來安雅居樂房地產開發有限公司 Lai'an Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	–	100%	–
無錫雅居樂房地產開發有限公司 Wuxi Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	–	100%	–

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 42 Subsidiaries (Continued)

#### (a) Particulars of principal subsidiaries of the Group at 31 December 2015 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent(%)	Proportion of ordinary shares held by the Group(%)	Proportion of ordinary shares held by non-controlling interests(%)
上海松江雅居樂房地產開發有限公司 Shanghai Songjiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
昆山市富恒房地產開發有限公司 Kunshan Fuheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	–	100%	–
中山市雅尚房地產開發有限公司 Zhongshan Yashang Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	–	53.8%	46.2%
杭州余杭雅居樂房地產開發有限公司 Hangzhou Yuhang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	–	100%	–
南京濱江雅居樂房地產開發有限公司 Nanjing Binjiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	–	100%	–
鄭州雅居樂房地產開發有限公司 Zhengzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	–	60%	40%
佛山市南海區雅恒房地產開發有限公司 Foshan Nanhai Yaheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability company	Property development/ Mainland China	–	51%	49%

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 42 Subsidiaries (Continued)

#### (a) Particulars of principal subsidiaries of the Group at 31 December 2015 are set out below: (Continued)

Structured entity	Principal activities
The Company's Employee Share Trust	Purchases, administers and holds the Company's shares in respect of the Share Award Scheme set up for the benefit of eligible employees

As the Company's Employee Share Trust is set up solely for the purpose of purchasing, administering and holding the Company's shares in respect of the Share Award Scheme, the Company has the rights to variable returns from its involvement with the Employee Share Trust and has the ability to affect those returns through its power over the trust. The assets and liabilities of the Employee Share Trust are included in the Group's consolidated financial statements and the shares held by the Employee Share Trust are presented as a deduction in equity as "Shares held for Share Award Scheme".

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note:

- (i) The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

#### (b) Material non-controlling interests

Crown Golden Investment Limited ("Crown Golden") is incorporated in the British Virgin Islands, the principal activity is investment holding. The subsidiaries of Crown Golden are certain project development companies in the PRC. As at 31 December 2015, the total non-controlling interests amounted to RMB3,198,064,000 (2014: RMB2,960,884,000), of which RMB2,042,193,000 (2014: RMB2,107,735,000) is for 30% non-controlling interests in Crown Golden. The remaining non-controlling interests are not individually material.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 42 Subsidiaries (Continued)

#### (b) Material non-controlling interests (Continued)

##### Summarised financial information on subsidiaries with material non-controlling interests

	2015	2014
Current		
— Assets	18,875,357	20,226,405
— Liabilities	(15,122,548)	(17,660,314)
Total current net assets	3,752,809	2,566,091
Non-current		
— Assets	4,375,499	5,288,834
— Liabilities	(1,320,999)	(829,142)
Total non-current net assets	3,054,500	4,459,692
Net assets	6,807,309	7,025,783

	2015	2014
Revenue	6,960,619	6,319,307
Post-tax profit from continuing operations	1,244,150	1,232,219
Total comprehensive income	1,244,150	1,232,219
Total comprehensive income allocated to non-controlling interests	373,245	369,666
Dividends paid to non-controlling interests	438,787	342,616

	2015	2014
Net cash (used in)/generated from operating activities	(530,726)	422,877
Net cash generated from/(used in) investing activities	287,442	(318,170)
Net cash generated from/(used in) financing activities	474,434	(573,784)
Exchange losses on cash and cash equivalents	(32,025)	(191)
Net increase/(decrease) in cash and cash equivalents	199,125	(469,268)

\* The amounts above are before inter-company eliminations.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 43 Balance sheet and reserve movement of the Company

#### Balance sheet of the Company

	As at 31 December	
	2015	2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	448,520	448,520
<b>Current assets</b>		
Amounts due from subsidiaries	34,481,196	35,362,968
Other receivables and prepayments	16,374	6,326
Restricted cash	255,576	250,000
Cash and cash equivalents	243,918	149,943
	34,997,064	35,769,237
<b>Total assets</b>	<b>35,445,584</b>	<b>36,217,757</b>
<b>EQUITY</b>		
<b>Equity attributable to shareholders of the Company</b>		
Share capital and premium	5,097,967	5,097,967
Shares held for Share Award Scheme	(156,588)	(156,588)
Other reserves (note (a))	427,512	427,512
Retained earnings (note (a))	1,092,304	1,402,684
	6,461,195	6,771,575
<b>Perpetual Capital Securities</b>	<b>4,488,659</b>	<b>4,483,409</b>
<b>Total equity</b>	<b>10,949,854</b>	<b>11,254,984</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	17,679,822	16,126,953
<b>Current liabilities</b>		
Borrowings	2,799,891	5,145,760
Amounts due to subsidiaries	3,342,822	2,874,149
Other payables and accruals	673,195	815,911
	6,815,908	8,835,820
<b>Total liabilities</b>	<b>24,495,730</b>	<b>24,962,773</b>
<b>Total equity and liabilities</b>	<b>35,445,584</b>	<b>36,217,757</b>

The balance sheet of the Company was approved by the Board of Directors on 23 March 2016 and was signed on its behalf by:

**Chen Zhuo Lin**  
Director

**Chan Cheuk Hung**  
Director

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 43 Balance sheet and reserve movement of the Company (Continued)

Note (a): Reserve movement of the Company

	Other reserves	Retained earnings
At 1 January 2014	427,512	911,371
Profit for the year	–	1,792,806
Dividends declared relating to 2013	–	(1,301,493)
<b>At 31 December 2014</b>	<b>427,512</b>	<b>1,402,684</b>
At 1 January 2015	427,512	1,402,684
Profit for the year	–	455,750
Dividends declared relating to 2014	–	(766,130)
<b>At 31 December 2015</b>	<b>427,512</b>	<b>1,092,304</b>

### 44 Events after the balance sheet date

#### 1. Domestic Bonds

On 11 January 2016, a PRC subsidiary (“Issuer”) of the Company issued 4.7% domestic bonds (the “Domestic Bonds”) with an aggregate amount of RMB1,600,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,583,568,000. The Domestic Bonds will mature on 11 January 2021. The Issuer shall be entitled to adjust the coupon rate at the end of third year whereas the investors shall be entitled to sell back in whole or in part the Domestic Bonds.

#### 2. Asset-backed securitisation

A PRC subsidiary engaged in property management entered into asset-backed securitisation (“ABS”) arrangement with an assets management company by pledging of the future 5 years’ receivables right of certain properties under its management. On 26 February 2016, the ABS was formally established with an aggregated nominal value of RMB1,100,000,000, with a 5 year duration, amongst which RMB100,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the ABS, after deducting the issuance costs and the subordinate securities purchased by PRC subsidiary, amounted to approximately RMB974,150,000.

#### 3. Domestic Private Bonds

On 21 March 2016, the Shanghai Stock Exchange has approved the application of a PRC subsidiary of the Company to issue non-public domestic bonds (the “Non-public Domestic Bonds”) to a group of financial institutions of up to an aggregate amount of RMB3,000,000,000. The final aggregate principal amount and the coupon rate of the Non-public Domestic Bonds will be subject to market conditions and qualified investors’ interests. The Non-public Domestic Bonds will mature no more than four years from the date of issue.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 45 Benefits and interests of directors

#### (a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking:

	Fees	Salary	Housing allowance and contribution to a retirement benefit scheme	Total
Mr. Chen Zhuo Lin	–	3,364	14	3,378
Mr. Chan Cheuk Hung	–	2,403	14	2,417
Mr. Huang Fengchao	–	6,271	29	6,300
Mr. Liang Zhengjian (note(i))	–	9,374	33	9,407
Mr. Chen Zhongqi	–	8,266	81	8,347
Mr. Chan Cheuk Yin	315	–	–	315
Ms. Luk Sin Fong, Fion	315	–	–	315
Mr. Chan Cheuk Hei	315	–	–	315
Mr. Chan Cheuk Nam	315	–	–	315
Dr. Cheng Hon Kwan (note(ii))	315	–	–	315
Mr. Kwong Che Keung, Gordon (note(ii))	315	–	–	315
Mr. Cheung Wing Yui, Edward (note(ii))	315	–	–	315
Mr. Hui Chiu Chung, Stephen (note(ii))	315	–	–	315
Mr. Wong Shiu Hoi, Peter (note(ii))	315	–	–	315
	2,835	29,678	171	32,684

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 45 Benefits and interests of directors (Continued)

#### (a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2014:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking:

	Fees	Salary	Housing allowance and contribution to a retirement benefit scheme	Total
Mr. Chen Zhuo Lin	–	3,327	13	3,340
Mr. Chan Cheuk Yin	–	941	3	944
Ms. Luk Sin Fong, Fion	–	941	3	944
Mr. Chan Cheuk Hung	–	2,377	13	2,390
Mr. Chan Cheuk Hei	–	823	3	826
Mr. Chan Cheuk Nam	–	823	3	826
Mr. Huang Fengchao	–	7,440	59	7,499
Mr. Liang Zhengjian (note(i))	–	7,555	34	7,589
Mr. Chen Zhongqi	–	6,205	40	6,245
Dr. Cheng Hon Kwan (note(ii))	309	–	–	309
Mr. Kwong Che Keung, Gordon (note(ii))	309	–	–	309
Mr. Cheung Wing Yui, Edward (note(ii))	309	–	–	309
Mr. Hui Chiu Chung, Stephen (note(ii))	158	–	–	158
Mr. Wong Shiu Hoi, Peter (note(ii))	158	–	–	158
	1,243	30,432	171	31,846

Notes:

- (i) Mr. Liang Zhengjian resigned on 1 December 2015.
- (ii) Independent non-executive directors of the Company.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB thousands unless otherwise stated)

### 45 Benefits and interests of directors *(Continued)*

#### **(b) Directors' retirement benefits**

During the year ended 31 December 2015, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note (a) above (2014: same).

#### **(c) Directors' termination benefits**

During the year ended 31 December 2015, there was no termination benefits received by the directors (2014: same).

#### **(d) Consideration provided to third parties for making available directors' services**

During the year ended 31 December 2015, no consideration was paid for making available the services of the directors of the Company (2014: same).

#### **(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

During the year ended 31 December 2015, there was no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

#### **(f) Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## PRINCIPAL AND REGISTERED OFFICES OF THE COMPANY

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## PRINCIPAL PAYING AND TRANSFER AGENT AND REGISTRAR AND COLLATERAL AGENT

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## LEGAL ADVISERS TO THE COMPANY

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